

The Taxless Town

Is Chanute A Model For Us?

BY BEN JAMES

(Editor's Note: This article by Mr. James is used through special arrangement with The Country Home, in which magazine the story appeared recently. The Post secured permission to use Mr. James' article because of the current interest in taxes and because of the interest in municipal ownership.

Suppose a turbaned story-teller, wrapped in rags, strayed from the dusty road to Bagdad to squat on your lawn this evening and gave you, in return for a cup of tea and a puff at your pipe, rare tales of fantastic places.

And suppose he said: "Once upon a time there was a bustling, thriving town with ten thousand men and women and boys and girls working and playing within its limits. It looked like the best towns of that size look. There were miles of pavement beneath tree-canopied streets, clusters of white lights along its business thoroughfare, rows of well-kept shops and factories blowing smoke from tall chimneys into the clear, blue sky.

"But there was something very strange about this little city. No other city of its size or larger in the whole country was like it. For this town had no municipal taxes. It was a tax-free town."

You'd certainly give him his cup of tea and puff of smoke and perhaps a few coins. And you'd say to yourself, "Such a Utopian tale is worth the pay."

But you would not be paying him for a fairy tale. There is such a town. It exists today like a magic island of sanctuary on a mad sea of taxation.

You can find it in south-eastern Kansas. Its name is Chanute.

In this day when tax assessors hover like black ghosts over farm, bank account and salary, Chanute has thrown a gauntlet in the face of Benjamin Franklin's shrewd maxim, "In this world nothing is certain but death and taxes."

In Chanute the revenue derived from city-owned utilities, water, gas, and electricity, pays all the costs of operating the municipality of the town. This does not include the county and state taxes with which the schools are supported. But it covers all aspects of city government services.

There must be a catch in it, I assured myself, as I looked from my hotel window onto the wide, brightly lighted main street with traffic darting between lines of cars that put parking space at a premium.

I recalled the warning given me by a rich man in a Kansas city who frowned upon the Chanute system. "You can't. It's subterfuge to say you do. It takes money to run the government and somebody has to pay it. If a statement sent to you for payment is listed as gas, water, and electricity, and you pay it with money spent to keep up the city, it's taxes, despite its trick name."

But Mayor H. W. Loy of Chanute doesn't let that argument bother him. A middle-aged man, with a sharp, straight nose, firm chin, and fedora hat, set challengingly on the side of his long head, Mayor Loy is a characteristic leader of men. His penetrating eyes and his clean-cut enunciation are the same as when he was first issuing crisp directions to bring order out of the hectic boom oil fields where he was a successful operator. For Mayor Loy is first a business man and second a politician. That is part of the explanation of Chanute's success with public ownership.

He is typical of the commissioners I met who work with him in handling the affairs of the city. In the management is a keen business sense and a spirit of co-operation and local pride.

"We commissioners are in our city offices every morning before we go on to our own work," the mayor assured me. "People do not need to wait for the regular weekly commissioners' meeting to see us about current business." I knew this was true, for I was meeting Mayor Loy early in the morning.

We walked with an old man, long employed by the city of Chanute, up a gravel road lined with red roses, toward a set of chalk-white buildings that were the Chanute waterworks.

The old man is in charge of the plant and very proud of his gardens and aquarium and the reservoir that is a sheet of silver in the floodlights at night and clear as crystal in the sun.

We moved over floors of spotless cement, glistening in their slate-like smoothness. We climbed down steep lacy stairs of steel to an engine-room that had an immaculate, metallic cleanliness.

The old man tapped the iron firebox doors that stared like two square,

black eyes from an impassive wall.

"I fired these boilers for twenty-two years," he said. "And they made Chanute a city the whole state's proud of and the whole world knows about."

"Yes," said Mayor Loy, "our whole set-up has its roots right here in the waterworks. Starting here, we have built up a system that has made it possible for Chanute citizens to be exempt from paying any municipal taxes for the last three years—1931, 1932, and 1933."

"This set-up wasn't built in a day. Nor was it contrived as a depression measure. We have been able to have three tax-free years just at a time when such a relief is most welcome, because of the normal growth of municipally owned public utilities, started soundly many years ago."

