

# Taxation, Spending, and Budgets

## Public Finance in Kansas During the Great Depression

*by Peter Fearon*

**D**uring America's Great Depression all branches of government struggled to meet the challenges posed by rising unemployment, falling prices, and social distress. Among the consequences of this unexpected economic shock was the development of new financial relationships between the localities, the states, and the federal government. This was a depression of unexpected severity, which hit both rural and urban dwellers suddenly and without mercy. The optimism that had built up in the late 1920s was replaced with fear and uncertainty. It is not surprising that the economic crisis had an immediate effect on tax revenue. As the economy slid toward its trough, some hard-pressed taxpayers were forced to delay payment and others became delinquent. Inevitably, some taxing units found that revenues declined when the need to assist distressed citizens became increasingly evident.

Starting in 1933 the New Deal made new demands on the states and localities. The federal government extended a much needed helping hand, but at the same time Washington expected reciprocity. To secure federal funding for key welfare programs, states were obliged to contribute to their cost according to their ability. State legislators faced a twofold problem. First, more revenue had to be raised at a time when farm and nonfarm incomes had not recovered to pre-depression levels. Second, legislators had to consider how taxation could be made more equitable, how funds could be targeted to those most in need, and how alternative sources of revenue could be exploited.<sup>1</sup> It is not surprising that taxpayers called for economy in government with a cry so loud that no official seeking election could fail to hear it. On the other hand, this was a time of unprecedented economic and social crisis. The large number of

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1. Howard P. Jones, "Effect of the Depression on State–Local Relations," *National Municipal Review* 25 (August 1936): 465–70.

*Kansas History: A Journal of the Central Plains* 28 (Winter 2005–2006): 230–243.

## PROUD OF SAVING

Woodring Adds He Intends  
Further Cuts in Taxes.

Spent Less Money Than Was  
Appropriated, Claim.

## LEVY 22 PER CENT BELOW '30

Local Expenses Also Reduced,  
He Says at State Fair.

1933 General Property Taxes  
May Be Under \$70,000,000.

Hutchinson, Kan., Sept. 22 (AP)—Declaring his efforts had been directed toward lowering the tax burden on farms and homes, Gov. Harry H. Woodring in a speech prepared for delivery today at the Kansas State fair quoted figures to show "that for the first time in history the governor of Kansas spent less money than was appropriated by the legislature."

The Democratic candidate for reelection said \$1,800,000 had been saved from 1931 appropriations, that cuts amounting to \$1,800,000 already had been made for 1932 and that he believed the saving for the cur-

*Topeka State Journal, September 22, 1932*

## RELIEF OF POOR SERIOUS PROBLEM IN LEGISLATURE

General Bill Allowing Coun-  
ties and Cities to Issue  
Bonds Will Be Considered  
Immediately.

## WOULD HALT ALL FORECLOSURES

Proposal by Reps. Wood and  
Benson Would Declare a  
Moratorium on Collections  
For Two Years.

Relief of the poor is one of the most pressing problems confronting the present session of the legislature. Most of the counties and cities have exhausted their poor

*Topeka Daily Capital, February 10, 1933*

## VALUE OF KANSAS CURB ON TAXATION APPARENT

—SAYS BARNARD

One of Few States Thru Un-  
scathed.

Sound Kansas Financial Machinery  
Copy for Other States for  
Years to Come.

Special to The Capital.  
Salina, Kan., June 11.—With the sorry spectacle of municipalities in perhaps 30 states facing an appeal for relief from their debts, not one of the 10,000 taxing units in Kansas is seeking rescue under the federal bankruptcy law. This is the good result of Kansas legislation bringing business administration to taxing bodies. The final act to give governing bodies sound financial machinery, is the municipal accounting and auditing law, passed by the last legislature. And this law follows logically the budget and cash basis statutes, to make Kansas the foremost state in the union in municipal government.

*Topeka Daily Capital, June 12, 1935*

## HOPKINS SILENT AFTER LEARNING OF STATE RELIEF

Stutz Wired Works Progress  
Administrator Thursday  
On His Statement Kansas  
Has Spent Nothing.

## ADMINISTRATOR HIT AT LONDON

Figures Showing Kansas  
Ranks With Leaders of  
Nation in Expenditures  
For Relief Wired Him.

John G. Stutz, executive director of the Kansas Emergency Relief committee, last night made public a telegram he sent Harry L. Hop-

*Topeka Daily Capital, November 3, 1935*

destitute needed public assistance, and legislators everywhere sought to extract from Washington all the funding that they believed was rightly theirs.

The study of federal finances during the New Deal era has attracted the attention of many distinguished historians.<sup>2</sup> For the most part they concentrate on the persistent budget deficit, the impact of the taxes that President Franklin D. Roosevelt felt he had to introduce to keep the deficit in check, and the role that federal finances played in either encouraging, or possibly delaying, full economic recovery. State and local finances largely have been ignored, which is surprising because fiscal changes at the grassroots were no less revolutionary than those emanating directly from Congress. In an attempt to help redress this imbalance, this article will describe and analyze the evolution in public finance in Kansas during the depression decade. It will examine the reasons that lay behind a radical readjustment in local taxation and consider whether Kansas legislators were innovative or merely reactive in the implementation of tax changes.

Perhaps scholars have failed to undertake detailed research into local finance because of its daunting complexity and the inadequacy of statistical information. The complexity can be rendered more manageable by separating the state government finances from the large number of local taxing units. In 1929 state government receipts reached \$29 million, while the figure for the more than eleven thousand local units was nearly \$105 million. If

2. Benjamin M. Anderson, *Economics and the Public Welfare: A Financial and Economic History of the United States*, 2d ed. (Indianapolis: Liberty Press, 1979); E. Carey Brown, "Fiscal Policy in the 'Thirties: A Reappraisal," *American Economic Review* 46 (December 1956): 857–79; J. Bradford De Long, "Fiscal Policy in the Shadow of the Great Depression," in *The Defining Moment: The Great Depression and the American Economy in the Twentieth Century*, ed. Michael D. Bordo, Claudia Goldin, and Eugene N. White (Chicago: University of Chicago Press, 1998); Mark H. Leff, *The Limits of Symbolic Reform: The New Deal and Taxation, 1933–39* (Cambridge: Cambridge University Press, 1984); Herbert Stein, *The Fiscal Revolution in America* (Chicago: University of Chicago Press, 1969).

these figures are recalculated to take account of the state's population, the per capita cost of state government during 1929 was \$15.60 and the cost of local government \$56.54.<sup>3</sup> The localities raised a good deal more revenue than the state and relied very heavily on receipts from property taxes, which provided almost three-quarters of their funds. The state had progressively managed to offset some of its reliance on the property tax by collecting fees and indirect taxes.<sup>4</sup> Revenue derived from motor vehicle license sales (1913), gasoline tax (1925), cigarette tax (1927), and motor carriers' mileage tax (1931) are examples of the latter. Nevertheless, on the eve of the Great Depression, general property tax was still of great significance as it provided just over half of the state's taxation receipts. In 1929 total income from general property tax for both state and local units peaked at \$89 million; by 1936 it had fallen to \$63 million.

