

The State Treasurer of Arizona

by

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Submitted in partial fulfillment of the  
requirements for the degree of

Master of Arts

in the College of Letters, Arts, and Sciences, of the

University of Arizona

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Approved: N. D. Houghton May 19, 1933.  
Major adviser Date



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1933  
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CHAPTER I  
INTRODUCTION

One of the most important positions in the State of Arizona today is that held by the State Treasurer. His Department has steadily developed, both in power and size, until at present there is little similarity between the complex mechanism now at work and that simpler one of the early Territorial days. Many fields of administration, which at first glance would seem to have little bearing upon the Department of the Treasury, have, because of some relationship, either close or remote, been placed in the hands of this official. It is the purpose of this paper to trace the development of the powers and duties of the State Treasurer, and to explain their present status and effect.

In 1863, the Congress of the United States passed the Organic Act establishing the Territory of Arizona as separate and distinct from the Territory of New Mexico, of which it had formerly been a part. On February 24, of that same year, President Lincoln signed the bill providing for

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1. The Howell Code, "The Organic Act."

a temporary government in this new Territory,<sup>2</sup> which would consist of an executive, a legislative, and a judicial<sup>3</sup> power, with executive power vested in a Governor. There were to be appointed several executive officers, to work under the supervision of the Governor, but no mention was made at this time of a Territorial Treasurer. However, in 1865, it was provided that the Territorial Treasurer should be commissioned by the Governor of the Territory, to whom he should deliver a bond of forty thousand dollars<sup>4</sup> (\$40,000.00), made payable to the Territory. He was to be nominated by the Governor, and appointed with the consent of the Legislative Council for a period of two years. His office was established at the seat of the government of the Territory, from which he could not be absent without the permission of the Legislature or<sup>5</sup> of the Board of Territorial Auditors. John T. Alsop, a Kentuckian who had come to Arizona shortly before the organization of the Territory, was appointed the first Treasurer, and served during the ad-<sup>6</sup>ministration of Governor McCormick. In this same year,

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2. Ward, History of Arizona, Vol. I, p. 285.
  3. United States Statutes at Large, 1861-1863, pp. 664-665.
  4. Compiled Laws of the Territory of Arizona, 1864-1877, Sec. 1179.
  5. The Howell Code, p. 154.
  6. Farish, History of Arizona, Vol. II, p. 266.

1865, the Legislative Assembly passed the following Act concerning the Treasurer:

"He may appoint or remove a deputy treasurer at pleasure, and shall be responsible for his acts, as well as those of all clerks and servants in his office, and may demand of the deputy a bond not to exceed twenty thousand dollars (\$20,000.00). The deputy shall take the oath prescribed by law, and shall have power in the name of the treasurer to perform all the duties of the office." 7

In order that the documents certified from this office might be properly authenticated, the Secretary of the Territory was ordered to deliver to the Treasurer a seal of office around the margin of which were the words: "Office of the Treasurer--Arizona." Until this seal was obtained, the Treasurer was authorized to use his own seal upon such papers.<sup>8</sup>

To take care of any difficulty or emergency which might arise relative to the office of the Treasurer, definite supervision by other State officers was early provided for by the Territorial Legislature. For instance, the Board of Territorial Auditors, composed of the Governor, the Secretary, and the Attorney-General, was privileged at any time to examine the books and money held by the Treasur-

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7. Compiled Laws of the Territory of Arizona, 1864-1877,  
Sec. 1187.

8. Ibid.

er, and, in the event that some discrepancy were discovered, this board might take possession of all the property of the office of the Treasurer, and take an inventory of it. If the Treasurer were found guilty of neglect, the Governor might suspend him from office; if he defaulted, the Governor might order him removed from office.<sup>9</sup> The Treasurer was said to have committed a misdemeanor in office if he had purposely neglected or refused to perform any duty<sup>10</sup> of his office. If he were removed from office, the Governor had the authority to appoint at once some suitable person to act for the remainder of that term.<sup>11</sup> In case the Treasurer wished to resign, his resignation was presented<sup>12</sup> to the Governor. Should the Treasurer be absent or temporarily disabled, the Governor appointed some other person to fulfill the duties of the office during that period; this individual would have to meet the requirements of the regular Treasurer, and would receive compensation accordingly.<sup>13</sup> This salary of the Treasurer was, at first, five hundred dollars (\$500.00) a year, with an additional one

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9. Ibid., Sec. 1226.  
 10. Ibid., Sec. 1184.  
 11. Ibid., Sec. 1227.  
 12. Ibid., Sec. 1271.  
 13. Ibid., Sec. 1185.

hundred fifty dollars (\$150.00) allowed him for incidental<sup>14</sup> expenses. In 1875, the Treasurer was no longer allowed<sup>15</sup> this latter sum; then, in 1885, he was granted a salary of<sup>16</sup> one thousand dollars (\$1,000.00) a year, which was increased in 1903 to two thousand five hundred dollars (\$2,500.00) annually.<sup>17</sup>

Still another form of supervision of this office was the requirement that the Treasurer send reports concerning his office to certain other officials of the Territory. On the first of November of each year, he delivered to the Governor a statement concerning all the money received and disbursed by the Treasury, showing how<sup>18</sup> it was received and why it was paid out in each case. Later the law was changed so that these annual reports were sent to the Governor by the first of October, with a duplicate<sup>19</sup> copy sent to the Secretary of the Territory every two years.

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14. Laws of the Third Legislative Assembly of the Territory of Arizona, 1866, p. 29.
  15. Laws of the Eighth Legislative Assembly of the Territory of Arizona, 1875, p. 17.
  16. Laws of the Thirteenth Legislative Assembly of the Territory of Arizona, 1885, Ch. 23, Sec. 1.
  17. Laws of the Twenty-Second Legislative Assembly of the Territory of Arizona, 1903, Ch. 61, Sec. 1.
  18. Compiled Laws of the Territory of Arizona, 1864-1877, Sec. 1182.
  19. Laws of the Twentieth Legislative Assembly of the Territory of Arizona, 1899, Ch. 28, Sec. 2.

The Treasurer also filed a statement in the office of the Secretary on the first Monday of each month which showed: first, how and where the money was received from and accredited to each account, and, second, how and from which account he made the payments for that month.

The County Treasurer, within three days of receiving any money for fines or penalties, sent a copy of the statement of this amount to the Territorial Treasurer, besides sending a copy of his regular monthly statement of the total amount which he received for licenses during the preceding month.

Since it was through the office of the Treasurer that the expenses of the Territory and the salaries of the officials were paid, and that bonds for the several institutions were issued, the Legislative Assemblies made, from

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20. Compiled Laws of the Territory of Arizona, 1864-1877,  
Sec. 1188.

Besides these reports, the Treasurer, on or before the first of October of each year, furnished each County Treasurer an account of all the transactions between the two offices, and the amount of money still due from the office of the County Treasurer. Later, (1903), the Territorial Treasurer sent to these County Treasurers and to any other person concerned, triplicate receipts for the money transmitted to him. These receipts stated specifically the accounts on which the money was transmitted to and received by the various counties. All other persons paying money into the Treasury forwarded to the Territorial Auditor one of the receipts of the Treasurer, thus acknowledging the receipt of the payment.

21. Compiled Laws of the Territory of Arizona, 1864-1877,  
Sec. 165.

time to time, certain provisions concerning the manner in which that office should deal with these matters. In 1866, the Territorial Auditor was authorized to issue Territorial Warrants, drawn upon the Treasury in favor of those persons to whom the Legislative Assembly had directed such a payment, in any amount designated, provided that it should be for at least five dollars (\$5.00<sup>22</sup>). The Treasurer could pay out of the funds for this purpose only the amounts stated in the warrants of the Auditor, and in the order in which they were drawn. These warrants were acceptable in the Treasury in payment of any taxes or licenses due to the Territory, and were required to be so received at par, by the Sheriff or the Collector of the revenue, from whom they were then received by the Treasurer in settlement of revenue due from the Sheriff or Collector.<sup>23</sup>

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22. Laws of the Third Legislative Assembly of the Territory of Arizona, 1866, p. 27.

