February 21, 1938

Honorable Herbert H. Lehman
Governor of the State of New York
Executive Mansion
Albany, New York

Dear Governor:

I don't know whether you found time to read the full steno-
ographic report of the address made by the Mayor of New York to
the "City Affairs Committee", on Saturday, to which the "Times",
yesterday, gave several columns of space. There are a few things
in it, however, to which I am moved particularly to draw your at-
tention.

An expert opinion of the Bankers Agreement, that you, chiefly,
brought about, and with which I had something to do on the side,
is expressed in this way:

"Now, then, I seek to run this city as any honest man
attempts to run his business and to live within my
revenue. You wouldn't believe it, but people actually
gloat in the fact they were part of wrecking the fin-
ances of this city and there are others who boast that
they were instrumental in slapping the most unconscion-
able mortgage upon the City of New York that was ever
attempted by any group of usurers and loan sharks. We
came in in 1934; we lived within our means; we reduced
expenses and I lifted the mortgage."

Shortly following is this characterization of the courts, in
the matter of the setting aside by unanimous vote of the Appellate
Division of the budget voted in January by the new administration,
and intended to supersede the budget passed by the majority of the
Board of Estimate, and the Board of Aldermen, in December:
"Now I believe in the fundamental principles of our government. I believe in the American system of government. I believe that perhaps three equal coordinating branches of government is about as clever a device that has ever been formulated in the minds of men. I have had some experience as a legislator. I have always sought to prevent legislative encroachment upon the judiciary. At the same time, I always resented the judicial encroachment upon the legislative branch of the government, and now with equal force I resent the misuse of the courts to hamper and thwart good government."

The budget for 1933 voted by the Board of Estimate in December represented an increase, upon strictly comparable lines, of $68,000,000 over the budget voted by the retiring 1933 administration for the year 1934. The Board of Estimate, however, as you will recall, restored something like $800,000 cut by the Mayor from the budget voted last December, made up in the main through the elimination of certain positions, chiefly in the counties, which were described by him as political and unnecessary. That they were of this description might quite possibly have been the case, although many of them had been established by law and could not, of course, be eliminated through the processes of budget making alone. Nevertheless, during the campaign, attention was rather successfully diverted from the huge increase in the budget itself to the question in dispute about this final $800,000. The ruling of the court that the superseding budget voted in January, again dropping the banned employees, was illegal, followed of course the only construction the courts could possibly put
Upon the pertinent provisions of the City Charter; and I have no doubt that this ruling will, in turn, be upheld unanimously by the Court of Appeals.

A little later on this reference is made to the offsetting financial affairs of the City and the State:

"I don't know how long this city can continue to give aid to the State. You hear so much about State aid to the cities. There is no such thing. It is just New York City's aid to the State. We pay most of the taxes, we get the least in return. I don't know how long we can keep that up. I appealed a few days ago to Albany. I asked for bread, and I got a telephone call.

"The time is coming very rapidly when the city will be unable to carry on any more of the State expenses and there will have to be more equitable assessment of the costs throughout the State. I hope that the people in Albany will see that."

The Report of the State Tax Commission for 1934 (at pages 335 and 338), which was the latest of the printed series we had before us in the Commission on State Aid - showed that in that year there was derived from State taxes paid in New York City $160,170,000, and that the State paid to the City, in return, through various forms of grants-in-aid $87,240,000. The $72,900,000 in excess represented the full contribution of the City to the general administrative and debt carrying expense of the State, from all of which the City, of course, in common with the rest of the State, was a beneficiary.

The Report of the Commission for the year following, 1935, (at pages 339 and 342) shows that for that year the total State receipts
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by way of the City were $154,400,000, and the returns in State Aid $109,800,000, showing the excess, applicable to the participation of the City in all other State expense, as $44,600,000. I have not seen the figures for 1936 and 1937, but, assume that, as the receipts of the City's General Fund derived from State sources have certainly been increasing, and as, in the current year at least, the receipts of the State from or to the City are apt to go farther down, following the general shrinkage in business conditions, the net difference for this period are apt to be even lower.

I am asking Mark Graves to let me have the exact returns for 1936 and 1937, so far as they are available. It is an interesting subject; to which one might be tempted to return.

There are some equally interesting references to the City's Transit situation, about which I may venture to send you some further comment.

Please don't regard anything of this sort, from me, at any time, as requiring an answer, or any expression of your own opinion. Needless to say, I appreciate your own necessarily neutral position regarding matters in current publicity, or before the Legislature.

Always sincerely yours,