Throughout the 1920s changing lifestyles and a growing demand for improved services resulted in rising tax levels. By the mid point in the decade, more than 50 percent of state and local tax revenue was earmarked for schooling, although increasing levies for road and bridge construction, and paving city streets, reflected both the growing significance of the automobile and urbanization.<sup>5</sup> During this decade,

3. Kansas Legislative Council, *Summary History of Kansas Finance*, Research Report Publication No. 60 (October 1937). Apart from the state government, 11,240 political units held the power to levy taxes or incur debt. They comprised 105 counties, 588 incorporated cities, 8,650 school districts, and 1,550 townships and other civil divisions. See Harold Howe, *Local Government Finance in Kansas* (Topeka: Kansas State Planning Board, April 1939), 1; U.S. Bureau of the Census, *Financial Statistics of State and Local Governments: 1932* (Washington, D.C.: Government Printing Office, 1935), 604. Detailed figures for local tax revenue and expenditures do not exist. This data is from Kansas Legislative Council, *Estimated Direct Governmental Cost in Kansas By Governing Units*, Research Department Publication No. 48 (1937).

4. For an analysis of the impact of property tax in Kansas, see Glenn W. Fisher, *The Worst Tax? A History of the Property Tax in America* (Lawrence: University Press of Kansas, 1996), 147–65.

5. Kansas Legislative Council, *Summary History of Kansas Finance*, 25, 34–35; James T. McDonald, *State Finance. Expenditures of the State of*

***In studies of the New Deal era, state and local finances largely have been ignored, even though fiscal changes at the grassroots were no less revolutionary than those emanating from Congress.***

local taxes rose relatively rapidly and the Kansas economy seemed capable of coping with this increase. Rapid recovery followed the severe depression that smote the state in 1920–1921, so that most nonfarm Kansans soon experienced relatively low levels of unemployment. The main exceptions occurred in Crawford and Cherokee Counties where serious unemployment and short-time working among coal and lead miners resulted in high levels of poverty.

Farmers would not have identified this period as one of prosperity, but they displayed signs of economic comfort. The vigorous conversion of the prairie sod to wheat fields was evident in the western part of the state. The purchase of expensive agricultural machinery, trucks, and automobiles indicates a willingness to borrow and also a confidence in the future. However, it is important to recognize that the relative prosperity of this period did not prevent farm tax delinquency from reaching disturbingly high levels. In both 1928 and 1929, for example, approximately two million dollars in farm taxes became delinquent, a figure that rose to almost five million in 1932.<sup>6</sup> These figures show that good times were not evenly distributed across the state, and it is possible that farmers who had run up high levels of debt in the golden years from 1915 to 1920 were now in deep difficulty. Disturbing levels of delinquency even before the depression also began to raise fundamental questions as to the reliance on property tax as a reliable source of revenue.

In 1916 the federal government offered assistance to states for highway and road construction, although the recipients were required to find matching funds. As the Kansas constitution forbade state participation in works of internal improvement, a constitutional amendment was necessary to exploit this funding source. The electorate approved the amendment in 1920, but the legislature, which contained a number of representatives deeply suspicious of Washington's influence, did not appropriate the necessary matching funds until 1927.<sup>7</sup> From this point, however, federal funding for highway construction became a vital

tool in improving the state's transport connections and in creating many unskilled nonfarm jobs.

Beginning in 1930 farm prices, personal income, and, crucially for tax revenue, property values, declined precipitously. In addition, savage deflation raised the real value of each tax dollar extracted from increasingly resentful taxpayers, who often delayed payment for as long as possible. The fiscal implications of the depression quickly made a mark. As early as 1930 fifty-three counties recorded budget deficits caused, primarily, by declining property values. By mid-summer 1931 many counties were obliged to exercise leniency and suspend the time limit on tax payments, especially in rural areas. The proportion of farm income that was required for taxes increased from 7 percent in 1928 to nearly 14 percent of a much lower income in 1932. Tax delinquency on farm real estate more than doubled between 1929 and 1931, and the situation did not improve during the following year. Indeed, as early as 1931 more than one-third of the total farm acreage of the state was tax delinquent. Economizers seriously suggested that a reduction in the number of counties from 105 to 30 or 40, surely possible in the age of the automobile and the telephone, would result in considerable savings for taxpayers.<sup>8</sup> This was, of course, a popular money saving suggestion before 1930 and has resurfaced in recent times during periods of financial stringency.

The sharp increase in tax delinquency had come about in spite of the fact that the total amount of taxes levied on farmland and buildings declined by almost one-third between 1928 and 1932. Unfortunately, farm and nonfarm income fell faster and more steeply than did tax demands. Indeed, during this period of economic contraction, taxpayers naturally became much more conscious about the cost of government and the burden of taxes levied on general property. Few members of the newly formed taxpayer organizations would have been mollified that the per capita total tax burden declined from just over \$72.14 in 1929 to \$56.84 in 1933.

Harry Hines Woodring, the successful Democratic candidate for governor in 1930, realized that if he were to have any chance of re-election in 1932 he had to stand as a tax-cutting governor. But he faced the dilemma that as tax

*Kansas, 1915–1953*, Fiscal Information Series No. 5 (Lawrence, Kans.: Governmental Research Center, n.d.), 7–13, tables passim.

6. Harold Howe, *Tax Delinquency on Farm Real Estate in Kansas, 1928 to 1933*, Kansas Agricultural Experiment Station Circular No. 186 (October 1937), 1.

7. Clarence J. Hein and James T. McDonald, *Federal Grants-In-Aid In Kansas*, Special Report No. 50 (Lawrence: University of Kansas Governmental Research Center, 1954), 3–4.