23. Ibid., All warrants drawn up by the Auditor on the Treasury of the Territory, had to be in the following form:

"Auditor's Warrant"

"Territory of Arizona Warrant No. \_\_\_\_.

"Treasurer of the Territory of Arizona:

"Pay to \_\_\_\_\_ or order, \_\_\_\_\_ dollars out of any money in the Treasury not otherwise appropriated, and charge the same to \_\_\_\_\_, and this shall be your voucher.

"Issued, \_\_\_\_\_ 186\_\_.

Signed \_\_\_\_\_  
"Auditor Arizona Territory"

All the public school money which was paid into the Territorial Treasury was held by the Treasurer as a special fund, and paid out by him only on the warrant of the Auditor, issued upon the order of the Board of Education, and countersigned by the Governor, in favor of the County Treasurer. This school money due each County was paid by the Territorial Treasurer to the County Treasurer on the second Monday of January, of June, and of September, or as soon<sup>24</sup> after these dates as the County Treasurer applied for them.

Further powers and duties in the disbursements of Territorial funds were given the Treasurer by legislative action in regard to the issuing of bonds for certain purposes. In 1875, he was authorized, when directed by the Territorial Prison Commissioners, to issue bonds of the Territory in specified amounts, the total of which would<sup>25</sup> not exceed twenty-five thousand dollars (\$25,000.00). Other

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24. Compiled Laws of the Territory of Arizona, 1864-1877,  
Sec. 1309.

25. Ibid., Sec. 1158.

The form of these bonds was as follows:

"\_\_\_\_\_ day of \_\_\_\_\_, A. D., 187\_\_.

"Five Years after date the Territory of Arizona promises to pay to the order of the governor of the Territory \_\_\_\_\_ dollars, with interest at the rate of ten per cent per annum from date, payable annually at the treasury of the Territory, for value received.

"\_\_\_\_\_, Secretary of Territory.,  
"\_\_\_\_\_, Treasurer."

issues of bonds for this same purpose were ordered in 1879,  
<sup>26</sup> <sup>27</sup>  
 1880, and 1881. The Board could, for the purchase of  
 grounds for a prison site, or for erecting certain build-  
 ings or inclosures, draw the bonds from the Treasurer, or  
<sup>28</sup>  
 have the latter convert them into money.

In 1879, the Treasurer was authorized, when required  
 by the Board of Wagon Road Commissioners, to issue bonds  
 of specified amounts not exceeding in all forty thousand  
<sup>29</sup>  
 dollars (\$40,000.00). At the time of issuing the bonds,  
 the Treasurer signed them with his name and official char-  
 acter, thus binding the Territory. He kept a record of  
 all the bonds issued, and paid the interest on them when  
 it fell due, keeping, for that purpose, a sufficient amount  
 of the money of the Territory.

One hundred thousand dollars (\$100,000.00) of the  
 bonds of the Territory were directed in 1885 to be issued  
 and delivered by the Treasurer to the Board of Directors  
 of the Insane Asylum of Arizona, to be used for improving  
<sup>30</sup>  
 the grounds and buildings of the asylum. In an act organ-

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26. Laws of the Tenth Legislative Assembly of the Terri-  
 tory of Arizona, 1879, Ch. 15, Sec. 3.
  27. Laws of the Eleventh Legislative Assembly of the Ter-  
 ritory of Arizona, 1881, Ch. 94, Sec. 2.
  28. Compiled Laws of the Territory of Arizona, 1864-1877,  
 Sec. 1165.
  29. Laws of the Tenth Legislative Assembly of the Terri-  
 tory of Arizona, 1879, Ch. 28, Sec. 2.
  30. Laws of the Thirteenth Legislative Assembly of the  
 Territory of Arizona, 1885, Ch. 58, Sec. 6-22.

izing the University in 1885, the Treasurer was authorized to issue and deliver to the Board of Regents of the University, bonds of the Territory not to exceed in all twenty-five thousand dollars (\$25,000.00), at an interest rate of seven per cent annually.<sup>31</sup>

Besides the many duties of the Treasurer pertaining expressly to the management of the funds of the Territory, he was made an ex-officio member of certain Territorial Boards, by the Territorial Legislature. In 1875, he, with the Governor and Secretary of the Territory, was made a member of the Territorial Board of Education.<sup>32</sup> Ten years later--in 1885--he was made a member and treasurer of the Board of Education of the Normal School.<sup>33</sup> That same year, the Governor, the Territorial Treasurer, and the Auditor were designated as custodians of all Territorial property, both real and personal, other than that property which would be purchased by the Territory at tax sales. This property was kept to be used by the Territory.<sup>34</sup>

This brings the work of the Treasurer down to the drafting of the Constitution for the State of Arizona in

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31. Ibid., Act 99, Sec. 17.

32. Compiled Laws of the Territory of Arizona, 1864-1877, Sec. 1302.

33. Laws of the Thirteenth Legislative Assembly of the Territory of Arizona, 1885, Ch. 123, Sec. 1.

34. Ibid., Act 80, Sec. 4-6.

1912. At that time, definite provision was made for a State Treasurer as a member of the Executive Department of the State. The general organization of the office, as well as the function of each person employed in the office, will be discussed in the next chapter.

CHAPTER II  
ORGANIZATION AND PERSONNEL OF THE OFFICE  
OF THE STATE TREASURER

The organization of the office of the Treasury, a branch of the Executive Department of the State of Arizona, is determined and regulated through laws passed by the State Legislature. The very nature of some of these enactments allows for interpretation and expansion by the Treasury Department; others, however, very explicitly instruct the Treasurer as to certain of his functions and duties. For example, his office must be located at the State Capital, now at Phoenix, Arizona. He is not supposed to leave this city unless he first gets the permission to do so from either the Governor or the Legislature of the State. Before he is allowed to begin the duties of his office as Treasurer, he must take the prescribed oath of office,<sup>1</sup> which is filed in the office of the Secretary of State. The bond which he is required to furnish is for one hundred thousand dollars (\$100,000.00), and must be approved by the Governor and the Attorney General of the State before

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1. Revised Code of Arizona, 1928, Sec. 43.

it is accepted.<sup>2</sup> The Treasurer is granted the power to appoint a Deputy Treasurer, for whose acts he is held responsible. The bond required of the Deputy must be for at least twenty thousand dollars (\$20,000.00). He, too, must take an oath of office, which, with his appointment, is filed in the office of the Secretary of State. After this has been done, he is given the same power as the Treasurer<sup>3</sup> to perform all the duties of the office.

The scope of the functions and duties of the Treasurer has been changed and broadened since 1912. As they are at present, all the money of the State, which is not required by law to be kept by some other person, is received and kept by the Treasurer. When any money is paid into the Treasury, he receives the certificates for the amounts from the State Auditor; these certificates must all be filed in the office of the Treasurer. When any money is to be paid out of the Treasury, warrants for these amounts are first drawn up and presented to the Treasurer by the State Auditor. He then is obligated to pay them and to keep the receipts from anyone to whom a warrant is paid. Not all the money of the State is placed in one fund, but instead, sever-

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2. Ibid., Sec. 66.

3. Revised Code of Arizona, 1913, Sec. 95.

al funds have been created by the Legislature. It is the duty of the Treasurer to keep separate accounts for each of these funds, and also of all the appropriations of money made by the Legislature. The law makes further provision that he keep his records open for inspection by taxpayers at all times, and that he send detailed financial reports to the Governor and the Auditor each month, as well as each year. He may administer any oaths of office which pertain to his Department and are required by law.

At the First Regular Session of the State Legislature, the salary of the State Treasurer was fixed at three thousand dollars (\$3,000.00) annually, and that of the Deputy Treasurer at one thousand five hundred dollars (\$1,500.00) annually. These have since been changed, till at present the respective salaries of these two officials are four thousand five hundred dollars (\$4,500.00) and three thousand dollars (\$3,000.00) annually. However, if, through court proceedings, the official title of the State Treasurer should be contested, no part of his salary may be paid until these proceedings can be settled.