"Municipal ownership began in Chanute in 1894, when the city, after much haggling and indecision, erected a water plant at the cost of \$44,000. Today the water plant and distributing system represent an investment of \$558,423, with a bonded debt outstanding of \$139,861. This is being retired at the rate of \$16,000 a year from the earnings of the plant."

"By 1899 five years of municipal ownership of the water plant had con-

vinced the town that it could handle its own utilities to the advantage of its citizens. So, by a vote of 339 to 87, a bond issue of \$5,000 was approved for the purchase of a privately owned gas plant. The \$5,000 was a down payment on the \$62,500 purchase price. In three and a half years the profits from the plant had paid the whole bill and Chanute was on its way to wholesale public ownership.

"In 1903 the municipal gas plant was able to contribute \$32,000 to buy a site and install the first electrical generating equipment. Two locomotive-type boilers were set up. In 1917 the entire plant was rebuilt with a bond issue of \$75,000. The last of this was retired in 1930 by earnings from the plant, and the building enlarged to accommodate three 250-horsepower water tube boilers and a 500-kilowatt steam-driven turbine unit. The earnings of the plant paid for improvements costing \$148,000 from 1924 to 1928. Today it is debt-free, with a reserve fund for replacements and repairs amounting to \$40,246.

"So, you see, the municipal gas and electrical plants have paid for themselves, are debt-free, and have a working reserve more than adequate, while only thirty per cent of the elaborate water-distributing system debt is outstanding and the earnings are adequate to retire this at the prescribed rate.

"That is why we were able to meet the depression with relief for taxpayers."

Many other cities throughout Kansas



Left: Mayor H. W. Loy, a business man first and a politician second. He took Ben James around Chanute and proved that there is such a thing as a taxless town.

Below: Chanute's city-owned electric and gas plants are debt free and make profits for the city.



the operation of the city. Their salary is twelve hundred dollars a year each. All the present commissioners have been in office several terms.

And the employees are not blown hither and yon with the winds of political fortune. I met many directors of the city business who had held office over a decade. The superintendent of the gas works has been twenty-two years on the job.

The man shook his head evenly. "You're wrong," he said. "Our rates here are quite a bit below the average of the state of Kansas."

"Here they are," he said. "Compare them with your own home rates." And

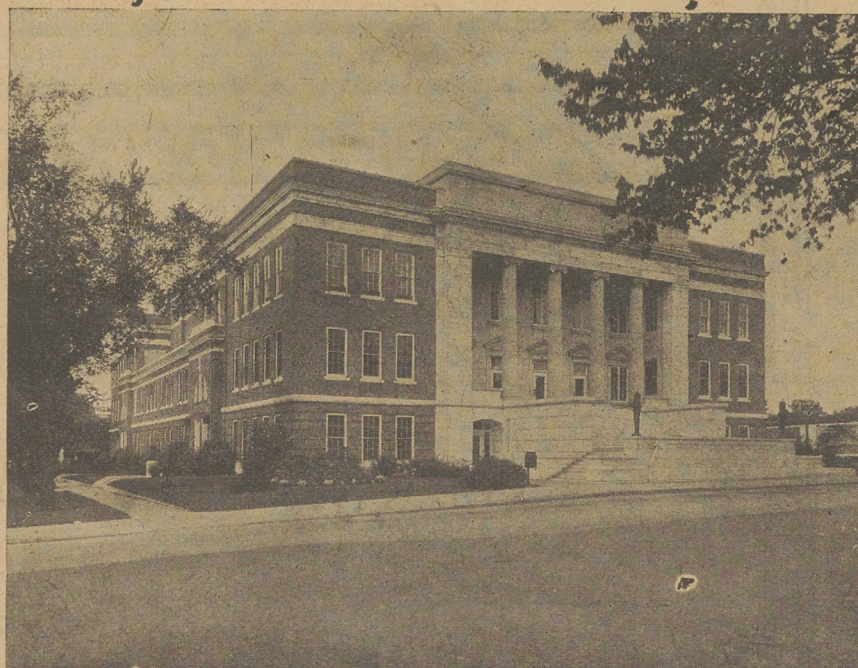
scale, from 25 cents down to 8 cents a hundred cubic feet with a minimum monthly charge of 50 cents.

"And if you're interested," he added "look in some of those magazines on the table and you'll find rates in other cities."