8. *New York Times*, September 13, 1931; Howe, *Tax Delinquency on Farm Real Estate in Kansas*, 1–12. As a result of tax delinquency, the amount of revenue raised is always less than the amount levied.



revenue shrank the demands for relief expenditure rose.<sup>9</sup> To assuage the electorate Woodring implemented a vigorous economy drive that resulted in considerable savings, which enabled him to substantially reduce the burden of general property tax. In particular, public employees found their wages and salaries reduced, job vacancies went unfilled, and all but the most necessary building and machinery maintenance was neglected. Each month all items of expenditure and all receipts were carefully monitored, and great pressure was placed on all heads of public institutions and spending departments to practice maximum economy. However, even if Woodring had been convinced that an increase in public spending was a necessary prerequisite for economic salvation, he would have faced the reality that in Kansas legal restrictions limited state indebtedness. The state could only go into debt with the consent of the legislature, and even then borrowing for general purposes, which included relief, could not exceed one million dollars. Making the tax burden more equitable by, for example, the introduction of income tax needed the approval of the electorate and could not be done quickly.<sup>10</sup> In 1932 Woodring proudly announced that, in spite of worsening economic circumstances, he had achieved a small budget surplus and had become the only governor in Kansas history to spend less than the sum appropriated by the legislature. He also recognized the benefits gained from an additional \$1.25 million from the federal government for expenditure on highways. With this addition the state had received a total of \$4.5 million from Washington to spend on its highways. These funds played a significant part in reducing the pain of his cost-saving exercise by not only

lessening the local tax burden but also by enabling the counties to employ more men on work relief projects.<sup>11</sup> Kansans abhorred dole but regarded employment on road work as an effective means of putting money into the pockets of the unemployed while at the same time maintaining self respect.

Counties and other local units, which also had their taxing powers proscribed by law, faced a growing problem.

In Kansas care of the needy was the responsibility of the county in which they had settlement. As a result of rising unemployment, short-time working, and wage cuts, an increasing number of Kansans were unable to care for themselves and their families. Also many farm workers' employment was terminated by drought, and across the state substantial numbers of men and women, for example tradesmen and domestics, felt the effect of the frugality that the depression imposed upon the families that normally hired them. Spending was reduced to the purchase of

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basic necessities.

The counties were overwhelmed. They lacked staff with the relevant social work experience, and vital record keeping ranged from poor to nonexistent which, added to financial disarray, meant that the needs of all the distressed people who applied for assistance could not be met.<sup>12</sup>

Fortunately, private charities played a key role in helping the destitute, and these organizations began to raise additional funds for that purpose. Charity football games and other fund-raising activities enabled private welfare agencies to increase their spending from \$542,000 in 1929 to just over \$1 million in 1932. During the same period, county ex-

9. *Message of the Governor, 1931* (Topeka: Kansas State Printing Plant, 1931), 4–5.

10. Earle K. Shaw, "An Analysis of the Legal Limitations on the Borrowing Powers of State Governments," *Monthly Report of the FERA* (June 1936): 121–23, 126–27; Kansas Legislative Council, *Summary History of Kansas Finance*, 28.

11. Keith D. McFarland, *Harry H. Woodring: A Political Biography of F.D.R.'s Controversial Secretary of War* (Lawrence: University Press of Kansas, 1975), 39–41, 54–5, 71; *Topeka State Journal*, September 22, 1932; *Kansas State Budget, 1934–1935* (Topeka: Kansas State Printing Plant, 1933), 4; Kansas Legislative Council, *Summary History of Kansas Finance*, xii.

12. *Topeka Daily Capital*, February 10, 1933.

penditure on relief rose from \$1.8 to \$2.9 million.<sup>13</sup> These figures provide a clear indication of the mounting social costs of the depression and must be viewed in the context of the effect of falling property values, which eroded the tax base of many local units. By late 1931 the vast majority of taxing units faced a desperate situation, having reached the limit of their bonded indebtedness while the demands of the needy still rose.

Eventually Congress recognized the impossibility of the task facing many states and localities as they struggled to assist their distressed. In July 1932 the Emergency Relief and Construction Act made available, via the Reconstruction Finance Corporation (RFC), \$300 million as loans to the states for the purpose of direct relief. Every governor had to make a detailed application for federal funds, demonstrating that all sources of tax revenue and private charitable contributions had been fully exploited to the point of exhaustion. It was made clear that federal funds were a supplement to local effort, not a substitute for it, and that the borrowed money had to be repaid from future highway allocations. The initial Kansas application, and all those that followed, was carefully scrutinized by RFC staff before the request was granted. Fear of forfeiting federal funds because of a failure to provide accurate data, or because tax revenues had not been fully exploited, created a new atmosphere within which the 1933 legislature would work. For the last three months of 1932 Kansas received more than \$1.1 million in loans from the RFC, a sum so substantial that the state's politicians could not afford to antagonize the source of this flow.

In spite of Governor Woodring's fiscal success, Republican Alfred M. Landon was victorious in the November 1932 gubernatorial contest, a time when the nation as a whole moved solidly to embrace the Democratic Party. In his campaign Landon had stressed his commitment to further reductions in spending and to seeking alternative sources of revenue that would lessen the property tax burden that was widely viewed as unfair. At the same time Landon reassured the victims of the depression by stating that although he intended to significantly reduce the cost of government, he would ensure that all legitimate claims for welfare would be recognized. His early actions demonstrated that, wherever possible, government jobs would be cut, however, and all public sector salaries, including his

13. "Public Welfare Service in Kansas. A Ten Year Report, 1924-1933," *Kansas Emergency Relief Bulletin No. 127* (1934), 46-49.

own, faced telling reductions.<sup>14</sup> The governor also had to recognize that despite the importance of the existing relationship between the state and Washington, D.C., a more complex but no less significant one would develop once the New Deal was in place. One of Landon's first acts as governor was to inform the RFC that he would urge the state legislature, due to meet in January 1933, to find the means of raising additional revenue. Indeed, legislative action in January, and during the special session in October and November, satisfied Washington that Kansas was doing all it could to care for the victims of the depression. These significant sessions laid the foundations for Landon's later claim that he was the nation's foremost budget balancer.

In the November elections voters had expressed a clear wish that the state adopt an income tax. The legislature obliged, and the new tax that progressively took between 1 and 4 percent of net personal income and 2 percent of net corporate income began contributing to the budget in 1934. As a result, general property tax, which had contributed 72 percent to state revenue during the 1920s, made a contribution of only 54 percent between 1930 and 1937. The state's tax base became broader and tax demands were more closely linked with the ability to pay.