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4. Ibid., Sec. 44.
  5. Session Laws of Arizona, First Legislature, 1913, Ch. 75.
  6. Report of the State Treasurer, 1932.
  7. Session Laws of Arizona, First Legislature, 1913, Ch. 79.

As the functions and duties designated to the Treasurer have steadily increased, it has been necessary to add to the personnel of the Department of the Treasury, until at present there are, besides the Treasurer and the Deputy Treasurer, seven persons regularly employed in the office. To each of these is given a certain part in the work of the office. The Treasurer himself is concerned very little with the actual routine of the Department, his work consisting mostly in fulfilling those duties of an ex officio nature which the State Legislature has from time to time given to him. He is, by virtue of his office, secretary of the State Loan Commission, the other members of which are the Governor and the Auditor of the State. The work of the Commission, to be discussed in detail later, consists of making provision for and supervising the payment of the State indebtedness. The Treasurer is secretary of the State Loan Board, of which the Governor and the Secretary of State are also members, and under whose administration are the Permanent Funds of the State. The Governor, the Attorney-General, the Secretary of State, the State Treasurer, and the State Auditor constitute the State Land Department. This same group of officials form the Land Set-

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8. Revised Code of Arizona, 1928, Sec. 2646.

9. See below, Ch. III.

10. Revised Code of Arizona, 1928, Sec. 2640.

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tlement Commission, a part of the Land Department. Other Boards of which the Treasurer is, ex officio, a member are: The Board of Directors of State Institutions, the Boards of Education of the Normal Schools, and the Board of Directors  
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of the Lyman Water Company.

It is to the Deputy Treasurer that the supervision of the routine of the Department is delegated; in fact, he is directly in charge of the office, and is responsible to the Treasurer for the acts of the rest of the staff. He personally takes care of the State bonds and coupons, including the bonds of the Permanent Funds, of the Industrial Commission, and of the State depositories. In doing this work, he must carefully keep account of the market fluctuations, to see that there are at all times sufficient bonds on file to secure the money of the State on account in the several depositories. This necessitates obtaining bond quotations weekly, and, if necessary, requiring additional bonds of the depositories, so that at no time will there be deposited in these banks more State money than the amount for which  
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the banks have given security.

A considerable amount of bookkeeping must be done by

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11. Ibid., Sec. 2947.

12. Wayne Hubbs, Deputy Treasurer, 1933, 1934, Personal Interview.

13. Ibid.

the Deputy Treasurer, including keeping the accounts for the various Funds of the State in books especially maintained for this purpose, and known as the cash books. In these cash books are posted the checks drawn from each Fund to pay the State warrants, and also the money received by the Treasurer's office from each of the several State Departments and Commissions. He must make out the bank statements for each deposit made by one of these Departments.

In order that the office of the Treasurer may efficiently handle the work involved in collecting the State inheritance tax, it has been necessary to appoint both an Inheritance Tax Collector and his secretary to work in the Department. The work of the secretary consists in maintaining all the records and correspondence which pertain to the collection of this tax. Indexes of all the estates, listed as taxable and non-taxable, are kept in minute detail. In cases where the estate is entirely exempt from the tax, the secretary issues waivers to the administra-

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14. The accounts for which these cash books are kept are: the General Accounts, Industrial Commission Accounts, Highway Accounts, Vocational Rehabilitation Accounts, Vocational Education Accounts, and Public Health Accounts.
15. T. Mac Smith, Deputy Treasurer, 1931, 1932, Personal Interview.
16. Revised Code of Arizona, 1928, Sec. 3177.

tor. When a tax is collected from an estate, a receipt is given for the amount of tax which is paid. The amounts collected through the inheritance tax vary from year to year, but it is estimated that an average of one hundred six thousand dollars (\$106,000.00) is collected annually.<sup>17</sup>

Due to the fact that a special appraiser for the State may be appointed in any County having a population of thirty-five thousand (35,000) or over, there are, in Arizona, three special appraisers, one in each of the Counties of Cochise, Maricopa, and Pima. These persons work under the direction of the State Inheritance Tax Collector, and act with the regular appraisers of an estate in evaluating the inherited property, both real and personal. The reports of their investigations are sent to the Inheritance Tax Collector, who uses them in calculating the taxes charged to the estate.<sup>18</sup> In these three Counties, the court is not to allow the tax receipts to be filed without the approval of the special appraiser. Further provision is made that in no County may the probate judge approve of the settlement of an estate until he first has secured an appraise-

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17. Evan S. Stallcup, Inheritance Tax Collector, Personal Interview.

18. Ibid.

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ment of the property from the office of the Treasurer.

With the appointment of the Treasurer as secretary of the State Loan Board, still greater duties were placed upon his office. This necessitated the appointment of a Farm Loan Secretary, who acts as secretary to the Treasurer on matters with which the Board is concerned. <sup>20</sup> These functions as stated before, have to do with the handling of the Permanent Funds of the State. The manner in which the Board has loaned money to the farmers, and the losses which have resulted, will be discussed in Chapter III.

It has been necessary, because of all these increases in the functions of the Department of the Treasury, to employ in the office both a bookkeeper and an assistant bookkeeper, who are responsible for maintaining exact and detailed records of the Treasurer's office. These two individuals post the State warrants and receipts as they come into the Department, and register those warrants which cannot be immediately paid. They compile both the monthly and annual reports which the Treasurer sends to the Governor and the State Auditor. The monthly report includes a statement of the condition of each of the Funds of the State, and also the posting of the warrants drawn on the General

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19. Revised Code of Arizona, 1928, Sec. 3177.

20. Wayne Hubbs, Personal Interview.

Fund and on the Funds of the State Highway and Game and Fish Commissions. The annual report is a compilation of all the monthly reports, and includes, in addition, two statements concerning the receipts which the Treasurer's office gives to other officials in the State when he receives certain money from them. One of these is a statement of the amount of taxes which are paid into the Treasury, while the other is a segregation of receipts by Departments, showing just what each Department has remitted during the year, the condition of all the Funds for the entire year, the inheritance tax report for the year, and finally, a statement of all the bonds which have been issued by the several Departments. Two stenographers are employed in the Treasurer's office to take care of any regular stenographic routine.

In this chapter, through a discussion of the functions of the office of the Treasurer, frequent mention has been made to the resulting relationships of the Treasurer with certain other officials of the State. In the next chapter, these relations will be treated in detail.

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21. Report of the State Treasurer, 1931-1932.

CHAPTER III  
THE RELATIONSHIPS OF THE TREASURER WITH OTHER  
OFFICIALS OF THE STATE

If the State Treasurer is to fulfill with any degree of efficiency his many functions, it is most essential that he be in constant and intimate contact with various other officials within the State. In fact, the very nature of some of his duties require this contact. The need for these relationships, and more especially for their being regulated by law, has grown steadily, as the mechanisms of the State and of the County have become ever more involved. A smoothly and well managed State government could not be conceived, if, for example, the State Treasurer and the several County Treasurers carried on their work entirely independently of one another. The work of the State Auditor's office is so closely related to that of the office of the Treasurer that here again the need for legislation governing their relations is imperative and the membership, ex officio, of the Treasurer, on certain boards of the State, mentioned in Chapter II, bring him into close contact with such State officers as the Governor, the Secretary of State, and the Attorney-General.

### Relations with County Treasurers

In order that the necessary relations between the State Treasurer on the one hand, and the County Treasurers on the other hand, may be uniformly carried out, the State Legislature has seen fit to enact legislation governing them. It was required that a copy of the financial statement which each County Treasurer must prepare, be sent to the State Treasurer, who includes a brief resumé of it in his report to the Governor.<sup>1</sup> In this report of the County Treasurer is included: (1) a statement of all the indebtedness of the County; (2) a description and approximate evaluation of all County-owned property; (3) the amount of cash which the County Treasury has that may be used to pay its indebtedness; and, (4) the rate of taxation in the County at the last levy.<sup>2</sup> It is through the office of the County Treasurer that both County and State taxes are collected. That part of the taxes collected for the use of the State is sent to the State Treasury by the County Treasurer within ten days after the order for it is received. If the money is sent according to the directions of the State Treasurer, any

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1. Revised Statutes of Arizona, 1913, Sec. 2448.

