

DEPARTMENT OF THE INTERIOR
BUREAU OF EDUCATION.

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STATE SCHOOL TAXES AND
SCHOOL FUNDS AND THEIR
APPORTIONMENT

A REPORT ON THE PRACTICES OF THE FORTY-EIGHT
COMMONWEALTHS CONSTITUTING THE
UNITED STATES OF AMERICA

By

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LETTER OF TRANSMITTAL

DEPARTMENT OF THE INTERIOR,
BUREAU OF EDUCATION,

Washington, September 9, 1929.

SIR: The most pressing problems confronting those who administer educational institutions of any type or grade to-day are concerned with finance. Administrators of public-school systems as well as students of public finance find it exceedingly difficult to devise ways and means to meet the rising costs of education. There seem to be many factors contributing to these school costs. Some of the more obvious are:

First, the astounding increase in the percentage of the total population seeking educational opportunity. This factor has been responsible for an unprecedented attendance at institutions of secondary and collegiate grade.

Second, a demand on the part of the public for new types of educational service. Not only have more buildings and equipment been required to house increased numbers but buildings and equipment of more expensive type have been necessary to carry on education in the vocations, music, art, and to conduct the recreational activities of the educational program. Moreover, this program must now care for adults as well as for minors.

Third, the rapid urbanization of our population has disturbed the relationship between the school needs of a community and its ability to pay. Many rural areas do not show an increase in taxable wealth proportionate to the increase in their educational needs. Some of these areas feel that they are contributory to and in part, therefore, responsible for the wealth of certain urban areas. Accordingly, they expect financial assistance from the urban area.

Efforts to solve these problems have led to some experiments in school finance and to some schemes for collecting taxes where the wealth is and distributing the funds where the children are. Up to the present time there has existed no thoroughgoing study of the efforts in the various States of the Union to solve this problem. At the request of Commissioner Jno. J. Tigert, Dr. Fletcher Harper Swift and Dr. Bruce Lewis Zimmerman, of the University of Cali-

LETTER OF TRANSMITTAL

California, undertook a survey of these activities. The results of their work are presented herewith. This manuscript shows for each of our 48 States what taxes are levied for public elementary and secondary schools, what types of funds and grants for such schools each State provides, and describes the plans used in apportioning such funds to school units of administration. I believe that this study will be of unusual interest and service not only to State school officials but to members of legislatures and to State administrative officials responsible for finance. I recommend, therefore, that it be published as a bulletin of the Bureau of Education.

Respectfully submitted.

WILLIAM JOHN COOPER,
Commissioner.

The SECRETARY OF THE INTERIOR.

FOREWORD

That the financial crisis faced by the public schools immediately following the World War is in danger of becoming more or less permanent or chronic, no one familiar with the facts in the situation will deny. There is scarcely a State in the Union to-day which is not confronted with many difficult problems due to a lack of adequate school revenues. The increasing numbers demanding education and the increasing demands placed upon the schools have led to enormous increases in expenditures. There is every reason for believing that these expenditures will continue to increase rather than to decrease. As a result of intensive study the writers are convinced of the soundness of the following conclusions: (1) That educational inequalities, flagrant and ominous for the future of our Nation, exist within the borders of almost every State; (2) that these educational inequalities can not be remedied until the State assumes the responsibility of equalizing school revenues and school burdens. In nearly every State increasing State school funds must be provided, but the provision of larger funds will by no means solve the problem. Equally important is the abolition of the antiquated, unscientific, and unjust methods of apportioning State aid which are still employed in the majority of our States.

A study prepared by one of us a number of years ago (State Policies in Public-School Finance, Bureau of Education Bulletin No. 6, 1922) called attention to the fact that increased State revenues must in the future undoubtedly be derived from State taxes. For this reason and because progress in any field of social procedure is impossible except on the basis of a knowledge of existing facts and policies, the writers began, two years ago, studies which undertook to answer two fundamental questions: (1) What types of taxes are our States levying and to what extent are the proceeds of such taxes devoted to public schools? (2) What State school funds are provided in each of our Commonwealths and in accordance with what principles are such funds apportioned?

The primary purpose of the accounts presented in the bulletin is to reveal policies of State origin. For this reason no attempt has been made to include a description of the methods employed in apportioning funds for vocational education derived from Smith-Hughes subventions and moneys provided by the States or their respective

constituent political corporations. The policies employed in apportioning such funds, although formulated by the States, must in every case conform to and consequently in the last analysis, are determined by Federal policies as embodied in the provisions of the Smith-Hughes Act and the Rules and Regulations of the Federal Board for Vocational Education.

The writers wish to acknowledge their indebtedness to the University of California, from whose research budget they received grants which made it possible to prosecute these studies. To three graduate students they wish to make grateful acknowledgment for the assistance rendered in collecting data bearing upon certain States, as follows: J. F. Ching, Connecticut, Michigan, and Oklahoma; John H. Napier, jr., New York and Virginia; and Clayton Francis Waltman, Minnesota and Wyoming.

The writers desire further to make grateful acknowledgment to those many State officials without whose assistance the present series of studies would have been impossible and whose cooperation included: (1) Providing the State documents on which these investigations are based; (2) furnishing supplementary data through correspondence; and finally, and most important of all, (3) reading critically the manuscripts of the completed studies.

Copies of the two studies prepared for each State were submitted either to the chief educational executive official of each State or to some State financial official. In only a few cases were the manuscripts not returned; in all other cases they were returned either with a statement that the facts presented in the study were entirely correct or with suggestions for revisions.

FLETCHER HARPER SWIFT.
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UNIVERSITY OF CALIFORNIA,
Berkeley, Calif., August 14, 1928.

STATE SCHOOL TAXES AND SCHOOL FUNDS AND THEIR APPORTIONMENT.

CHAPTER I

ALABAMA

No State income tax and no inheritance tax.—The State of Alabama levies no inheritance tax and no income tax. A poll tax of \$1.50 is levied upon every citizen between 21 and 45 years of age not specifically exempted by law, but the proceeds of these poll taxes, although credited to the State educational fund, are returned to each county wherein levied and collected and consequently will not be considered in the present account, which regards such taxes as county taxes, although levied under the authority of the State.¹

State taxes provide funds for public elementary and secondary schools in Alabama through four different channels: (1) A State 3-mill general property tax, levied specifically for schools and credited to the general education or public-school fund; (2) taxes credited to the educational trust fund created by an act of 1927; (3) taxes, the proceeds of which are credited to the State general fund, from which are paid a number of continuing school appropriations; (4) taxes contributing to certain other State funds from which certain school appropriations are paid.

Prior to 1927 the only State taxes contributing directly or indirectly to the support of public schools were the 3-mill general property tax and taxes contributing to the State general fund or paid into the State treasury and in part used for State school appropriations.