Landon believed that, in normal circumstances, Kansas communities should take responsibility for a growing relief burden by means of local tax funds and private charitable contributions. However, these were exceptional times. The problem had become too acute to be managed locally, but vital federal funds were only available as a supplement to state and local effort. Landon advocated that, for a two-year period, counties should be able to levy an Emergency Relief Tax if the county commissioners could convince the State Tax Commission of the need for it. The funds raised by this initiative were to be used only for work relief. The new governor conceded that his recommendation was solely based on the fear that without additional revenue the state's entitlement to federal funds might be compromised.<sup>15</sup>

Landon was determined to limit the spending powers not only of the state but also of its subdivisions. The 1931 legislature had enacted a Budget Law that required cities,

14. *Kansas City Times*, September 27, 1932; *Message of the Governor, 1933* (Topeka: Kansas State Printing Plant, 1933), 4-5; *Message of the Governor, Special Session, 1933* (Matters pertaining to Highway Department) (Topeka: Kansas State Printing Plant, 1933): 1, 4-6.

15. *Message of the Governor, 1933*, 10-11.

boards of education, and a number of other taxing units to prepare their budgets to show the amount of money each anticipated raising from taxes and from other sources, and the planned amount to be spent during the ensuing financial year. After publication of the budget, all taxing authorities were obliged to hold a public hearing so that the spending plans could be subject to local scrutiny. This sort of practical democracy appealed to Landon. He insisted, and the legislature obliged, that this practice be strengthened and clarified and then adopted by all taxing units so that officials would be forced to plan expenditure carefully. These same officials also should be prepared to publicly defend their spending plans when confronted by taxpayers. He believed that the discipline of setting budgets and the transparency of operations were a sure means of securing economies in local government.

Taxing units faced further pressure from Landon's request that the legal limitations designed to restrict tax levies should be examined.

The governor was convinced that tax limits often had been set at too high a level, certainly for the straitened times that the depression had imposed. Moreover, many of the limitations seemed to him entirely arbitrary, lacking in coherence and difficult, if not impossible, to justify. Landon believed officials faced a temptation, rarely resisted, to always tax to the maximum and that if taxes were to be reduced so must the ceiling on levies. He did not envisage any loss of efficiency from this change, but he felt that if the state set a clear example in this area then local taxing units would follow. The legislature, in passing the Tax Limitation Act, put his proposal into law.<sup>16</sup>

The governor's message to the legislature reminded all elected representatives that the Kansas Constitution stated that tax money raised for one purpose should not be later

reallocated for a different purpose. Yet, he pointed out, this practice was growing. Moreover, spending units, having set their budgets and engaged in public debate, would frequently exceed them and run into deficit. Each legislative session produced the spectacle of taxing units seeking to relieve their debts by the passage of refunding acts. Landon viewed this practice as a means of evading financial responsibility and one that had to be curbed if spending were to be brought under control.<sup>17</sup>

Landon preached with missionary zeal that all taxing units should live within their income. Cities of the first and second class had to observe that rule, and Landon was determined to see this restriction in place everywhere taxes could be raised. Excess spending would be illegal, and it no longer would be possible for officials to exceed their levies and create outstanding warrants and indebtedness. This restrictive fiscal initiative came to be known as the "Cash Basis Law." Once adopted by the legislature, school boards, county commissioners, and

indeed, all political units had to limit their spending to no more than the actual income on hand during the current financial year. Once a contract was executed or a purchasing order issued, the money in the fund to cover this expense was frozen, even if the payment was not due immediately. Some exceptions could be made, such as an emergency relating to relief expenditures, but only on a temporary basis and only after approaching the State Tax Commission. Or, of course, the electorate could, provided the legal limit on bonded indebtedness was not exceeded, authorize further indebtedness through the ballot box.<sup>18</sup>

When the legislature adjourned, Landon had every reason to feel a sense of triumph as his fiscal package was in place. The governor regarded the Cash Basis Law as crucial in his fight to reduce expenditure and achieve a budget bal-

***After publication of the budget, all taxing authorities were obliged to hold a public hearing so that the spending plans could be subject to local scrutiny.***

16. Donald R. McCoy, *Landon of Kansas* (Lincoln: University of Nebraska Press, 1966), 129; "Limiting Tax Levies and Amounts," *Kansas Laws* (1933), ch. 309; *Message of the Governor, 1933*, 6.

17. *Message of the Governor, 1933*, 6–7.

18. "An Act in Reference to Indebtedness of Cities . . . [Cash Basis Law]," *Kansas Laws* (1933), ch. 319.

ance.<sup>19</sup> Legislation that limited the amount of the tax levy and a budget law that forced transparency upon officials certainly contributed to the economy drive that he spearheaded. However, these were refinements of legislation already in place. The Cash Basis Law, on the other hand, imposed a straitjacket by making it very difficult for taxing units to spend more than their allotted budget. Furthermore, any public officer who violated the provisions of the Cash Basis Law risked being automatically removed from office.<sup>20</sup>

The legislature also reformed the administration of poor relief in Kansas. The central administrative unit was the Kansas Federal Relief Committee (KFRC), which within a few months became the Kansas Emergency Relief Committee (KERC). However, each county was given the responsibility for the distribution of relief and the decision-making authority. Legislators decreed that in the future poor commissioners had to demonstrate their awareness of the principles and practices of modern welfare administration. Each poor commissioner was to operate within a more centralized system, and a more systematic collection of statistics and a more professional assessment of all relief applicants would be in place. The fact that the counties now could raise additional revenues and that sweeping administrative changes had been made to the state's relief administration appealed to the RFC officials who examined the state's applications. Between October 1932 and June 1933 Kansas borrowed \$2.6 million from the RFC, a sum only slightly less than all Kansas counties had spent on relief during the whole of 1932.<sup>21</sup>

When the Federal Emergency Relief Administration (FERA) replaced the RFC in May 1933, states could look forward to grants-in-aid rather than loans. However, the FERA, like the RFC, expected each state to make a full contribution toward aiding the needy, and it was clear that federal grants were a supplement to state and local effort, not a substitute for it. Governors were required to provide detailed information about how the grant would be used and provide, in a monthly report, a full accounting of the resources available within the

state. FERA staff analyzed state submissions before allocating funds. Initially, the administration distributed funds on a matching basis: one dollar of federal money for every three spent on unemployment relief over the previous three months. However, Congress soon gave the FERA administrator, Harry Hopkins, the discretionary authority to decide what the contribution from each state should be.