2. Ibid.

risk which is involved in transmitting it is taken by the State, and not by the County.<sup>3</sup> On or before the fifteenth of January of each year, the State Treasurer sends to each County Treasurer a statement of: (1) all the transactions between his office and the office of that County Treasurer, and (2) the amount of money in each account which is due to or from his office. After the account is settled, the balance due is sent to the appropriate office.<sup>4</sup>

#### Relations with the State Auditor

The Auditor, or general accountant of the State, keeps the public accounts of the State and the books which relate to the accounts of any contracts of the State. It is he who audits and settles the amounts of claims against the State which are payable out of the State funds.<sup>5</sup> In all cases of claims against the Treasury of the State, he draws his warrant upon the Treasurer for the exact amount, in the form required by law, and then notifies the Treasurer that he has done so.<sup>6</sup> The Treasurer may not pay out any money belonging to the State unless he first receives this warrant of the Auditor. No warrant

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3. Ibid.

4. Revised Code of Arizona, 1928, Sec. 49.

5. Ibid., Sec. 27.

6. Ibid., Sec. 7.

may be drawn by the Auditor nor paid by the Treasurer until the money for it has been first appropriated by the State Legislature. These two officials--the Treasurer and the Auditor--serve as a sort of check on each other. They are at liberty to inspect one another's accounts at any time, and may also inspect any material in all the other offices of the State.<sup>7</sup> The Auditor settles with and audits the books of the Treasurer once a month, checking the balances of the State funds on deposit in the several banks of the State. After he has completed this inspection, the Auditor sends his report concerning them to the Governor. He is assisted in this examination by the State Treasurer, who, as stated above, must submit<sup>8</sup> his books to the Auditor whenever he is asked to do so.

#### Membership, Ex Officio, on State Boards

In Chapter II were listed those boards of which the Treasurer is an ex officio member. This membership, and the resulting contacts with other State officials, have a significant place in the performance of his duties. The first of these boards to be considered--the State Land Department--was created in 1912 by the State Legislature.<sup>9</sup> This Department appoints a State Land Commissioner,

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7. Ibid., Sec. 25.

8. Ibid., Sec. 28.

9. Session Laws of Arizona, First Legislature, 1912, Ch. 38, Sec. 3.

who, under the direction of the Department, supervises the administration of all the lands owned by the State, with the exception of those under the direct control of State institutions, and of any natural resources found in this land. He has the power, subject to the approval of the Land Department, to act in the name of the State in any court proceedings in which the question of its lands are involved; semi-monthly meetings are held by the Department to hear any disputes and grievances pertaining to the administration of the State lands.

Composed of members of the State Land Department, and constituting a subsidiary branch of the Department, is the Land Settlement Commission, more commonly referred to as the Soldiers' Land Settlement Commission. The purpose of this Commission is to provide employment and rural homes for residents of Arizona who have served with any of the armed forces of the United States during a period of war and have since been honorably discharged. This includes also any American citizens who served in the Allied Armies during the World War, and have, since the war, been repatriated. Moreover, the Commission was designed

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10. Revised Code of Arizona, 1928, Sec. 2947.

to assist other deserving citizens of the United States and of Arizona to obtain improved farms. It is felt that the agricultural interests of the State, through granting this assistance, will be promoted.<sup>11</sup> The State Legislature in 1923 made an appropriation so that this Land Settlement Commission could purchase land for the above purpose.<sup>12</sup> Three pieces of land were purchased--in Maricopa, Graham, and Yuma Counties--and was divided into twenty-acre plots. These ex-service men then filed application for the purchase of the subdivisions. The principal, together with the interest, of the purchase was to be paid back over a period of years by the men taking the plots.<sup>12</sup> Besides acquiring land for cultivation by private individuals, the Commission may buy land to be used for public purposes, such as the building of roads or of schoolhouses. If necessary, it may change the periods when the payments for the land are to be made, and may make any regulations which are essential in fulfilling its functions.<sup>13</sup>

Each of the farms into which the land was subdivided could have a value when unimproved of not over seventy-five hundred dollars (\$7,500.00). By contracting with the

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11. Ibid., Sec. 1963.

12. Wayne Hubbs, Deputy Treasurer, 1933, 1934, Personal Interview.

13. Revised Code of Arizona, 1928, Sec. 1964.

settlers, the Commission may make any required improvements on any of this land, such as installing irrigation works, protecting the land against floods, or cleaning or <sup>14</sup>leveling it.

Another Commission of the State of which the Treasurer is a member is the State Loan Commission. It is composed of the Governor, the Auditor, and the Treasurer, and it is responsible for the payment of the State indebtedness as it falls due. In order to pay any part of the principal or the interest of this indebtedness, the Commissioners from time to time issue negotiable coupon bonds of the State, when and if these bonds can be issued at a lower rate of interest than was paid for former issues, or when the State will be definitely benefited by such an issue. The rate of interest on these bonds may not be greater than five per cent a year, and may be paid either at the office of the State Treasurer or at some bank or trust company, as the purchaser of the bonds sees fit. These bonds bear the seal of the State of Arizona and are countersigned by the Treasurer.<sup>15</sup>

Whenever the Loan Commissions are authorized by the Legislature to issue bonds, the Treasurer advertises for

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14. Ibid., Sec. 1966.

15. Ibid., Sec. 2647.

a sale of them by publishing a notice of sale in three different newspapers within the State, and, if desirable, also in newspapers outside the State. The bids for the bonds are received by the Treasurer, but the Commission may, if it wishes, refuse to accept any of the bids. If the sale is awarded, the Loan Commissioners prepare the bonds, and, after signing them, deliver them to the Treasurer, who sends them to the purchaser. In payment of the bonds, the Treasurer either receives cash or exchanges them for some of the indebtedness which they were issued to redeem. The bonds may not be taxed within the State.

Particularly outstanding in its relations with the office of the Treasurer is the State Loan Board, of which that official is secretary. Because it is to the Treasurer that a large amount of the work of the Board is apportioned, there is in his office a Farm Loan Secretary, who acts as secretary to the Treasurer in matters with which the Board is concerned. So that some idea of the

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16. Ibid., Sec. 2649.

17. Ibid., Sec. 2650.

18. Revised Code of Arizona, 1928, Sec. 2646.

Also included in the work of the State Loan Commission is the supervision of the State depositories. See below, Ch. IV.

19. Ibid., Sec. 2640.

20. Wayne Hubbs, Personal Interview.

present problems of the Board may be seen, a resumé of its work in the past will be given.

In 1916, the State Loan Board--or Farm Loan Board, as it is more commonly called--began lending money to farmers in Arizona from the Permanent Funds of the State, under authority of the law. These loans could not exceed forty per cent of the actual value of the land for which they were made, nor was more than five thousand dollars (\$5,000.00) loaned to any one person or for any one piece of property. These loans could be renewed for a period not longer than the original loan, if all the interest and taxes had been paid up to the date of the renewal.

This practice of lending money was continued until

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21. Letter, W. M. Cox to the Eleventh State Legislature, February 7, 1933.  
The Permanent Funds from which farm loans were made are:
1. Permanent School Land Fund.
  2. University Timber Fund.
  3. University Land Fund.
  4. Normal School Land Fund.
  5. Penitentiary Land Fund.
  6. State Charitable, Penal, and Reformatory Land Fund.
  7. Agricultural and Mechanical College Land Fund.
  8. School of Mines Land Fund.
  9. Asylum for the Insane Land Fund.
  10. Legislative, Executive, and Judicial Building Land Fund.
22. Revised Code of Arizona, 1928, Sec. 2640.