The creation of the educational trust fund in 1927 added a number of new taxes to the list contributing to school support. It must be borne in mind that the educational trust fund was not in existence in the year 1925-26, the latest year for which accurate data can be secured at the present writing. However, the State department of education has furnished estimates for the year 1927-28 which show the appropriations to be paid from the educational trust fund and from all other funds.

¹ For a discussion of this basis of classification, see p. 329.

General Education Fund

Definition and composition.—General education fund, educational fund, school fund, and public-school fund are variously used in the constitution, the laws, and the State official reports of Alabama to designate the total State moneys provided for public schools derived from the following sources: (1) The proceeds of a State 3-mill general property tax; (2) an annual continuing appropriation of \$500,000; (3) interest on State debts to State permanent school funds; (4) escheats; (5) all annual rents, incomes, and proceeds or interests arising from the sales of school lands donated by the United States, the State, or by individuals, or any educational sums appropriated by the legislature.³

Appropriations for interest on permanent funds.—Alabama in her constitution, in her laws, and in her system of State school support, assumes the existence of the following four permanent common-school funds: The sixteenth section fund, the valueless sixteenth section fund, the school indemnity land fund, and the surplus revenue fund. The scope of the present article does not permit an account of the history of these funds.⁴

Suffice it to say that the first three of these funds owe their origin to 901,725 acres of sixteenth section township lands, or lands granted in lieu thereof, donated to Alabama by the Federal Government upon the State's admission into the Union in 1819. The fourth fund owes its origin to Alabama's share (\$669,089) of the United States surplus revenue loan distributed among the States in accordance with an act of Congress approved June 23, 1836.

The valueless sixteenth section fund and the surplus revenue fund have no existence except upon the books of the State. Both represent endowments indorsed to the State, the principal of which was long ago lost, diverted, or used for general State expenses. The income assigned to each is paid by an annual appropriation drawn from the general revenues of the State.

The case is somewhat different with respect to the sixteenth section fund and the school indemnity land fund, owing to the fact that a portion of the school lands belonging to these funds still remains unsold. Nevertheless, as rapidly as the sixteenth section lands or school

³ Constitution of Ala., Art. XIV, sec. 260; Ala. Sch. Code, 1927, p. 90, sec. 245; *ibid.*, p. 25, sec. 10; *ibid.*, p. 38, sec. 59; State Aud. An. Rept. 1926, p. 24.

⁴ Ala. Sch. Code, 1927, pp. 24-25, secs. 9-11.

⁵ For a more complete account, see F. H. Swift, *A History of Public Permanent Common School Funds in the United States*, pp. 209-211; S. B. Weeks, *History of Public-School Education in Alabama*, p. 40; *An Educational Study of Alabama*, Bu. of Ed. Bul., 1919, No. 41, pp. 36, 494-496. The present summary account is based upon the authors just cited.

indemnity lands are sold, the proceeds are paid into the State treasury used for State purposes and the amount credited to the counties, townships; and school districts in proportion to their respective original interest therein. Hence it follows that the only really productive capital of these two funds consists of a small acreage of unsold school lands.

The State is pledged to pay interest at the rate of 6 per cent per annum on its debt to the sixteenth section fund, the valueless sixteenth section fund, and the school indemnity land fund and 4 per cent interest on its debt to the surplus revenue fund.⁵ Appropriations to meet these obligations are credited to the general education fund and apportioned as a part of the same.

The surplus revenue fund may be regarded as a State fund, but it is difficult to know whether to class the three remaining permanent funds as State or as local funds, owing to the principles in accordance with which they are administered and their income apportioned. The fact that the proceeds of the sales of the sixteenth section and other school lands when turned into the State treasury are placed to the credit of the county, township, or district to which the lands belong, in proportion to their respective original interest therein, is evidence that although the principal is turned over to the State, the funds are still regarded as local funds. Moreover, no school lands, except indemnity lands, shall be sold without the consent of the inhabitants of the township or district in which such lands are located.⁶

Again, when the State superintendent apportions the general education fund, he is required by law to "first set apart to each township or school district the amount due thereto as its interest on the sixteenth section fund or other fund held by the State."⁷

Although the local ownership of these funds is thus carefully recognized, the general education fund is distributed in a manner which nullifies this local ownership, and to all practical purposes unites the income from these many local endowments into one current fund which is disbursed in such a manner as to make of this fund for all practical purposes a general State school fund.

⁵ Ala. Sch. Code, 1927, p. 24, sec. 9.

⁶ Ibid., p. 222, sec. 631.

⁷ Ibid., p. 90, sec. 245.

TABLE 1.—Alabama State permanent school funds and accounts, 1926

Fund	Principal	Interest or Income
Sixteenth section fund.....	\$2,225,381	\$133,523
Valueless sixteenth section fund.....	197,091	15,825
School indemnity land.....	171,606	10,298
Total.....	2,494,078	149,644
Surplus revenue fund.....	1669,087	120,763
Grand total.....	3,163,165	270,407

¹ Ala. State Aud. Rept. 1926, p. 35.

Sources of increase.—The principal of the valueless sixteenth section fund and that of the surplus revenue fund are unchanging from year to year, since both of these funds are permanent State debts; there are no means for increasing either.

The only sources provided for increasing the sixteenth section fund and the principal of the school indemnity land fund include the following: (1) The proceeds of the sales of land belonging to these funds;⁸ (2) the proceeds of the rent of school lands;⁹ (3) the proceeds of royalties paid by persons operating school lands as mineral, gas, or oil properties;¹⁰ and (4) the proceeds of two classes of fines as follows: (a) A fine of \$25 per tree collected from "any person who without authority cuts down, boxes, injures, or destroys any tree on school lands";¹¹ (b) \$50 being one-half of the fine to be levied upon any court clerk who fails to fulfill his duties, as prescribed by law, with reference to school lands which are due to be forfeited to the State.¹²

State taxes as sources of general education fund.—Table 2 presents a source analysis of the general education fund. From this table it will be seen that nearly 82 per cent of this fund is derived from the proceeds of a State general property tax. It should be borne in mind that the special appropriation of \$500,000 and the appropriation to pay on the State debt to provide school funds are paid out of the State treasury from moneys largely derived from the proceeds of State taxes also.

⁸ Ala. Sch. Code, 1027, p. 223, sec. 633.

⁹ Ibid., p. 226, sec. 649.

¹⁰ Ibid., p. 227, sec. 651.

¹¹ Ibid., p. 224, sec. 639.

¹² Ibid., p. 225, secs. 642, 643.

TABLE 2.—*Analysis of Alabama general education fund available for benefit of public elementary and secondary schools, 1926-27*¹

Source	Amount	Per cent
3-mill tax.....	¹ \$3,074,101.43	81.6
Special appropriation.....	500,000.00	13.2
Interest on State debt to permanent funds.....	176,083.39	4.7
Land redemptions and balance from previous year.....	² 17,130.85	.5
Total.....	¹ 3,767,315.67	100.0

¹ Ala. State Aud., An. Rept., 1926, p. 24. Excluding proceeds of teachers' fees as follows: Examination fees, \$3,700.86; placement fees, \$240; certificate fees, \$20,560. Total, \$24,509.86. No moneys derived from escheats were reported.