Landon informed the special session of the legislature in advance of its October meeting that \$7 million would be required to fund total relief obligations in Kansas until June 30, 1934. He reminded the legislators that the counties already had the power to raise \$2 million of this sum by means of tax levies, and he was confident that the FERA would contribute an additional \$2.8 million. The shortfall could be made up, so the governor advised, by giving the counties additional bond raising powers to the value of \$2.2 million, which, together with federal funds, would be spent on road and street relief work. By this means the full quota of federal relief could be anticipated without the creation of any new tax burden.<sup>22</sup> This plan is a further example of the state, or its subdivisions, having to generate income to ensure that valuable federal grants were not put at risk.

With the new personal and corporate income tax in operation, Topeka had an additional stream of income that would provide greater financial flexibility and give scope for further reductions to property taxes. Unfortunately, those men and women whom the state discarded from its payroll, or those who could not survive swinging wage cuts, became an additional relief charge. Because the model for the provision of relief that the state adopted devolved a great deal of financial and administrative responsibility to the counties, much of the welfare burden caused by both the depression and the increasingly severe drought fell on them. During this time of serious unemployment, short-time working, wage cuts, and job losses among farm laborers because of a persistent drought, counties were pressured for an increase rather than a cut in relief spending. However, the Cash Basis Law acted as a powerful constraint on officials who might be tempted to treat the needy overgenerously or to generally indulge in overcommitting the taxpayer.

Under the New Deal, all states came to rely heavily on financial assistance from Washington. During 1934, for example, Kansas spent \$23 million on relief. Of this sum, the federal government contributed \$15.4 million and the

19. McCoy, *Landon of Kansas*, 118–29; “Budget-Balancer Landon,” *The New Republic* 85 (January 15, 1936): 273.

20. Alfred Mossman Landon, *America At The Crossroads* (1936; reprint, Port Washington, N.Y.: Kennikat Press, 1971), 61–3; “Income Tax,” *Kansas Laws*, 1933, ch. 320.

21. Figures from *KERC Bulletin* 127, 43, 46–9; “Relating to the Relief of the Poor,” *Kansas Laws* (1933), ch. 196.

22. *Message of the Governor, Special Session, October 31, 1933* (Topeka: Kansas State Printing Plant, 1933), 2–3.



counties \$5.6 million. The Federal Surplus Relief Corporation, which purchased and processed farm products as part of the administration's attempt to raise farm prices, allocated commodities valued at \$1.8 million for distribution to those in need. The state's contribution to this welfare package was a mere \$331,000. Between January 1933 and December 1935 Washington was responsible for 72 percent of funding for emergency relief in Kansas, the county proportion was 26 percent, and the state's 2 percent.<sup>23</sup> In Kansas the counties were responsible for the distribution of federal funds allocated to them by the KEREC. However, because Congress allocated insufficient funding to care for all the able bodied needy, each county had to finance care for substantial numbers who, although eligible, could not secure a place on federally funded programs. Kansas counties also provided supplementary assistance to the unemployed who were selected for federal work relief but whose wage was not sufficient to care for their large families. In addition, local resources had to support unemployables, who because of their incapacity were ineligible for work relief programs.

County officials were charged with generating work relief projects that would satisfy federal scrutiny, and with raising the necessary sponsor's funds to sustain the projects. Those counties that possessed a strong tax base and had a team of highly competent and energetic officials could operate effectively under this system, but others with financial or staffing deficiencies could not. For example, Crawford and Cherokee Counties faced great difficulty because of heavy unemployment among coal and lead miners and extremely depressed property values, which eroded

23. Kansas Emergency Relief Committee, "Cost of Social Welfare Service in Kansas," 58, file 39, box 3, John G. Stutz Papers, Kansas Collection, University of Kansas Libraries, Lawrence; *Final Statistical Report of the Federal Emergency Relief Administration* (Washington, D.C.: Government Printing Office, 1942), table 18, 307. This figure does not include the \$12.2 million that came from the federal government during 1934 to fund the Civil Works Administration (CWA), which was an employment rather than a relief program.

the local tax base. Moreover, a volatile population, often driven to despair by deprivation, periodically made life difficult for relief officials. For these counties in particular, the concentration of acute social hardship created a series of problems that were beyond solution by local effort.

During Landon's tenure as governor, 1933–1937, state tax receipts rose from \$22.9 million to just over \$28 million. On the other hand, during the same period the local tax burden fell from \$81.5 million to \$74.5 million and, as a result, the per capita cost of government declined, marginally, from \$56.84 to \$55.74.<sup>24</sup> However, we should not forget that incomes in Kansas were higher in 1936 than they had been during the desperately bad years of 1932 and 1933. The fact that under Landon's tutelage Kansas had achieved a balanced budget attracted first local and then, when the feat was repeated, national attention. Editors were quick to point out that not only was the state budget in balance but the Cash Basis Law had ensured that all taxing units

operated in the black.<sup>25</sup> Kansas presented a sharp contrast to the national government where, argued critics, New Deal profligacy gave rise to persistent and deeply worrying deficits.

During the summer of 1935, for example, the *New York Times* was lavish in its praise for the Cash Basis Law, which it described as a "pay as you go plan." Landon, the newspaper pointed out, had reduced the cost of government, cut property taxes, and shown that it was possible to have a balanced budget in spite of the formidable relief problems that serious drought and a depressed economy had imposed.<sup>26</sup> Landon was beginning to emerge as a Republican hero at a time when the party had few political figures to fill that role.

24. The figures are from *Estimated Direct Governmental Cost in Kansas by Governing Unit*.

25. *Topeka Daily Capital*, June 12, 1935.

26. *New York Times*, July 2, 7, 8, 1935.

***Each county had to finance care for substantial numbers who, although eligible, could not secure a place on federally funded programs.***

The governor's increasing public exposure did not escape the attention of leading New Dealers. In November 1935 Harry Hopkins, who was then the administrator for the Works Progress Administration (WPA), which had replaced the FERA, accused Kansas of having "never put up a thin dime for relief" and added that Landon had managed the state budget by "taking it out of the hides of the people."<sup>27</sup> This was the first time that Landon had the satisfaction of being singled out for attack by a senior Washington Democrat. The governor remained aloof but his state relief administrator, John G. Stutz, a man with a towering reputation in his field, mounted a robust defense. Stutz pointed out that if state and local government contributions were taken together they amounted to 26 percent of all federally funded work and work relief costs, which was about the national average for such payments. Furthermore, the state's local political subdivisions had always paid in full the relief costs for unemployables, and Kansas had used all RFC and FERA funds entirely for work relief rather than direct relief. Stutz suggested that possibly Hopkins had been misquoted, and if that were true he now had the opportunity to set the record straight.<sup>28</sup> Within a few days Hopkins had distanced himself from what had been an instant and thoughtless response to a journalist's question about the ability of Landon to balance the Kansas budget. The reluctance of Hopkins to pursue the attack is surprising because Congress had stipulated in the Federal Emergency Act (1933) that the ability of both states and localities to contribute to the relief program should have been exhausted before federal funds became available. FERA officials were in no doubt that it was the intention of Congress that states should share poor relief responsibility with their political subdivisions.<sup>29</sup>

Although Hopkins legitimately could have criticized the manner in which the burden of relief provision had been thrust on Kansas counties, he could not have faulted the quality of the state's relief administration. As early as February 1934 federal field agents reported to their Washington chiefs about the exemplary relief administration created under Stutz's leadership. Indeed, at the close of the Civil Works program the organization of relief in Kansas

was described as one of the best in the country, and Stutz was personally singled out for praise.<sup>30</sup> New Dealers could not possibly attack on these grounds when experienced agents had frequently identified the state as an example of best practice.