1923, at which time it was stopped. During those years from 1916 to 1923, two million, twenty-four thousand, forty-nine dollars and fifty-six cents (\$2,024,049.56) was loaned in first mortgages on the farms. The interest on the mortgages was six per cent annually, and the loans were made for periods of from five to fifteen years each. At present one million, ten thousand, three hundred ninety dollars and sixty-three cents (\$1,010,390.63) has been repaid on the principal and credited back to the Funds from which the loans were originally made. There is an outstanding unpaid balance of approximately one million, thirteem thousand, six hundred fifty-eight dollars and ninety-three cents (\$1,013,658.93). Delinquent interest is accumulating, and, because of a lack of funds for operation, the Board is unable to foreclose or administer these lands to the best interests of the State. Foreclosure has been attempted in the past, with the purpose of preventing the accrual of taxes. However, a period of several years elapsed between the time of the loans and the subsequent legislation permitting foreclosure, and, as a result, many losses which might have been avoided are now threatening the Board. Another attempt to aid the Board

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23. Letter, W. M. Cox to the Eleventh State Legislature, February 7, 1933.

was made in 1931, when the State Legislature enacted a law making the mortgages of the State on these lands superior to other liens.<sup>24</sup> However, in the meantime several thousands of dollars were lost by the State.

At the present time the Attorney-General is being instructed, to do all he can to consummate pending foreclosures for the State. He is temporarily stopped from doing this because of a lack of funds on the part of the Loan Board. The Board is likewise stopped in the midst of several foreclosures because funds for the necessary costs are not available.<sup>15</sup>

Because the Farm Loan Board has not been given any money with which to pay the back water assessments, it can neither rent nor sell some of these lands. Consequently, since the farms are standing idle, they are rapidly deteriorating, with the result that the State is losing any chance of an income from selling or leasing them.<sup>26</sup>

Originally, the State loaned six hundred twenty-nine thousand, six hundred seventy-two dollars and sixty-six cents (\$629,672.66) out of the entire sum on farm

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24. Ibid

25. Letter, W. M. Cox to the Eleventh State Legislature, February 7, 1933.

26. Ibid.

loans in Apache County, under the Lyman Dam. Then, as these farms were taken back, this placed a heavy responsibility on the State because of water charges. As a result, the State eventually became a large stockholder<sup>27</sup> in the Lyman Water Project, and the Treasurer was subsequently named a member of the Board of Directors of the<sup>28</sup> Lyman Water Company.

At present, there is, in all, invested in active loans a principal of three hundred forty-nine thousand, one hundred ninety dollars and twenty-three cents (\$349,190.23), with a delinquent interest of thirty-eight thousand, eight hundred twenty-seven dollars and twenty-eight cents (\$38,327.28) over some eleven thousand, five hundred eighty-one (11,581) acres. Loans on those farms either foreclosed, or in the process of foreclosure, represent a principal of six hundred sixty-five thousand, four hundred thirteen dollars and seventy-four cents (\$665,413.74), with a delinquent interest of five hundred seventy-two thousand, eight hundred fifteen dollars and ten cents (\$572,815.10) on seventeen thousand, nine hundred twenty-four (17,924) acres. Because of these large sums of money

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27. Ibid.

28. Wayne Hubbs, Personal Interview.

now outstanding, the State Loan Board has been seeking permission from the State Legislature to liquidate the loans, so that the State will be able to recover at least <sup>29</sup> part of its investment. Probably not more than fifty per cent of the amount of these loans will ever be col-  
<sup>30</sup>lected by the State.

#### Relations with the Governor

As a member of the Executive Department of the State, the Treasurer has certain relations with the Governor. The creation of these offices was provided for in the Constitution for the State of Arizona:

"The Executive Department of the State shall consist of a Governor, Secretary of State, State Auditor, State Treasurer, Attorney-General, and Superintendent of Public Instruction, each of whom shall hold office for two years, beginning on the first Monday of January next after his election." <sup>31</sup>

On the first of each month, the Treasurer delivers to the Governor a copy of his statement for the preceding month of all public money which he has received and paid out, and of the various accounts which were involved in these transactions. The Treasurer also sends to the Governor on the first of August, a copy of his annual

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29. Letter, W. M. Cox to the Eleventh State Legislature, February, 7, 1933.  
 30. Wayne Hubbs, Personal Interview.  
 31. Constitution for the State of Arizona, Art. V, Sec. 1.

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financial report, the contents of which were described  
in Chapter II.

Frequently throughout these first three chapters,  
the manner in which the public money of the State is  
handled has been referred to. Chapter IV attempts to  
explain the functions and duties of the office of the  
Treasurer in this matter.

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32. Revised Code of Arizona, 1928, Sec. 45.

## CHAPTER IV

## THE CUSTODY OF STATE FUNDS

All the Departments and branches of the Government of the State of Arizona are required by law to be run strictly on a budget basis. The State budget is drawn up by persons appointed by and working under the supervision of the Governor's office, and shows in detail the amount of funds needed for each and every Department. At the time that the budget is to be prepared, each of these Departments is requested to send to the Budget Committee an itemized report of its expenditures for the past two-year period, along with a detailed estimate of what its expenses are likely to be for the next two years. After the Governor's Committee has prepared its budget, it is sent to the State Legislature for approval or revision as that body sees fit. Then, when the final approval is made, the Legislature makes a separate appropriation for each Department, and instructs the State Treasurer to pay to that Department the amount appropriated. All the State Departments and institutions, with the exception of the Highway Department, the University, the two Normal

Schools, and those Departments on a fee basis, such as the Medical Examiners, are placed on a quarterly apportionment basis. This means that the Treasurer's office may allow each Department to spend for each three-month period, only one fourth of its appropriation for the entire year. In case a Department should apply in any three months for an amount greater than it is allowed for that period, the office of the Treasurer must notify it that it is overdrawing its accounts, and must refuse to cash the warrants for this additional amount. All the State Departments must keep absolutely within their budgets for the whole period, and are not allowed to spend in all more money than the budget permits. This budget is set up in ledgers in the offices of the State Auditor and the State Treasurer solely for the purpose of serving as a constant check on the expenditures of the Departments. The ledger accounts are closely watched by the Auditor's office in issuing warrants for the Departments, and by the Treasurer's office in paying them. These two offices together check their respective ledgers at the end of each month, so that their accounts may be verified.

The Funds of the State into which all the public

money is placed are divided into two general types-- those in the custody and the control of the State Treasurer, and those in the custody of but not controlled by the Treasurer. Under these main divisions, of course, there are more specific classifications.

#### Classification of State Funds

- I. Funds held in the custody of and controlled by the State Treasurer.
  - A. Permanent (Land) Funds.
    1. Asylum for the Insane Land Fund.
    2. Agricultural and Mechanical College Land Fund.
    3. County Bond Land Fund.
    4. Legislative, Executive, and Judicial Building Land Fund.
    5. Military Institute Land Fund.
    6. Normal Schools Land Fund.
    7. Penitentiary Land Fund.
    8. Permanent School Land Fund.
    9. School and Asylum for Deaf, Dumb, and Blind Land Fund.
    10. School of Mines Land Fund.
    11. State Charitable, Penal, and Reformatory Institution Land Fund.
    12. University Land Fund.

- 13. University Timber Fund.
  - B. Funds of Special Commissions.
    - 1. State Highway Fund.
    - 2. Arizona Game and Fish Fund.
  - C. General Fund.
- II. Funds in the custody of, but not controlled by the State Treasurer.
- A. Industrial Commission Funds.
    - 1. State Compensation Fund.
    - 2. State Accident Benefit Fund.
    - 3. Vocational Rehabilitation Fund.
  - B. Vocational Education Departmental Funds.
  - C. Board of Health-Child Hygiene Fund.

The Permanent Funds are established for each of the several branches of governmental administration. The General Fund of the State consists of all the State money which is received by the State Treasurer, but which is most specifically appropriated to one of the Permanent, or Special, Funds. The Treasurer may not transfer money into one Fund which has been collected for another, unless he is authorized by the Legislature to do so, nor may he pay out any more of the money in his custody than he is authorized, through appropriations, to pay.