² Including \$11,384.04 proceeds of taxes of previous year.

³ Balance from previous year, \$5,746.81; land redemptions, \$11,384.04.

School Appropriations From State General Fund

Appropriations for public schools fall into two major classes, general and special. In the former class are included appropriations which are not devoted in the appropriation act to any specified school project or undertaking, but merely provide aid in a general way for the support of public schools. Examples of appropriations of this type are the annual appropriation of \$500,000 and appropriations to pay the interest on debts to the State permanent school funds. Special appropriations are those made to aid or encourage the maintenance of some specific project or policy, such as appropriations for rural school libraries.

In each of the foregoing major classes of appropriations will be found certain appropriations which are provided for one year or for a single biennium. Other appropriations are provided for by acts which stipulate that the appropriation shall be made for a certain year and for each year thereafter. Appropriations of this type are commonly called continuing appropriations.

The unified educational program act of 1927 provided for a number of new or additional appropriations totaling \$2,478,506.¹³ These appropriations shall be paid from the educational trust fund created by this same act, but if such trust fund shall be insufficient to cover said appropriations then balance shall be payable out of any other funds in the State treasury not otherwise appropriated.¹⁴

In the case of some of the appropriations provided by law prior to the enactment of the unified educational program act, there is definite legislative provision as to the fund from which the respective appropriations shall be paid. In other cases the law merely provides that the appropriation shall be paid out of any moneys in the treasury not otherwise appropriated.

Reserving for a later section of the present chapter an account of the appropriations payable from the educational trust fund, attention

¹³ Data furnished to authors by Ala. State Dept. of Ed., Mar. 28, 1928.

¹⁴ Ala. Sch. Code, 1927, p. 308, sec. 31.

will now be given to appropriations payable either from the State general fund or if not from this fund from some fund other than the general education fund or the educational trust fund.¹⁵ Here, as elsewhere, certain funds and appropriations will be excluded, owing to the fact that the moneys derived therefrom are not used to aid elementary or secondary schools, namely, the illiteracy fund, the teacher certification and placement fund, and training of teachers in service fund. Funds devoted to the maintenance and support of the State department of education and the State board of education are obviously provided for the benefit of public schools and will therefore be included.

Appropriations for State board and State department of education.—The law provides for a continuing appropriation to the State board of education of \$17,500 or so much thereof as may be necessary for executive, supervisory, and clerical purposes in the administration of the State department of education, including the expenses and compensation of the members of the State board of education in the discharge of their duties.¹⁶

The law provides, also, for a continuing annual appropriation of \$5,000 to constitute a contingent fund for the State board of education and to be used "for such purposes as in the opinion of the State superintendent of education, the needs of the office and the best interests of the schools of the State may require."¹⁷

County tax bonus fund.—The law requires that there shall be provided an annual appropriation, payable from funds in the treasury not otherwise appropriated, sufficient to pay to each county in the State a bonus based upon the rate of special county school tax levied and collected that year, as follows: To counties levying a 1-mill tax, \$1,000; to counties levying a 2-mill tax, \$2,000; to counties levying a 3-mill tax, \$3,000; to counties levying a 4-mill tax, \$4,000.

Under the present law there is provision for an annual continuing appropriation of \$268,000 for the quadrennium 1927-28 to 1930-31, inclusive. It will be seen that this amounts to an allowance of \$4,000 annually for each of Alabama's 67 counties.¹⁸

The uses to which such funds shall be applied are not specified, but are left to be determined by the county board of education. The law merely provides that the funds so set apart for any county shall be expended by the county board of education in such a manner as

¹⁵ "I know nothing which would forbid the payment of these appropriations out of the educational trust fund in case it were large enough to meet all other demands first." Statement to authors, June 1, 1928, from Dr. D. S. Young, director, division of research, Ala. State Dept. of Ed.

¹⁶ Ala. Sch. Code, 1927, p. 38, sec. 6263.

¹⁷ *Ibid.*, p. 30, sec. 25.

¹⁸ Data furnished by Ala. State Dept. of Ed. to authors in statement dated Mar. 20, 1928.

in the opinion of the county board will best promote the cause of education in said county.¹⁹

County high schools.—The State board of education is empowered to locate one "county high school" in each county, subject to certain conditions. There shall be tendered the State a suitable site of not less than 5 acres of land, a title to the same in fee simple, and an agreement shall be executed to erect on said site a suitable high-school building in accordance with plans and specifications furnished and approved by the State board of education, the cost of said building and equipment to be not less than \$30,000. The law requires that the building, site, and equipment shall be conveyed to and become the property of the State. Upon the satisfactory erection and equipment of said building and the execution of a deed conveying the property to the State of Alabama, there shall be available from the State treasury for such county for use in the operation of said school the appropriations provided by law.²⁰

Prior to receiving any State grants the proper school authorities must show expenditures for teachers' salaries aggregating at least \$6,000.²¹

County high-school fund.—The law provides for two continuing annual appropriations for the benefit of "county high schools" totaling \$315,000 and payable from the State general fund. For each of Alabama's 67 counties, \$3,000, totaling \$210,000, and a continuing annual appropriation of \$105,000, from which \$1,500 is available to each county for the support of its high school, on condition that the county itself provide, exclusive of tuition fees, \$1,500. The former of these appropriations is commonly spoken of as the regular county high-school appropriation and the latter as the "conditional appropriation."

The appropriation for county high schools originated at a time when the "county high school" was the only high school in each county. At present the "county high school" is one of several high schools in most counties. The "county high school" is now losing its particular identity, since it is now an integral part of the county educational program under the county board of education. The appropriation, however, is a continuing one.²²

Available for supervision costs.—The State board of education is authorized to use annually so much of the above-appropriations as may be deemed necessary to pay for the costs of State supervision and inspection of high schools. During the year 1925-26 there was paid from the total appropriation for county high schools \$289,500 for

¹⁹ Ala. Sch. Code, 1927, p. 106.

²⁰ Ibid., p. 169, sec. 463.

²¹ Ibid., pp. 170-171, sec. 466.