From late 1935 it was increasingly common to find Landon's name linked with the words "budget-balancer."<sup>31</sup> In general, the Kansas governor was praised for his accomplishments, although a perceptive piece in *The New Republic* emphasized the costs of the austerity program he had implemented. The state's school system, for example, was unique in that it relied on local taxes for virtually all of its funding. Compliance with the Cash Basis Law had imposed savage salary cuts on teachers and had led to the closure of many schools. Other public services, such as institutions that cared for the mentally handicapped, could not offer assistance to all those who needed it.<sup>32</sup> These criticisms are hard to dismiss, especially in counties whose local economies had been hardest hit.

Landon's 1936 presidential campaign stressed that the federal budget could be balanced if legislators eliminated wasteful spending and discontinued the political favoritism that increasingly directed New Deal resource allocations. He also pledged that his re-ordering of federal finances would not be at the expense of the provision of relief for the nation's unemployed. The New Deal, he argued, had retarded recovery by displaying hostility to business and by appealing to class prejudice. He believed that his more cooperative approach to the nation's chambers of commerce would encourage business to create more jobs. However, although the candidate remained clear in his promise that as long as the need for relief remained, the necessary funds would be provided, he was very vague about where the axe would fall to achieve the economies necessary for budget balance.<sup>33</sup>

The notion that Landon's tax policies formulated during his term as governor of Kansas could form the core of a fiscal program that would lead to a balanced federal budget was disingenuous. It would have been economically unwise and potentially politically disastrous for his administration to try to impose the equivalent of the Cash Basis

27. *Topeka Daily Capital*, November 1, 1935

28. John G. Stutz to Harry Hopkins, October 31, 1935, Stutz Papers; *Kansas City Times*, November 1, 1935; *Topeka Daily Capital*, November 3, 1935

29. L. L. Ecker to Aubrey Williams, November 2, 1935, FERA State Files 1933-1936, Kansas October 1935 file, RG 69, National Archives, College Park, Md.; *New York Times*, November 6, 8, 10, 1935.

30. Peter Fearon, "Kansas Poor Relief: The Influence of the Great Depression," *Mid-America: An Historical Review* 78 (Summer 1996): 175-79; *Kansas Relief News Bulletin* 5 (May 21, 1934): 3-4.

31. For example, "Budget-Balancer Gov. 'Alf' Landon of Kansas," *Literary Digest* 120 (October 12, 1935): 30-1; "Budget-Balancer Landon."

32. "Budget-Balancer Landon," 272-3; *New York Times*, October 5, 1936.

33. *New York Times*, July 24, September 24, October 13, 1936.

Law on Congress. Any critic could have pointed out that he had been able to balance the Kansas budget without incurring unacceptable social costs because of the money that had flowed into the state from Washington. For example, between April 1933 and December 1935 the federal government provided \$38.9 million to fund general relief and the special emergency relief programs; the state of Kansas contributed \$1.1 million and local units \$13.8 million to this initiative. During the winter of 1933–1934 Washington’s contribution to the Civil Works program was \$12.2 million; that of the state was \$159,259 and the localities \$2.4 million. From 1933 through 1936 Kansas farmers who participated in the wheat allotment and corn–hog programs received the substantial sum of \$119.5 million. In 1935 payments to young men in the Civilian Conservation Corps, of which Landon was an admirer, enabled 4,760 families to be removed from the relief rolls.<sup>34</sup> Many other New Deal initiatives, a number of which did not call for local financial support, pumped much needed cash into the drought stricken state or gave vital assistance to those perilously in debt. It is not possible to assess how the Kansas budget was balanced without taking into account the substantial social safety net that the New Deal provided. Indeed, it was federal spending that enabled many Kansans to pay their taxes and make Landon’s balanced budgets possible. Furthermore, because Landon supported federal assistance to farmers and also had promised to support the relief needs of the unemployed, balancing the nation’s budget would be a much more complex task than managing the finances of a single state.

The Cash Basis Law endured as a lasting legacy, but a commitment to balanced budgets could not save Landon

34. *Final Statistical Report of the Federal Emergency Relief Administration*, table 15, 263; *Analysis of Civil Works Program Statistics* (Washington, D.C.: Government Printing Office, 1939), table 17, 30; “Public Welfare Service in Kansas, 1935,” *Kansas Emergency Relief Bulletin No. 355* (1936), 291.

from political annihilation at the polls in November 1936. It is a great irony that although contemporaries worried greatly about the size of the federal deficit, modern economic analysis shows that their concern was misplaced. In fact, a larger deficit would have helped eradicate some of the cyclical unemployment that plagued the nation. Moreover, if the reduction in the number of taxpayers had been taken into account in calculating the deficit, the figure presented to the public would have been smaller and, therefore, less frightening. Unfortunately, the federal deficit was, in any case, too small to provide the economy with the economic stimulation that it needed, and its modest expansionary effects were eroded because the states and localities took purchasing power away from their communities by running budget surpluses.<sup>35</sup> Had contemporaries accepted aggregating federal, state, and local budget information the deficit would have disappeared and with it much that made Landon’s candidacy attractive. Not until the economy struggled in the aftermath of the disastrous depression of 1937–1938 could economists convince the president that the deficit he disliked could be used as a positive tool to aid recovery.