The Enabling Act, which created these Permanent Funds, set aside originally a certain number of acres of land for each of several State institutions. Whenever any of this land was sold, the money was turned into the office of the Treasurer, and subsequently placed in the appropriate Permanent Fund. Some of this money has been invested in bonds. The principal which has accumulated from the sale of these lands may never be withdrawn and used, but the interest carried on the bonds is put into the maintenance fund of the institution. The State Loan Board, which, as mentioned in Chapter II, has charge of the Permanent Funds, may buy or sell lands when it is felt that the State will definitely benefit by such action. If the land is merely leased, the money thus obtained goes into the maintenance fund of the institution, and can be used, along with the interest on the bonds, for the general upkeep of that particular institution.<sup>3</sup> The point must be emphasized that this maintenance fund is entirely distinct from any of the appropriations which the State Legislature may make for a particular institution.

One of these Funds, the County Bond Land Fund, was

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3. Wayne Hubbs, Personal Interview.

created for a slightly different purpose than were the other Funds of the State. During the Territorial days, the Counties of Coconino, Maricopa, Pima, and Yavapai issued and sold bonds of which there were outstanding at the time of admission of the Territory to statehood approximately eight hundred sixty-eight thousand dollars (\$868,000.00)<sup>4</sup>. The new State, desiring that no County or city should have any indebtedness, made provision to take over the debts of these Counties. The State Legislature, in order to do this, set aside a certain number of acres within each of the four Counties, the sale or leasing of which it was hoped would eventually pay the principal on the bond issue, and also keep the interest<sup>5</sup> paid up.

Among those Funds of the State of which the State Treasurer acts as custodian, that of the Industrial Commission is outstanding for the reason that the Commission is constantly doing business through the office of the Treasurer. The Commission makes remittances daily at this office. Vouchers are issued by the Commission in payment of compensation to workers, which are cleared through

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4. Ibid.

5. Revised Code of Arizona, 1928, Sec. 3022.

the banks daily with the Treasurer's office. The Industrial Commission has four depositories, which are, however, included in the regular list of depositories for the Department of the Treasury.<sup>6</sup>

The method by which the public money of the State that is placed in these Funds is handled, was provided for by the Legislature in 1913.<sup>7</sup> The Enabling Act had already established a separate Fund for each of the several institutions for which State land grants were made, so that whenever any money is received by the Treasury from any of these Departments, it is at once deposited in the Permanent Fund maintained for that Department.<sup>8</sup> The Treasurer then issues receipts for this money, keeping the original receipt in his permanent file, and sending one copy to the office of the State Auditor and two copies to the Department making the payment. These payments, the results of collections made by the Department, are sent to the office of the Treasurer either weekly or semi-monthly, depending upon the frequency with which the collections are made. The Corporation Commission, the Land

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6. Wayne Hubbs, Personal Interview.

7. Revised Statutes of Arizona, 1913, Sec. 4637-4655.

8. Constitution for the State of Arizona, Art. X, Sec. 7.

Department, the Highway Department, the Inheritance Tax Collector, and the Livestock Sanitary Board are among those making frequent payments. As there are no safes in the office of the Treasurer in which to keep the money, it must be deposited in banks just as soon after it is received as possible. It is through functioning in this manner that the Department of the Treasury earns its name as the clearing house for these several Departments of the State.

Before the office of the Treasurer may pay out any money whatsoever, it must first receive a warrant for the exact amount to be paid from the office of the State Auditor. Each Department presents its claims, approved by the Department head, to the Auditor, who issues the warrant, charged against the Fund for that Department, and returns it to the party making the claim. Ordinarily, these warrants are cashed right away at the home bank of the Department or party to which the warrant is issued; this local bank sends the warrant through for collection to a Phoenix bank. If funds are available in the account for which the warrant is drawn, the Phoenix bank is paid by the Treasurer's office. In 1925, the Legislature pro-

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9. Wayne Hubbs, Personal Interview.
  10. Fairfield v. W. J. Corbett Hardware Co., (1923), 25 Ariz. 199.
  11. Wayne Hubbs, Personal Interview.

vided that any warrant, properly drawn upon the Treasurer, but not presented to him for payment within two years from the date it was issued, becomes void, and the amount of the warrant is returned to the General Fund<sup>12</sup> of the State. After the warrants have been paid by the office of the Treasury, the bookkeeper in that office posts the individual items to the Funds which have been drawn upon, and the Deputy Treasurer posts them to the proper bank account from which the payment is made. At the end of each day the totals of these two accounts must<sup>13</sup> agree with the balances in the several banks.

Permanent Fund warrants can be paid at any time out of the Permanent Funds of the State. However, if the warrant is one drawn upon the General Fund, and there is no money at the time to make the payment, the warrant is "registered" in the office of the Treasurer, stamped with the date of registration, and returned to the owner to be held until the time of the next warrant call. This registered warrant then draws interest at the rate of five per cent a year from the date it is registered until the date on which it is called in for payment by the Treasurer's

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12. Session Laws of Arizona, Seventh Legislature, 1925,  
Ch. 15, Sec. 1.

13. Wayne Hubbs, Personal Interview.

office. Warrants are called in and paid in the order of the date of registration, and not of the date of issuance. Frequently, because these warrants are sold and resold for cash, to individuals--thus changing hands frequently--they are difficult to locate at the time of the warrant call and do not appear for payment till months later.<sup>14</sup>

After the warrants are paid by the Treasurer's office, they are posted in that office, cancelled, and returned to the office of the State Auditor. They are returned to him at the end of each month, when the monthly report of the Treasurer is sent to him. The accounts of the two offices are at that time balanced with the outstanding warrants.<sup>15</sup>

In May, 1933, the Treasurer's office had not called in for payment any of the warrants which had been registered since August 31, 1932. The question then arose as to whether the warrants could be used in payment of State taxes. The Attorney-General gave to the Treasurer the following opinion on this subject:

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14. Ibid.

15. Ibid. The duty of registering and endorsing all the warrants presented, as requested by the Legislature, may be enforced by a writ of mandamus. In re Valley Bank of Phoenix, (1912), 14 Ariz. 133.

"It is my opinion that you may not legally accept from county treasurers State warrants in payment of State taxes.

"Unless expressly authorized by law, a tax collector may not accept anything but lawful money in payment of taxes. Weidler v. Arizona Power Co., 7 Pac. 241.

"Under the provisions of Paragraph 801, Revised Code of 1928, County treasurers may receive in payment of county taxes, county warrants issued by the Board of Supervisors. No express authority is given by the laws of the State of Arizona to tax collectors to receive anything but lawful money in payment of State taxes.

"Section 3, Article 9 of the Constitution provides:

"All taxes levied and collected for State purposes shall be paid into the state treasury in money only.'

"This is an express requirement that State taxes be paid in money, and prohibits the State Treasurer from receiving from county treasurers anything but money in payment of taxes." 16

In order that the handling of the State Funds might be greatly simplified, it was deemed necessary to recognize certain banks throughout the State as official banks in which the funds of the State Treasury could be easily deposited. Therefore, the Legislature provided that the Governor, the Treasurer, and the Auditor, as members of the State Loan Commission, might designate any banks within the State which operate either under its laws or under the laws of the United States, and have a paid-up capital of at least ten thousand dollars (\$10,000.00), to act

as depositories for State moneys. However, each of these depositories must deliver to the Treasurer, either bonds of a surety company approved by the Treasury Department of the United States or, if the bank wishes, interest-bearing bonds of the following types: United States government bonds, State, County, Municipal and School District Improvement bonds, bonds of the Federal Land Banks, of Joint Stock Land Banks, or bonds issued or guaranteed by corporations operating a United States reclamation project within the State and approved by the Secretary of the Interior. Any of these interest-bearing bonds must meet with the approval of the State Loan Commission. Registered warrants of the State may also be used by the banks as guar-  
<sup>17</sup>anty. The State Treasurer may not deposit in any one bank a sum greater than the guaranty given by the depository. He is exempt from any liability if these provisions are adhered to, but, if, at any time, he does not feel that the security given by a bank is sufficient to protect the deposits of the State, he is recommended to require additional security, even though there is no statute to make  
<sup>18</sup>such action strictly legal. These bonds are accepted at their actual value if they are not above par; if their ac-

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17. Revised Code of Arizona, 1928, Sec. 2634.