I looked there and ran across the lowest gas rate quoted in Kansas, at McPherson. There the first two thousand cubic feet was 50 cents, the next fifty thousand 30 cents, the following fifty thousand 25 cents, with a drop to 12 cents in excess of one million cubic feet.

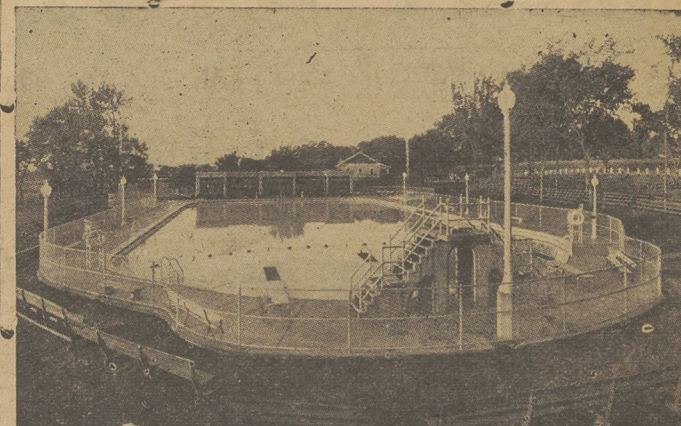
I pointed these out to my acquaintance. "I suppose it's true that if we weren't paying taxes out of our gas rates, they could be a trifle lower," he admitted. "But so long as we still have a lower rate than a lot of cities in the neighborhood and don't have to pay taxes, we aren't kicking."

I went next to the police station, under the command of Chief Lindquist, two hundred and twenty pounds of muscle hung taut on a towering frame



Left: The city office building.

Below: Chanute's municipal swimming pool.



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The average city tax levy for thirty-seven cities in Kansas owning and operating their electrical utilities is 9.94 mills, while that of forty cities with private ownership is 60.02 mills.

I heard it asserted that some of these cities lose money on their utilities—the eternal indictment that business in the hands of politicians is inefficient. Whatever may be the case elsewhere however, that certainly isn't true in Chanute.

It is a commission form of government. Three commissioners, elected by popular vote, with the mayor as chairman of the triumvirate, control

he pointed out the schedule on the back of his statement. "You see," he said, "our gas rates are among the lowest in the Middle West. They are on a sliding scale.

"The gas rate begins at 45 cents a thousand cubic feet for the first ten thousand cubic feet. The next ten thousand cubic feet is sold for 40 cents a thousand, the following eighty thousand cubic feet for 35 cents a thousand, while all over one hundred thousand cubic feet is sold for 30 cents a thousand. Of course industries using large quantities of gas can make special arrangements with rates even lower than these.

"And here's our electric rates. For domestic use they begin at 6 cents a kilowatt hour for the first 50 kilowatts and range downward to 5 cents a kilowatt for the next 50 kilowatts, and 4 cents for all in excess of 100 kilowatts with a minimum monthly charge of 50 cents. And our power rates begin at 3½ cents a kilowatt and range down as low as nine-tenths cent a kilowatt.

"Water rates, too, are on a sliding

His strong jaws, hawk nose, and determined eyes mark him as a man of courage. And his city's pride and ability to pay have equipped him with all the implements modern police need.

On top of his desk was a short-wave radio transmitting and receiving station. "We don't have any automobile stealing here," he told me. "Insurance rates are low. Few automobile thieves have gotten away from us in the past five years."

A terrifying arsenal was on display in a glass case. "We can go them one ed. Besides our rifles and service pistols, we have got this." He opened the case and laid before me a sub-machine gun, well oiled and glistening, that would receive the polite respect of any New York mobster.

"And see these," he said with pardonable pride, displaying a box of tear-gas bombs.

Thaa was not all. I could try on the bullet-proof vest, for that armor, along with the steel shield, is a part of the chief's equipment. And there was a finger-print outfit and a system of bank alarms.

The fire station in the rear of the great building was a flashing mass of red and white enamel motor trucks loaded with ladder and hose. In an adjoining room was a pool table for the department's recreation. The brass poles and metallic features of the equipment glistened with the polish that testified to diligent work. The fire chief was preparing his men (Continued on Page 8.)

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