The Kansas legislature that met in 1935 introduced no new taxes, but its successor, meeting in 1937, was very active. The New Deal, this time in the form of the 1935 Social Security Act, was again the catalyst for fiscal change. This legislation made substantial sums available to the states to assist their needy aged, blind, and dependent children. However, to qualify for federal assistance, states not only had to make a financial contribution, each had to produce a welfare plan and create a single agency to administer the new program. Concerned about the degree of local autonomy in the administration of state relief, the Social Security Board did not endorse the plan submitted by John Stutz

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35. Peter Fearon, *War, Prosperity and Depression. The U.S. Economy 1917–45* (Lawrence: University Press of Kansas, 1987), 230–34.

on behalf of the KERC. The Kansas constitution placed the duty of caring for the needy on the counties, and the state had no mandatory powers to compel them to provide certain types of assistance. The board not only was unhappy about this delegation of responsibility, it was concerned that the state of Kansas might not have the legal powers to raise and spend taxpayer's money on relief.

Alarmed at the risk of being unable to comply with the Social Security Act, a special session of the legislature convened in July 1936 and agreed that two constitutional changes would be submitted to the electorate. The first asked that the state be given the power to directly assist the needy, and the second gave voters the opportunity to support a state old-age benefit scheme. Both propositions received substantial support at the 1936 general election, and the Kansas Social Welfare Act was finally approved by the Federal Social Security Board and became operative on August 1, 1937. The new act created a State Department of Social Welfare, which replaced the KERC and was built on the four elements of public assistance—namely old-age assistance, aid to the blind, aid to dependent children, and general assistance. To qualify for aid, all applicants in these categories had to be assessed by social workers and judged in need. In other words, applications were strictly means tested. It was not sufficient merely to be over the age of sixty-five years or blind to qualify for aid.<sup>36</sup>

The 1937 legislature also introduced three major tax measures, starting with a retail sales tax of 2 percent, which imposed a charge on all sales of tangible property to the final consumer, and upon other items such as meals. In addition, it levied a compensating tax on the use of goods purchased outside the state to act as a disincentive for out-of-state purchases. These two taxes were expected to raise more than ten million dollars each year and provide substantial revenues, especially for social welfare and schools. Furthermore, the distribution to the counties of some sales tax receipts would continue to broaden the

36. James W. Drury, with Marvin G. Stottlemire, *The Government of Kansas*, 6th ed. (Lawrence: Public Management Center, University of Kansas, 2001), 330–31; "A Study of Public Relief Cases in Kansas Covered by the Social Security Act," *KERC Bulletin No. 288* (October 1, 1935), 5–12; *Message of the Governor, Special Session, July 7, 1936* (N.p.: n.d.); "Proposed Amendment to Constitution Relating to State Participation in Relief," *Kansas Laws* (1936), ch. 4; "Proposed Amendment to Constitution Relating to Unemployment Compensation and Insurance and Contributory Old Age Benefits," *ibid.*, ch. 5; "Social Welfare," *Kansas Laws* (1937), ch. 327; Secretary of State, *Thirtieth Biennial Report, 1935–1936* (Topeka: Kansas State Printing Plant, 1936), 162–63.

tax base and enable a further reduction in general property tax limits.<sup>37</sup>

The cereal malt beverage (beer) tax was the second new tax. Its imposition followed the acceptance by many Kansans that 3.2 beer should not be considered intoxicating. The production and sale of even low alcohol beer was a serious blow to the prohibition cause and was followed, inevitably, by the regulation and taxation of the business. Part of the revenue raised from this source filtered into the retail sales tax fund and the remainder into the state's general revenue fund. Finally, the unemployment compensation tax on the payrolls of employers with eight or more employees made the state compliant with federal legislation. All the money raised funded the unemployment provisions of the social security legislation.<sup>38</sup>

The retail sales tax emphasized a policy first evident with gasoline and cigarette taxes: the state collected sums in taxation and then distributed significant amounts of revenue to the counties. Furthermore, the revenue collected was not available for general spending but was restricted for use only in clearly identified areas. Retail sales tax had a particular advantage over property tax and income tax in that sales taxes were difficult to avoid. Furthermore, since citizens paid a tax each time a sale took place, income flowed to the state in a regular stream rather than at six monthly intervals.<sup>39</sup>

The 1937 legislature was fiscally path breaking. For the first time financial assistance was given to local school districts for elementary purposes. In 1937 the legislature distributed a paltry \$157,000 to local government units for schooling; during 1938, however, \$2.3 million swelled school coffers. The legislature also decided that \$200,000 would be transferred each month from sales tax collections to the State Department of Social Welfare. This sum increased to \$250,000 in 1939. A special session in February 1938 grappled with the problems faced by a number of counties hit hard by the recession of 1937–1938 and the restrictions imposed upon them by the Cash Basis Law. In

37. *Message of the Governor, 1937* (Topeka: Kansas State Printing Plant, 1937); "Sales Tax," *Kansas Laws* (1937), ch. 374; "Compensatory Tax," *ibid.*, ch. 375.

38. Robert Smith Bader, *Prohibition in Kansas: A History* (Lawrence: University Press of Kansas, 1986), 221–23; "Defining Intoxicating Liquors (3.2%)," *Kansas Laws* (1937), ch. 213; "Regulating the Sale of Cereal Malt Beverages," and "Licenses," *ibid.*, ch. 214; "Permit and Tax on Sale of Cereal Malt Beverages and Certain Malt Products," *ibid.*, ch. 215; "Unemployment Compensation," *ibid.*, ch. 255.

39. *Summary History of Kansas Finance, 8–10*; McDonald, *State Finance. Expenditures of the State of Kansas, 1915–1953*, 10, 36.



July 1938, for example, 13 percent of the Kansas population received some sort of public assistance, WPA wages, or Farm Security grants. However, for Cherokee County the figure was 32 percent, for Crawford County it was 29 percent, and for Labette County 32 percent.<sup>40</sup> To help counties meet their share of assistance payments, a State Social Emergency Welfare Fund of \$600,000 was created by appropriating undistributed sales tax collections and adding to them the unused balance of the Social Welfare Fee Fund. Fifteen counties shared \$487,000 from the Social Emergency Welfare Fund in 1938, with the heavily populated Sedgwick (\$128,000) and Wyandotte (\$100,000) Counties being the largest beneficiaries. The full list, however, contains a mix of urban and rural counties, which shows the severe impact of the 1937–1938 recession for both farm and non-farm families. The net effect for those counties that received Social Emergency Welfare Fund monies was that the state became responsible for 50 percent of assistance payments after federal participation had been deducted. For the other counties the state contribution remained at 30 percent. In 1939 twenty counties participated in the Social Emergency Welfare Fund, and nearly twice as much money was disbursed as in 1938.<sup>41</sup>

Under the system instituted in 1937, the federal government and the state contributed to grants for three categories of assistance: old age assistance, aid to the blind, and aid to dependent children. In a significant departure from past practice, the state also helped the counties with their general assistance costs. However, availability of

40. *Kansas Social Welfare Journal* 1 (August 1938): 19. See also *Message of the Governor, Special Session, February 7, 1938* (Topeka: Kansas State Printing Plant, 1938); "Relating to Social Welfare, Creating an Emergency Social Welfare Fund . . .," *Kansas Laws* (1938), ch. 66.