18. Williams v. Earhart, (1929), 273 Pac. 728.

tual value at any time falls below par, the Treasurer must demand additional security in order to guarantee the deposit.<sup>19</sup> The interest on the bonds is paid through fiscal agencies maintained in New York City by the Department of the Treasury.<sup>20</sup> The interest rates are charged and collected from a depository as long as it is solvent and able to meet its obligations. In case of insolvency, as in the case of National Surety Co. v. County of Pinal, the accounts are converted into claims against the estate of the insolvent, and six per cent interest annually is allowed against the surety.<sup>21</sup> In view of the fact that the State is allowed to exact security from a depository, whereas other patrons of a bank are not given this privilege, the theory of the prerogative of the sovereign is not held to exist here. The State, consequently, is not considered a preferred creditor, entitled to have its claim paid in preference to those of ordinary depositors.<sup>22</sup>

Two types of depositories, active and inactive, are set up within the State, the former carrying the current checking accounts, while the latter keep State money on

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19. Revised Code of Arizona, 1928, Sec. 2634.

20. Wayne Hubbs, Personal Interview.

21. 30 Ariz. 383, (1926).

22. In Re Central Bank of Willecox, (1922), 23 Ariz. 574.

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deposit over long periods of time. Until 1933, active depositories paid interest on the public money which they held at a rate of not less than two per cent a year, while inactive depositories paid a minimum rate of interest of four per cent a year. However, in 1933, the law was amended so that now active depositories pay a minimum rate of interest of one-half of one per cent annually, and inactive depositories pay a ~~minimum~~ rate of interest, on the money on deposit from two to six months, of one per cent annually, and on money on deposit for six months or over, not less than two per cent annually.

At the time that the Report of the State Treasurer for the fiscal year ending June 20, 1932 was made, the following banks were acting as depositories for State moneys:

1. Bowie Branch, Riggs Bank, Bowie.
2. Buckeye Valley Bank, Buckeye.
3. Bank of Clemenceau, Clemenceau.
4. Bank of Douglas, Douglas.
5. First National Bank, Douglas.
6. First National Bank, Florence.

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23. Revised Code of Arizona, 1928, Sec. 2636.  
 24. Revised Code of Arizona, 1928, Sec. 2637.  
 25. Session Laws of Arizona, Eleventh Legislature, 1933,  
 Ch. 28.

7. First National Bank, Holbrook.
8. First National Bank, Nogales.
9. First National Bank of Arizona, Phoenix.
10. Valley Bank and Trust Company, Phoenix.
11. Bank of Arizona, Prescott.
12. First National Bank, Prescott.
13. Round Valley Bank, Springerville.
14. Consolidated National Bank, Tucson.
15. Southern Arizona Bank and Trust Company, Tucson.
16. United Bank and Trust Company, Tucson.
17. The Riggs Bank, Willcox.
18. First National Bank, Winslow.

At that time there were the following closed or defunct banks that had had accounts with the office of the Treasurer:

1. Old Dominion Bank, Globe.
2. Old Dominion Bank, Miami.
3. Nogales National Bank, Nogales.
4. Exchange Bank, Peoria.
5. Central Bank of Phoenix, Phoenix.
6. Arizona Bank, Phoenix.
7. Bank of Safford, Safford.
8. Central Bank, Wickenburg.
9. Central Bank, Willcox.

10. Bank of Winslow, Winslow.

11. Old Dominion Bank, Yuma.

The accounts of the State in these closed banks amount to a total of five hundred eighty thousand, seven hundred eighty-three dollars, and nine cents (\$580,783.09), some of which will probably be recovered by the Treasurer's office. It is said that one reason that the Treasurer's office has lost money on its deposits in certain banks which have closed is that the market fluctuations have not been carefully checked and additional bonds required as security when the bonds already on deposit have fallen below par value. Then, too, when a bank closes, it must go through court proceedings, and a receiver is appointed. Before any of the bonds can be sold, the State Treasurer must first get permission to sell them from the court. If the bonds can be sold for enough to pay for the State deposits, the Treasurer and the bank receiver together sell them. However, even though the bonds may be quoted at a certain value, this does not mean that it is always possible to find a purchaser who will pay the quoted price. If the bonds cannot be sold for enough, the Treasurer and receiver sell them for whatever they can, and the State

files a claim against the bank for the remainder, just as any other depositor of the bank must do, because as stated before, the State is not considered a preferred creditor of the bank, entitled to have its claim paid in preference to those of ordinary depositors.

Besides exercising control over other money collected by the various Departments of the State, the office of the Treasurer supervises the collection by them of any licenses or fees made within the State. All of the money obtained in this manner must be sent to the State Treasurer by the tenth of the month following the collection.

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27. P. E. Leatherman, Cashier, Consolidated National Bank, Personal Interview.

27a. It is understood in banking circles of the State that in case of the failure of the Central Bank of Phoenix and its two branches, the Central Bank of Willcox and the Central Bank of Wickenburg, the loss of the State in deposits, of some four hundred seventeen thousand dollars (\$417,000.00), was due to intentional neglect on the part of the State Treasurer. Instead of demanding of the banks the type of bonds required by law, the Treasurer accepted bonds of the Central Securities Company, a subsidiary of the Central Bank. Then, of course, when the bank failed, the Securities Company also failed. As far as could be determined, no prosecution has ever been instigated against H. S. Ross, the Treasurer at that time.

The money sent to him in payment of hunting licenses and fines is set aside for the Game Protection Fund, and is used to pay the salaries of game wardens and to maintain game preserves. Monthly statements are sent to the State Game Warden by the Treasurer, showing the amount of money received and paid out under this provision.<sup>28</sup>

Any Building and Loan Company operating within the State is required by law to deliver to the office of the Treasurer a bond of fifty thousand dollars (\$50,000.00), consisting of notes and mortgages of persons having loans with the company.<sup>29</sup> This security must meet with the approval of the superintendent of banks. Whenever a note or mortgage is paid up by a client, it is removed from this office, and additional security is required. There are usually from five to ten such changes in securities made each month. The Treasury Department has no authority or control over these securities, but acts merely in the capacity of custodian. It is the banking department which controls them.

Certain requirements are also made of all express companies doing business in the State. The State Treasurer annually collects from each of these companies a tax

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28. Session Laws of Arizona, First Legislature, 1912,  
Ch. 82, Sec. 29.

29. Revised Statutes of Arizona, 1928, Sec. 638.

equal to six per cent of the gross receipts of the company for its business done in the State. The amount of the gross receipts is determined in each case by the State Tax Commission. This tax takes place of any other tax which might be put upon the property of these express  
<sup>30</sup>  
 companies.

The biggest task of tax collection to be placed in the hands of the State Treasurer is that of the State Inheritance Tax. All property within the jurisdiction of the State, which passes from one person to another by inheritance, is subject to this tax. The State Treasurer has complete authority to gather information and make investigations which may be necessary in performing his duties as the Inheritance Tax Collector. A report concerning the general results of his investigations is sent to the State Legislature at the opening of its sessions,  
<sup>31</sup>  
 every two years. In reality, the Treasurer himself does not perform these functions, but has appointed under him a special Inheritance Tax Collector to fulfill the functions prescribed by law. At least ten days before an estate is appraised, this collector must be notified.

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30. Revised Statutes of Arizona, 1928, Sec. 3143.

31. Session Laws of Arizona, Fifth Legislature, 1922,  
 Ch. 26, Sec. 17, Paragraph 2.

Then, within ten days after the appraisement, he is furnished with a statement of the appraisement and of the amount of the legacy. Property is entirely exempt from taxation if it is transferred to corporations exempt by law from taxation, or to a public corporation or for any charitable or educational purpose, provided it is used only within the State. All exemptions allowed by law are to be deducted from the first twenty-five thousand dollars (\$25,000.00) exemption which is allowed, rather than from the whole estate.

The issuing of the tax anticipation bonds in Arizona is a most interesting feature of the State's endeavor to meet its current expenditures. Usually, there are sufficient funds in all the accounts of the State, except in the General Fund account. The frequent shortage here is caused by the peculiarities of the tax situation. The Board of Equalization, which is composed of the members of the State Tax Commission, meets on the first Monday of August each year to make the levy to cover all the expenses of the State for the ensuing fiscal year, which begins on the first of July. The taxes levied in August

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32. Session Laws of Arizona, First Legislature, 1912,  
Ch. 15, Sec. 33.