²² Statement of Dr. D. S. Young, director, division of research, Alabama State Department of Education.

the support and maintenance of such schools and \$10,448.46 for the supervision of secondary education.²³

State agricultural high schools.—Alabama maintains 11 State secondary agricultural schools. The law provides for a continuing appropriation of \$7,500 for each of these schools, making a total of \$82,500. The law does not prescribe the manner in which this money shall be expended nor the projects to which it shall be applied. These and other matters of administration and control are delegated to the State board of education, which controls these schools, arranges the course of study, selects the principals, teachers, and other employees, and prescribes the regulations for the government and control of such schools.²⁴

Vocational education fund.—Alabama has accepted the terms of the Smith-Hughes vocational education act providing Federal subventions for the salaries of teachers and directors of vocational studies in secondary schools and for the preparation of such teachers in teacher-training institutions. The school code provides that the State shall appropriate annually a sum of money not less than the maximum sum which may be allotted to the State of Alabama for the purpose set forth in the said Federal act.²⁵ In harmony with the provisions of the law the State has provided the following continuing appropriations for the quadrennium 1927-28 to 1930-31: From the State general fund, \$181,000 annually; from the educational trust fund annual appropriations as follows: 1927, \$100,706; 1928, \$150,706; 1929, \$175,706; 1930 and annually thereafter, \$200,706.²⁶

Rural schools revolving equalization fund.—By an act approved September 30, 1919, Alabama made provision for a rural school revolving equalization fund. This act provided for a continuing annual appropriation of \$100,000 to be used by the State board of education for the benefit of rural schools, provided that at least 80 per cent of the appropriation shall be expended for lengthening school terms or otherwise bettering conditions in rural schools.²⁷ During the year 1925-26 approximately 91 per cent of the total appropriation (\$89,087) was expended for lengthening school terms and otherwise bettering conditions in rural schools, and 9 per cent (\$9,096) "for other worthy purposes for which no adequate provision had been made."²⁸

²³ Ala. Sch. Code, 1927, p. 171, sec. 468.

²⁴ Ibid., pp. 171-172, secs. 469-472.

²⁵ Ibid., p. 146, sec. 408.

²⁶ Ala. Gen. Acts, 1927, p. 445, Act No. 382, sec. 8.

²⁷ Ala. Sch. Code, 1919, pp. 118-119, Act No. 705, approved Sept. 30, 1919; Ala. Sch. Code, 1927, pp. 87-88, 89, secs. 59 and 64. This fund of 1919 must be carefully distinguished from the equalization fund created by act of 1927. (See Table 4.)

²⁸ Ala. Dept. Ed. An. Rept. 1926, p. 18. Of the sum of \$89,087 there was distributed direct to the county \$81,487, and for the benefit of rural schools through normal schools, \$7,600.

Library fund.—The rural library fund consists of a continuing annual appropriation of \$100 for each county, totaling for the State \$6,700, to be used for the purpose of establishing, maintaining, or improving libraries in rural schools of the State, including county high schools.

This fund is apportioned in quotas of \$10 per rural school, provided that at least \$20 shall be furnished from local sources as follows: \$10 shall be provided by the patrons or friends of the school; \$10 shall be appropriated by the county commissioner's court, board of revenue, or board of education.

Any unexpended balances of the State appropriation remaining to the credit of each county shall be consolidated into a common school fund available for use by any or all county boards of education in the purchase of libraries under the regulations set out in this article for State aid.²⁹

Rural schoolhouse fund.—The law provides for a continuing annual appropriation of \$221,500 "to constitute a rural schoolhouse fund to be used in aiding in the erection, repair, and equipment of teachers' homes and rural schoolhouses, including repairs and equipment of county high schools."³⁰

It is unnecessary to detail here the numerous conditions set forth by the law which must be met in order to receive grants from the rural schoolhouse fund. However, a few of the more important may be summarized. As in the case of county high-school buildings, the schoolhouse, site, and equipment must be deeded to the State. All work must be satisfactorily completed and have been inspected under the authority of the State superintendent of education. Applications for aid must show that at least twice the amount for which aid is asked has already been secured from other sources than the State.

The amount of State aid to be granted, both in the case of a schoolhouse and in a teachers' home, depends upon the number of rooms and also upon the type and purpose of the room, as follows: For the erection of a school building, not to exceed \$450 for each standard classroom; for making additions to school buildings, \$400 for each standard classroom; for one standard workroom, \$400; for an auditorium, \$750; for repairs or equipment not to exceed \$500, "providing that no application for repairs or equipment for less than \$50 shall be considered."

The maximum grants provided for a teachers' home shall be as follows: \$600 for a home of 5 rooms, \$700 for a home of 6 rooms,

²⁹ Ala. Sch. Code, 1927, pp. 140-141, secs. 390-393.

³⁰ *Ibid.*, pp. 133-139, secs. 370-376.

\$800 for a home of 7 rooms, \$900 for a home of 8 rooms. The same conditions are imposed regarding repairs as in the case of school-houses.

Whenever permanent materials, such as masonry walls, are specified in the construction or repair of any approved building, the amount of State aid may be increased not to exceed 100 per cent over and above the amounts provided in this article.

Textbook funds.—Alabama provides for two appropriations to aid local school authorities in purchasing, securing, and distributing textbooks. The State does not provide free textbooks. Both of these appropriations are designed merely to assist communities and patrons in securing textbooks under the most satisfactory terms possible.

The State board of education is required by law to appoint a State textbook committee of seven members to aid communities in the purchase of books for the convenience of schools and patrons. The textbooks purchased by the committee may be sold or rented. School patrons shall have the right to purchase and thereby become owners of any textbooks thus furnished.

The law provides for a revolving fund to be expended for the securing and distribution of textbooks in the event that these books are handled by the State board of administration as provided by law. This revolving fund shall be reimbursed from time to time from the proceeds of the sale of books.

Local school authorities are empowered to create local revolving textbook funds. The law makes provision for a continuing conditional annual appropriation of \$150,000 for the purpose of matching local textbook funds and to assist in defraying the expenses incurred in securing and distributing textbooks to the patrons of the public schools. "The moneys hereby appropriated shall be known as the school textbook fund."²¹

Taxes Contributing to State General Fund

The constitution limits the State general property tax for all purposes to 6.5 mills, of which 3 mills shall be applied to the support of public schools, leaving a balance of 3.5 mills for other purposes.²² The rate to be levied annually for the general purposes of the State is fixed from year to year by the legislature, depending upon the needs of the State, and the revenues available from other sources. During the year 1926 approximately 26 per cent of the general fund was derived from the proceeds of the general property tax, which exceeded in importance all other types of taxes as a provider of public revenue.

²¹ Ala. Sch. Code, 1927, pp. 145-164, secs. 432-452.

²² Constitution, Art. XIV, Ala. Sch. Code, 1927, p. 12, sec. 280.

All corporations are subject to a general property tax the same as individuals, and in addition to this every corporation must pay a franchise tax or some other type of privilege tax. A tax is levied upon each share of domestic corporation stock, except banks and building and loan associations, industrial companies, and mortgage companies. A State license tax equal to 4 mills on each dollar of gross receipts is levied upon each electric public utility. Alabama levies an annual license or privilege tax upon many types of occupations and business activities. Certain other taxes, such as taxes on recording deeds and taxes on mortgages, contribute to the State general fund.