41. *Report of Social Welfare in Kansas* 2 (1938): 41, 73–78. The counties assisted by the emergency fund were Allen, Bourbon, Cherokee, Cowley, Crawford, Ford, Graham, Labette, Leavenworth, Linn, Montgomery, Sedgwick, Seward, Shawnee, and Wyandotte. *Report of Social Welfare in Kansas* 3 (1939): 77–78.

funds limited state participation in all categories, and any shortfall inevitably placed an additional burden on counties. The results of these dramatic changes in financial responsibilities can be seen by examining the source of funding of all social welfare obligations for 1938. During that year the state provided 21 percent of funds, the federal government 19 percent, and counties 40 percent. The value of commodities (food, clothing, furnishings) allocated to Kansas free of charge by the Federal Surplus Commodities Corporation represents the remainder.<sup>42</sup>

During the Great Depression, states and local governments received unprecedented sums in the form of grants and loans from the federal government. Looking at national public expenditure, in the late 1920s the federal government accounted for roughly 30 percent of the total, local government 56 percent, and states the remainder. By 1940 this distribution had been considerably altered. Washington accounted for 45 percent of the total, the state share was 18 percent, and

local government contributed 37 percent. Total public expenditure rose during the New Deal era, but the growth is not abnormal if we compare it with previous decades. Rather than concentrating on the level of public spending, we should heed the growing significance of national government in fiscal matters and the increasing reliance of state and local government on federal grants for income.<sup>43</sup>

Between March 1933 and June 1939 the federal government advanced a staggering \$16.3 billion in the form of grants. Of this total, it allocated 38 percent to the WPA, 16 percent to the FERA, 13 percent to the Public Works Administration (PWA), 12 percent to the Agricultural Adjustment Administration (AAA), and 10 percent to the Public Roads Administration.<sup>44</sup>

42. *Report of Social Welfare in Kansas* 2 (1938): 20, 31–3, 40.

43. John Joseph Wallis and Wallace E. Oates, "The Impact of the New Deal on American Federalism," in *The Defining Moment*, 157–72.

44. Price V. Fishback, Shawn Kantor, and John Joseph Wallis, "Can the New Deal's Three R'S Be Rehabilitated? A Program-By-Program, County-By-County Analysis," *NBER Working Paper 8903* (April 2002): 35.

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It is important to recognize that some programs, such as the commodity price supports that formed part of the AAA, and the payments to the families of the young men who worked on the CCC projects, played a significant role in transforming the fortunes of many distressed individuals, but Congress did not require any matching sums from the states or local government. However, in implementing the key relief programs, for example the FERA, the WPA, the PWA, and Social Security categorical assistance, Congress imposed administrative standards on the states and also insisted on financial contributions. This provided the incentive for several states to introduce new taxes, principally personal and corporate income tax and sales taxes. In other words, the prospect of federal grants encouraged states to explore how tax revenue could be raised, or risk forfeiting the income.

State and local government finances in Kansas transformed radically during the New Deal era. Total state expenditure rose from \$26.4 million in 1929 to \$38.1 million in 1931 and then sharply declined to \$29.5 million in 1933. From this low point, expenditures rose slowly but surely to reach \$34.9 million in 1936 and then jumped to \$43.5 million in 1937. By 1940 total state spending had reached \$47.3 million, but an examination of expenditures does not tell the whole story. Part of the fiscal revolution was the introduction of new taxes, which not only increased revenue but also reduced the state's reliance on the receipts from property tax. In 1930, 18.5 percent of state tax receipts came from property tax; in 1940 reliance had fallen to 11 percent. Many viewed property tax as an unreliable source of revenue at a time of falling land values, and also unfair as it was difficult to provide equal assessment for property throughout the state.<sup>45</sup>

Another revolutionary feature, apparent from 1937, was the involvement of the state in financing both public welfare and education, which categories accounted for virtually all the increase in spending. State spending on public welfare never exceeded \$500,000 in any year between 1915 and 1937, but in 1938 expenditure reached \$4.4 million. Distributions to local school districts amounted to \$157,000 in 1937 but increased to \$2.3 million in the following year. An examination of the 1938 figure for public welfare expenditure reveals that \$3.6 million was redi-

tributed to local units of government. That the state raised taxes and redistributed revenue to the counties for specific purposes was not new in 1938, but the scale of the redistribution was revolutionary.

The Great Depression and the New Deal exerted a powerful influence on state taxation and expenditure. The impact of both on local government finances proved significant, but unfortunately the statistical information on receipts and expenditures for the localities is sadly deficient. For local government, income from property tax remained crucial. In the tax year 1938, for example, the revenue for all units of local government totalled \$73 million; the general property tax contributed more than 80 percent of the total. Property tax levies reached a peak of \$81.8 million in 1929 but fell to \$53 million in 1934, from which point there was a steady rise to \$60 million by the end of the decade.<sup>46</sup> After the administrative and financial changes introduced in 1937, payment by the state covered approximately 30 percent of the social welfare costs of the counties and the creation of an Emergency Distress Fund gave vital assistance to the most hard-pressed districts. Local schools also benefited from redistributed finance. These cash injections were crucial to counties because that Kansas innovation—the Cash Basis Law—severely constrained them.

Kansas balanced its budget and cared for its citizens by introducing new taxes and by ensuring that the state's entitlement to federal funding was not compromised. No doubt the impact of the Great Depression, and the need to comply with New Deal rules, encouraged the population and the legislature to search for new sources of revenue. By the end of the decade the tax structure was more broadly based and the state could assist local units. One problem remained, however: the impact of the sales tax was not universally favorable. This regressive tax, paid by all regardless of income, had the adverse effect of hitting the less well off disproportionately hard. In doing so it drained purchasing power from poorer citizens whose spending would have acted as a stimulant to rapid economic recovery. An effective revenue raiser, the sales tax embraced rather than attacked the effects of the depression.



45. McDonald, *State Finance. Expenditures of the State of Kansas*, 65; Drury, *The Government of Kansas*, 138–39, 232–35.

46. Howe, *Local Government Finance in Kansas*, 1–10.