33. 24 Cal. Jur. 440.

are due on the first Monday of the following September, and become delinquent on the first Monday in November. In the meantime, the expenses of the State have been accumulating since the first of July, and the only taxes of any consequence received in the interim are the collections from such sources as the inheritance tax, the Land Department, the Corporation Commission, and the Livestock Sanitary Board. Because there are so many warrants registered and outstanding during the first few months of each year, the Treasurer's office is, permitted by the State Legislature to sell tax-anticipation bonds, usually in August and February, so that those warrants issued during the first few months of each half of the fiscal year can be paid, and the parties or Departments holding them will be relieved of the necessity of holding the warrants until the taxes are collected. Ordinarily, about two million dollars (\$2,000,000.00) worth of bonds are sold, and, previous to 1932, they were sold at par, at an interest rate of from two per cent to four per cent annually. However, during 1932, because there was a scarcity of money for investment, the Loan Commission paid a rate of interest of five per cent per annum, which is the maximum allowed by the law. The Treasury Department con-

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34. Wayne Hubbs, Personal Interview.

sidered itself quite fortunate in being able to sell bonds even at that rate. These bonds are payable six months from the date of issuance.

Each bond specifically states that it is issued in anticipation of the taxes which have already been levied for the fiscal year and that it is payable solely from the proceeds of these taxes. As the taxes are collected, they are to be used only for the payment of the bonds and the interest on them, until all the bonds and interest are paid in full. The total amount of bonds, including both the principal and the interest, issued for a fiscal year may not exceed seventy-five per cent of the uncollected taxes for that year.

Each biennium, the State Legislature passes an act authorizing the Treasurer to issue these tax anticipation bonds for the ensuing two year period. Such an act was passed on February 23, 1933, against the taxes for the last half of the year 1932, all of 1933, and the first half of 1934. One million, three hundred thousand dollars (\$1,300,000.00) worth of these bonds were offered for sale, this time at a maximum interest rate of six per cent per annum. However the issue was not sold, very

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35. Session Laws of Arizona, Ninth Legislature, 1929, Ch. 4.  
 36. Ibid.  
 37. Session Laws of Arizona, Eleventh Legislature, 1933.

probably for the reason that no bonding company felt it could take the risk, anticipating the collection of the taxes this year. These tax anticipation bonds are not a direct obligation of the State, and consequently do not have the credit and the good will of the State behind them, as they are sold purely against the uncollected taxes which have been levied. However, the Treasurer's office has never defaulted in the payment of any of these bonds.

## CHAPTER V

## CONCLUSION

In a study of an Executive Department of a State, such as this has been, certain defects, especially in the legislation regulating the department, come to light. Not always is legislation passed in view of the difficulties which are bound to arise, and of the actual policy which will have to be followed by the Department. This is true in the case of the Department of the State Treasurer of Arizona.

One of the outstanding criticisms which is being made of the Treasury Department at the present time, is the fact that the State has lost money which it has had<sup>1</sup> in deposit in the State depositories which have failed. Supposedly, the Treasurer has received sufficient bonds from each depository to cover the amount of State money<sup>2</sup> in the bank. The court has even interpreted the law to mean that the Treasurer may demand additional securities to those required by law in order to be certain that his funds are guaranteed protection. However, the trouble seems to be market fluctuations are not closely observed,

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1. See Above, Ch. IV.

2. Williams v. Earhart, (1929), ---Arizona---, 273 Pac. 728.

with the result that the bonds of the depository are not always sufficient to cover the deposits. This means that the State of Arizona has lost thousands of dollars in closed banks, not all of which it can hope to recover.

Another serious problem appears in the warrant situation. The Treasury Department does not at present have funds available to pay these warrants as they come in, but, instead, registers them, with the hope of paying them in the near future.<sup>3</sup> In the meantime, however, individuals who are paid by the State cannot receive cash for their warrants. When this situation lasts for any great period of time, the problem becomes acute. Added difficulty arises due to the fact that the State is not willing to accept its own warrants in payment of taxes, but insists that real money be paid.<sup>4</sup> It is not logical to expect that the ordinary person receiving a salary will have for immediate use enough actual money to pay all his expenses for a period of eight or ten months or longer. In the past, the State has, through the sale of tax anticipation bonds, been able to raise enough money to pay its warrants. However, as was pointed out in Chap-

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3. See above, Ch. IV.

4. See above, Ch. IV.

ter IV, an attempt to sell these bonds in 1933 proved futile, because of the fact that the security for them is of too uncertain a nature. The whole situation seems to be in a never-ending cycle. Some other solution than that used in the past must be found. That solution seems to be at present in the nature of an attempt to issue bonds which would have back of them the guaranty of the State.<sup>5</sup> This bond issue in turn would mean increasing the indebtedness of the State, but at the same time the current expenditures and the warrants could be paid in real money. It remains to be seen whether or not the voters of the State will approve of such a measure. The dilemma in which the State Loan Board finds itself at present is also a matter which legislation has failed to remedy.<sup>6</sup> A tremendous amount of money has been lost by the State through loans to farmers, which have never been repaid. In 1923, because of insufficient funds, and the sad experiences of former years, the Loan Board was compelled by circumstances to stop lending money. Since that time, attempts of the State Legislature to remedy the matter have failed. The Loan Board does not even have the funds with which to keep up repairs, water assessments, and

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5. P. E. Leatherman, Personal Interview.

6. See above, Ch. III.

other expenses, on the land which it has had to reclaim.

Undoubtedly, there are other deficiencies in the organization and functions of the office of the State Treasurer, but in this study of the Department, those mentioned here have been especially noticeable. A word should be said, however, in favor of the manner in which the records and accounts of the office are maintained. Besides the compiling of the monthly and annual reports, the accounts are carefully checked at the end of each day, so that any error in the books will be immediately detected. The office of the State Treasurer should be indeed complimented for the efficiency with which it administers a difficult and complicated piece of work.

## APPENDIX

### ROSTER OF ARIZONA TREASURERS

#### TERRITORIAL TREASURERS

Name	In Office	Location	Appointed by
John T. Alsop	1866/67	Prescott	Gov. McCormick
John B. Allen	1868/72	Tucson	Gov. McCormick
John B. Allen	1872/74	Tucson	Gov. Safford
P. R. Tully	1875/76	Tucson	Gov. Safford
P. R. Tully	1877/78	Tucson	Gov. Safford
T. J. Butler	1879/82	Prescott	Gov. Fremont
T. J. Butler	1883/86	Prescott	Gov. Tritle
C. O. Foster	1887/88	Phoenix	Gov. Zulick
John Y. T. Smith	1889/90	Phoenix	Gov. Walfrey
William Christy	1891/92	Phoenix	Gov. Irwin
J. A. Fleming	1893/94	Phoenix	Gov. Hughes
P. J. Cole	1895/96	Phoenix	Gov. Hughes
T. E. Farish	1897/	Phoenix	Gov. Franklin
C. W. Johnston	1897/98	Phoenix	Gov. Franklin
Thos. W. Pemberton	1899/1900	Phoenix	Gov. Murphy
I. M. Christy	1901/02	Phoenix	Gov. Murphy
E. E. Kirkland	1903/04	Phoenix	Gov. Brodie
E. E. Kirkland	1905/10	Phoenix	Gov. Kibbey
E. E. Kirkland	1911/12	Phoenix	Gov. Sloan.

#### STATE TREASURERS

Name	In Office	Location
D. F. Johnson	1912/14	Douglas
Mit Simms	1915/16	Solomonville
D. F. Johnson	1917/18	Douglas
H. S. Ross	1919/20	Tombstone
Raymond R. Earhart	1921/22	Nogales
Wayne Hubbs	1923/24	Kingman
Vernon Wright	1925/26	Phoenix
J. C. Callaghan	1927/28	Phoenix
Chas. R. Price	1929/30	Phoenix
Mit Simms	1931/32	Safford
W. M. Cox	1933/34	Phoenix

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