The relative importance of the various types of taxes contributing to the State general fund during the year 1926 is shown in Table 3.

TABLE 3.—Source analysis of Alabama State general fund, 1926¹

PART I.—TOTAL FUND

Source	Amount	Per cent
Convict department.....	\$2, 857, 878. 40	28. 5
Taxes and fees (see below, Part II).....	197, 804. 26	61. 9
All other sources.....	963, 465. 89	9. 6
Total.....	10, 019, 148. 49	100. 0

PART II.—ANALYSIS OF TAX PROCEEDS

General property tax.....	\$2, 578, 529. 18	25. 7
Corporations:		
Franchise tax, entrance and charter fees.....	917, 648. 19	
Insurance companies.....	825, 526. 93	
Miscellaneous.....	105, 883. 55	
Total.....	1, 849, 058. 67	18. 5
License taxes, counties.....	653, 617. 10	6. 5
Severance taxes:		
Coal tonnage tax.....	410, 149. 31	
Iron-ore tonnage tax.....	210, 162. 62	
Total.....	620, 311. 93	6. 2
Mortgage tax.....	221, 269. 33	2. 2
Deed record tax.....	157, 392. 54	1. 6
Oil taxes (kerosene inspection).....	95, 711. 04	1. 0
Miscellaneous taxes and fees.....	21, 914. 51	. 2
Grand total.....	6, 197, 804. 20	61. 9

¹ Compiled from An. Rep. of the State Aud., 1926, pp. 25 and 26, and An. Rep. of the Treas. of the State of Ala., 1925-26, pp. 27-29. The total of the general fund receipts reported by these two officials are as follows: Auditor, \$10,019,148.49; treasurer, \$9,969,148.49.

² Largely composed of fees and other receipts of various State departments.

³ Includes taxes of former years amounting to \$7,428.44.

Educational Trust Fund

By the revenue act of 1927 Alabama provided for a trust fund to be designated as the Alabama special educational trust fund and to be derived from the following types of taxes: A 2½ per cent tax on the gross receipts from the intrastate business of (1) all railroads,

with certain specified exemptions; (2) telephone companies, when such gross receipts exceeded \$50,000; (3) telegraph companies; (4) express companies. Other taxes devoted to this fund include an annual license or privilege tax of \$20,000 levied on all car companies, with certain specified exceptions, a tobacco-sales tax of 15 per cent on the wholesale price of cigars, cigarettes, cheroots, or any substitute therefor, a tax of two-fifths of a mill per kilowatt-hour of hydroelectric power sold by hydroelectric companies. The last tax to be named as contributing to the educational trust fund is a State severance tax upon mineral products, as follows: A tonnage tax of 2½ cents per ton on coal mined within the State; a tax of 4½ cents per ton on all iron ore mined within the State, and a tax equal to 3 per cent of the net value at the mine, quarry, or pit of all other minerals, such as sand or gravel.

Owing to the fact that the educational trust fund is a newly created fund it has been impossible to secure data showing the moneys derived from the various types of taxes set aside by law for the benefit of this fund. The most that can be done is to indicate the appropriations which the legislature has provided shall be paid from this newly created fund. It will be observed that in a large number of cases the objects provided for by these appropriations are the same as those provided for by the school code of 1927.

Appropriations from the Educational Trust Fund

Unified education act of 1927.—The so-called unified education act of 1927 provided for the payment from the newly created educational trust fund of eight continuing annual appropriations for the benefit of the following funds: (1) Equalization fund; (2) attendance fund; (3) high-school fund; (4) illiteracy fund; (5) State board of education support; (6) rural-library fund; (7) rural-school-house fund; (8) vocational-education fund. The act provides further that, in the event the educational trust fund shall prove insufficient to meet the claims of these appropriations, the deficit shall be paid from any moneys in the State treasury not otherwise appropriated—i. e., from the State general fund.²³

Of the eight above-mentioned appropriations provided by the unified education act, the first three were new funds. The remaining five provided moneys to supplement already existing funds.

Equalization fund and attendance fund.—The general character of the equalization fund is sufficiently implied in its title. It would seem better to designate the attendance fund as an attendance and physical-education fund in view of the fact that the law definitely

²³ Gen. Acts of Ala., 1927, pp. 442-455, act No. 382.

provides that this fund shall be employed to encourage "a better attendance and physical and health program."²⁴

High-school fund.—The unified education act provides for a continuing annual appropriation of \$411,000 to constitute a high-school fund. This appropriation is to be used to encourage a county-wide program of rural high schools. It must therefore be distinguished from the continuing "county high-school" fund distributed for the benefit of one "county high school" in each county.

The remaining appropriations from the educational trust fund provide additional moneys for already existing funds and will not be described further. Table 4 shows the total appropriations from the State general fund and the educational trust fund benefiting the public schools of Alabama for the year 1927-28.

TABLE 4.—Alabama appropriations for public schools, 1927-28¹.

Item No.	Fund	From State general fund and treasury	From educational trust fund	Total
1	Attendance fund.....		\$850,000	\$850,000
2	Bonus fund.....		268,000	268,000
3	Equalization fund.....	\$268,000		268,000
	General education fund:		900,000	900,000
4	Special appropriation.....	500,000		500,000
5	State school tax.....	3,198,835		3,198,835
6	Other sources.....	238,035		238,035
	Rural schools:			
7	Revolving fund.....	100,000		100,000
8	Library fund.....	6,700	18,300	25,000
9	Schoolhouse fund.....	221,500	128,500	350,000
	Secondary schools:			
10	"County high-school" fund ²	315,000		315,000
11	State secondary agricultural schools.....	82,500		82,500
12	High-school fund ³		411,000	411,000
	State board of education:			
13	Salary and expense fund.....	17,500	32,500	50,000
14	Contingent fund.....	5,000		5,000
	Textbooks:			
15	Revolving fund.....	150,000		150,000
16	School-textbook fund.....	150,000		150,000
17	Vocational education.....	181,000	160,706	281,706
	Total.....	\$4,434,070	2,441,006	\$7,875,076

¹ Data taken from typewritten statement furnished authors by Ala. State Dept. of Educ., Mar. 26, 1928.

² Estimated.

³ For one high school (the "county high school") in each county.

⁴ To promote a county-wide rural high-school program.

⁵ A revolving fund to be used for securing and distributing textbooks and to be reimbursed by the sales of these textbooks to local communities. Ceases with year 1927-28. This fund becomes available only in the event that the State board of administration handles the distribution of textbooks. (See 1927 School Code, p. 161.)

⁶ A continuing conditional annual appropriation to match funds appropriated by local school communities.

⁷ The totals here given do not agree with those furnished the author by the State department of education because the following items have not been included: (1) Certification and placement, \$15,000; illiteracy fund, \$50,000; teacher training, \$15,000; total \$80,000.

Taxes as Sources of State School Funds.

All the appropriations provided by the unified education bill will be derived from the educational trust fund, which, as has been shown,

²⁴ Gen. Acts of Ala., 1927, pp. 442-455, act No. 382, sec. 2.

will be composed entirely of tax proceeds. The State department of education estimates that for the year 1927-28 the State general property 3-mill tax will provide \$3,198,835 and that the total appropriations immediately benefiting public schools authorized by the 1927 school code will amount to \$5,434,070. "This total includes \$300,000 available for handling textbooks if the State or the municipalities decide to handle the same."²²

A study of these data will show that the total of all appropriations benefiting public schools for the year 1927, including both those authorized by the 1927 school code and by the unified education bill, will amount to \$7,875,076. Adding the appropriations payable from the educational trust fund, and consequently derived in toto from the proceeds of State taxes, to the proceeds of the State 3-mill general property tax we get \$5,639,841 as the amount to be derived solely from the proceeds of State taxes, a sum which equals 71.6 per cent of \$7,875,076, the total of the public-school appropriations for the year 1927-28. The sum of the educational trust fund appropriations and the proceeds of the State 3-mill tax amounts to \$5,639,841, as already noted. Of this total the State general property tax contributed approximately 56.7 per cent. It should be borne in mind that the appropriations payable under the provisions of the school code will be largely drawn from the State general fund. It has been shown that in the year 1925-26 no less than 61.9 per cent of the State general fund was derived from the proceeds of taxes and fees.

Apportionment of State School Funds

Introduction.—From the standpoint of their major purpose, State public-school funds provided by Alabama may be divided into four groups: (1) Funds provided for State administration and supervision; (2) funds provided for general relief; (3) stimulation grants, designed to stimulate local school corporations to provide certain school facilities, to improve certain educational conditions, or to put forth certain efforts for the benefit of education—e. g., the levying of local taxes; (4) equalization funds. In Table 5 the State public-school funds provided for the year 1927-28 will be found arranged under these four major classes and the basis employed in apportioning each is briefly indicated. In a number of funds the statement given in Table 5 is sufficiently clear and complete to make unnecessary any other account of the method of apportioning these funds. This statement applies to funds provided for the State board and State department of education, textbook funds, and State agricultural

²² A statement received under date of June 1, 1928, from Dr. Dale S. Young, dir. div. of research, Ala. State Dept. of Educ. See Table 4, footnote 7.

high-school fund. The remaining funds will be considered, at least briefly, in the immediately following paragraphs.

General education fund.—The constitution and the laws provide that this fund shall be apportioned—

annually by the State superintendent of education among the counties of the State in proportion to their school census (number of children 6 to 21 years) and to the schools in the districts in the county receiving such apportionment in such a manner as to provide as nearly as practicable school terms of equal duration.²⁶

Apportionment by county boards.—The basis upon which the general education fund is to be distributed among the counties is thus definitely fixed by the constitution and the laws, but once in the hands of the county board of education the apportionment among the districts depends upon the judgment and will of the board.

The school code merely provides that it shall be apportioned by the county board in such a manner as to provide as nearly as practicable school terms of equal length throughout the county, taking into consideration all public funds.²⁷

In apportioning the general education fund Alabama distinguishes between (a) moneys derived from appropriations to pay interest on trust funds held by the State but owned by local units such as townships, districts, or counties; (b) moneys derived from State sources of revenues, such as the proceeds of the State school 3-mill tax, State appropriations other than those just noted under (a). Although the moneys derived from both classes of sources are placed together under the title of the "general education fund," yet in apportioning the general education fund the State distinctly recognizes that her obligation to trust-fund districts is an obligation distinct from all others and must be met before any general apportionment can be made.

The most important steps involved in apportioning the general education fund may be summarized as follows: Annually on October 1, or as soon thereafter as practicable, the State auditor certifies to the superintendent of education the amount of the general education fund available for the ensuing school year.

In apportioning the general education fund to the counties, the superintendent of education is required by law, first, to set apart to the schools of each township the amount due from the State thereto as interest on such township's sixteenth section fund or other trust funds held by the State. To guard against such districts receiving a total apportionment larger than that received by the districts having no such trust funds, the law provides that all townships or school districts having an income from a trust fund held by the State or from

²⁶ Ala. Sch. Code, 1927, secs. 79, 242, and 249.

²⁷ *Ibid.*, p. 90, sec. 248.

the lease or sale of sixteenth section lands shall not receive anything out of the balance of the general education fund to be apportioned until the schools of all other townships having no trust fund shall have received from the general fund such an amount as will give them an equal per capita apportionment with the schools of townships having such incomes.³⁸ After the above quotas have been set aside, the superintendent of education apportions the remainder of the fund among the 67 counties of the State in proportion to their school census—i. e., the number of children 6 to 21 years of age.³⁹

Attendance fund.—The law provides that the attendance fund shall be apportioned among the several counties of the State in proportion to the aggregate attendance during the next preceding year and shall be used to encourage attendance and to aid in paying the costs of physical and health education programs approved by the State department of education.⁴⁰

Acting in accordance with the authority placed upon it, the State board of education has issued a statement of definite conditions which must be met in order to share in this fund.

Requirements.—In order to share in the attendance fund, a county must employ a county superintendent of welfare who will have charge of juvenile-court matters. It is mandatory upon county and city boards of education to cooperate in the employment of a county superintendent of welfare when such joint services may be secured by the county board of education paying not more than 60 per cent of the salary and expenses of the county superintendent of welfare. Where such joint services can not be secured on the conditions named an attendance officer shall be employed. All school officials thus employed must be licensed by the State board of education. The physical and health education program shall be made the basis for instruction and activities in the public schools. Before any board of education shall be entitled to an allotment from the attendance fund it must have submitted satisfactory evidence that the laws and regulations with reference to attendance, physical and health education, have been or are being complied with.⁴⁰

"County high-school" fund.—The paragraphs describing the "county high-school" fund and the high-school fund have shown the distinction which must be carefully observed in considering these two funds. The former fund, as already pointed out, is provided for the benefit of the "county high school" established in each county whose plant has been deeded to the State. For each such county high school which fulfills the conditions prescribed by law the State grants \$3,000 and an additional sum of \$1,500 provided

³⁸ Ala. Sch. Code, 1927, pp. 88-90, secs. 241-246.

³⁹ Ala. Gen. Acts, 1927, No. 382, secs. 2 and 31.

⁴⁰ Statement issued by State supt. of educ. to county supt. of educ., Oct. 18, 1927.

that the county itself furnishes, exclusive of all tuition fees, a like sum of \$1,500.

High-school fund.—The following statement recently issued by the State superintendent of education sets forth the present plan of distributing the annual fund of \$411,000 created by the unified education act to promote a county-wide program of rural high schools.

The high-school fund must be used exclusively for developing a system of high schools, through the operation of which the same, or equivalent, educational opportunity is provided for all the children of a county under the control of the county board of education. The method of distribution approved by the State board of education is as follows:

1. To every county there shall be allotted one thousand (\$1,000) dollars.
2. To every county having a county training school operated in accord with standard conditions, there shall be allocated one thousand (\$1,000) dollars.
3. There is set aside an amount not to exceed \$30,000 to be apportioned to newly established consolidated high-school projects, junior or senior, or both combined. The amount for each school shall not exceed \$1,500, and special aid may be granted a second year when approved by the State board of education.
4. The balance shall be apportioned to the several counties in proportion to the average daily attendance in the high-school grades 7 to 12, in the schools under the control of the county board of education.

Rural schoolhouse fund.—The rural schoolhouse fund shall be used in aiding in the erection, repair, and equipment of teachers' homes and rural schoolhouses, including repairs and equipment of county high schools.⁴¹ Numerous conditions are set forth in the law which must be met in order to receive grants from the rural schoolhouse fund. A few of them may be summarized. The schoolhouse, together with its site and equipment, after having been inspected and approved under the authority of the State superintendent of education, shall be deeded to the State of Alabama. Applications for aid must show that at least twice the amount for which aid is asked has been already secured from other sources than the State.

The amount of State aid to be granted for a schoolhouse and for a teachers' home depends upon the number of rooms and upon the type and purpose of the room as follows: For the erection of a school building, not to exceed \$450 for each standard classroom; for making additions to school buildings, \$400 for each standard classroom; for one standard workroom, \$400; for an auditorium, \$750; for repairs or equipment not to exceed \$500, "providing that no application for repairs or equipment for less than \$50 shall be considered."

The maximum grants provided for a teachers' home shall be as follows: \$600 for a home of five rooms, \$700 for a home of six rooms, \$800 for a home of seven rooms, \$900 for a home of eight rooms.

⁴¹ Ala. Sch. Code, 1927, pp. 133-139, secs. 370-376.

The same conditions are imposed regarding repairs as for school-houses.

Whenever permanent materials, such as masonry walls, are specified in the construction or repair of any approved building, the amount of State aid may be increased not to exceed 100 per cent over and above the amounts provided in this article.

County tax bonus fund.—The county tax bonus fund is provided to stimulate county taxation for schools. The law was described on page 6.

Vocational education.—The plans and methods employed in distributing Federal subventions for vocational education provided under the Smith-Hughes Act, and State moneys provided to match the same, are left to the proper school authorities of the individual States, subject to the approval of the Federal Board for Vocational Education. They are determined by the Smith-Hughes Act and the Rules and Regulations of the Federal Board for Vocational Education.

Rural school revolving fund.—This fund was, until passage of the unified education act of 1927, the only fund provided by Alabama which could properly be regarded as an equalization fund. This fund was described on page 8.

Equalization fund.—The method employed in apportioning the State equalization fund of Alabama bears many resemblances to that of Maryland. In both States the following features are found: (1) The requiring of a minimum county school tax; (2) liberal State appropriations available to all counties, regardless of wealth; (3) the apportionment of the major portions of State aid upon basis of school census and aggregate attendance; (4) a State graduated scale of allowed expenditures per teacher unit to be employed as the basis of determining the program to be equalized by the State; (5) the provision that teachers' wages shall constitute a fixed per cent of total costs (in Maryland 76 per cent, in Alabama 75 per cent).

Requirements for participation.—The equalization fund of Alabama, like that of Maryland, is apportioned among the counties of the State. In order to share in the Alabama equalization fund, each county must meet certain conditions with respect to tax levies, school terms, and teacher salaries. Each of these will now be considered.

Tax levy.—In order to share in the equalization fund, a county must levy and collect the following three taxes for the year for which aid is desired: (1) The constitutional 1-mill county school tax; (2) the constitutional 3-mill county tax; (3) the constitutional 3-mill district tax in the several districts covering the whole county, provided that in case any district or districts in a county levying both the 1-mill and 3-mill county taxes fail to levy the 3-mill district tax, the State board of education shall deduct from such county equalization ap-

portionment an amount equivalent to that which the district or districts have failed to levy.

School terms.—The county shall provide as nearly as practicable the same length of term in all schools. Beginning October 1, 1928, the county shall have provided for the preceding year a school term of at least 140 days, provided that if any district or districts are not levying and collecting the 3-mill district tax, the county board of education shall not be required to maintain therein the minimum term of 140 days.

The amount expended for teacher salaries in the preceding year, beginning with October 1, 1928, shall be at least 75 per cent of all current expenses. "Upon approval of the State board of education, expenditures for transportation or any part thereof may be omitted from current expenses in making this computation."

The county shall have met such other standards as may be set up by the State board of education to insure equality of educational opportunity. (Note here discretionary power of the State board.)

Beginning October 1, 1928, the county shall have expended for the preceding year funds allotted to teacher units in accordance with a schedule or schedules to be adopted by the State board of education.⁴²

The State board of education adopted for the year 1927-28 the following annual schedule of allowances for teacher units:

Annual allowance per teacher unit

Type of teacher unit	Annual allowance per teacher unit ¹	
	White	Negro
Elementary teacher.....	\$750	\$375
High-school teacher.....	1,400	700
Elementary principal.....	1,800	900
Helping teacher (supervisor).....	2,400	1,200
High-school principal.....	3,000	1,500
Vocational agriculture.....	3,000	1,500

¹These amounts do not represent teachers' salaries only, so the schedule can not be called a salary schedule. The amounts are the values used for the teaching units in arriving at the total cost of the minimum program. Eighty per cent of these amounts represents the teachers' salaries; the other 20 per cent represents costs for the other items in current expense functions. The law already quoted requires only 75 per cent of current expenses to be devoted to teachers' salaries.

The apportionment of the equalization fund to any county will be made on the salary schedule effective in that county—that is, on the average teacher-unit cost at the several levels, and in an amount required to give a seven months' term. Where the salary levels in the county are lower than the general average for the State, the additional fund up to the salary-unit level approved by the State board of

⁴² Ala. Gen. Acts, 1927, No. 382, sec. 15.

education will be granted to the county, provided such additional apportionment be used to lengthen the school term beyond the minimum of seven months required by law.

In the apportionment of the equalization fund, as in the apportionment of a number of other State funds, a large degree of discretionary power is granted to the State board of education: "The State board of education may on and after July 1, 1929, adopt rules changing the ratios to be used in determining the number of elementary and high-school teachers as the basis" on which allotments from the equalization fund shall be made.⁴³

Determination of costs of minimum program.—The cost of the minimum program to be equalized in any county by aid from the equalization fund is determined by multiplying the amount or amounts fixed by the State board of education for different types of teaching positions by the number of teacher units allowed under the regulations of the board. The amounts referred to shall be based on the average salaries required by the State board of education salary schedule, together with the added percentage allowed for current costs other than instructional.

Teacher units.—Three classes of teacher units are recognized in the Alabama plan: (1) Elementary-teacher units; (2) high-school-teacher units; (3) helping teachers or supervisors. For each 1-teacher school, when satisfactory evidence has been submitted to the State department of education showing that consolidation is impractical, there shall be allowed one elementary-teacher unit. In all other schools in the county one elementary-teacher unit shall be allowed for each 30 pupils in average daily attendance during the preceding year in grades 1 to 6. One high-school teacher unit shall be allowed for each 30 pupils in average daily attendance in grades 7 to 12, inclusive.

One helping teacher (supervisor) shall be allowed for each 75 *teacher units* in a county, provided each county shall be allowed one helping teacher.

If the number of elementary or high-school teachers actually employed is less than the number computed by the method provided by law, and no adequate provision is made for the instruction of the excess pupils, the State superintendent of education may, in his discretion, use the total number of teachers actually employed or any number intermediate between such actual number and the number allowed by law in determining the amount of State aid to be apportioned from the equalization fund, provided that no allowance shall be made for helping teachers or supervisors except those actually employed.

⁴³ Ala. Gen. Acts, 1927; No. 382, sec. 17; Ala. Sch. Code, 1927, pp. 303-304.

Computation of the county quotas.—A county's annual quota from the equalization fund is determined as follows: (1) Determine the cost of a minimum educational program approved for equalization in accordance with the regulations of the State board of education. (2) Find the sum of all funds (excluding of course, the equalization fund) which the county will receive for elementary and secondary education from the four following sources: (a) State appropriations and apportionments; (b) All other public sources, including the poll tax; (c) the total yield of an assessment of the constitutional 3-mill district school tax in the several districts covering the whole county; (d) the total yield of an assessment of a 2-mill county-wide general property school tax. (3) From the total cost of the approved minimum educational program determined under (1) subtract the sum computed under (2). The remainder is the amount to be provided from the equalization fund and paid to the county.⁴⁴

Uses of State Aid

No long consideration is needed to show the importance of the degree of latitude allowed school units as to the objects to which they may apply moneys received from the State. Too great liberty may result in dissipation of revenues. On the other hand, to limit by law expenditures to one or two objects may prevent the application of aid to features upon the support of which the effectiveness of the schools depends quite as much as upon those specified in the law or constitution.

Forbidden uses.—The constitution of Alabama provides that "no moneys raised for the support of the public schools shall be appropriated to or used for the support of any sectarian or denominational schools."⁴⁵

Lawful uses; teachers' wages.—The constitution of Alabama provides that 96 per cent of all the moneys raised or appropriated for the support of the public schools must be expended for the payment of teachers' wages, provided that the legislature may, by a two-thirds vote of each house, suspend the operation of this provision.⁴⁶

The constitutional limitation placed upon the uses to which the general education fund may be applied has resulted in the providing of a large number of special appropriations for the support of projects other than teachers' wages. A reference to Table 4 will show both the amount and the source of these special appropriations.

General requirements.—In addition to the specific requirements conditioning participation in the individual funds, there are certain

⁴⁴ Ala. Gen. Acts, 1927; No. 382, sec. 14; Ala. Sch. Code, 1927, pp. 302-303.

⁴⁵ Ibid., p. 13, sec. 263.

⁴⁶ Ibid., pp. 12-13, sec. 201.

requirements which the law sets up which affect participation in all State school funds.

The law requires that all schools supported in part or in whole by public funds shall display each day on which school is in session a United States flag and a flag of the State of Alabama. Teachers who fail to indicate in the monthly reports required by law that these provisions have been complied with shall not be allowed to draw from public funds.⁴⁷

All schools in the State supported in whole or in part by public moneys shall have once each school day readings from the Bible. Public schools not complying with this provision shall not be allowed to draw public funds.⁴⁸

All schools and colleges supported in whole or in part by public money shall require and provide regular instruction as to the nature of alcoholic drinks, tobacco, and other narcotics, and their effects upon the human system. Public school in which these provisions are not complied with shall not be allowed to draw public funds.⁴⁹

Table 5 shows all State funds immediately benefiting public schools provided by Alabama for the year 1927-28, the amount of each appropriation or fund, the per cent which such amount constitutes of the total of \$7,575,076, and the basis on which the fund or grant is to be apportioned.

From this table it will be seen that 52.0 per cent of the appropriations for the year 1927-28 will be apportioned on the basis of school census and 11.2 per cent on the basis of aggregate attendance, making a total of 63.2 per cent, approximately three-fifths of the total fund to be apportioned on a per pupil basis. The two equalization funds—the equalization fund proper and the rural school revolving fund—together constitute 13.2 per cent of the total moneys provided.

⁴⁷ Ala. Gen. Acts, 1927; pp. 218-219, secs. 615, 618.

⁴⁸ Ibid., pp. 209-212, secs. 588-592, 594-596.

⁴⁹ Ibid.

TABLE 5.—Alabama State public-school funds and their apportionment, 1927-28¹

Major purpose	Amount ²	Per cent of all public-school grants	Bases of apportionment
Group I. Administration and supervision (0.8 per cent): ³ State board of education—salaries, expenses, contingent fund.	\$55,000	0.8	Fixed amounts based on approved budget.
Group II. General relief (63.2 per cent): ⁴ General education fund.....	\$3,936,870	52.0	School census, 6-21 years.
Attendance fund ⁵	850,000	11.2	Aggregate attendance.
Group III. Stimulation (22.8 per cent): ⁶ High-school fund.....	411,000	5.4	\$1,000 per county; \$1,000 to each county maintaining a training school; bonuses to new high schools; major portion on average daily attendance, grades 7-12. ⁷
County high-school fund.....	315,000	4.2	Per school, (1) \$3,000; (2) \$1,500 additional if matched by county.
Eleven State secondary agricultural schools.	82,500	1.1	Fixed grants; \$7,500 per school.
County tax bonus fund.....	268,000	3.5	Per county; \$1,000 for each mill levied; maximum, \$4,000.
Vocational education.....	281,706	3.7	Chiefly salary grants per teacher. ⁷
Rural schoolhouse fund.....	350,000	4.6	Per building; grants graduated on basis of size of building and quality of materials.
Rural library fund.....	25,000	.3	Per county, \$100; per school, \$10.
Group IV. Equalization (13.2 per cent): ⁸ Equalization fund.....	900,000	11.9	Need; graduated grants to cover allowed costs not met by other funds.
Rural school revolving fund.....	100,000	1.3	Need; to extend school term.
Total.....	\$7,575,076	100.0	

¹ Based upon Table 4, but omitting items 15 and 16.

² Amounts in this column include grants from general education fund, educational trust fund, State general fund, and State treasury.

³ Per cent in parentheses indicates per cent which total expenditures of all items in the group is of grand total, \$7,575,076.

⁴ Includes, as indicated in Table 4, proceeds of State 3-mill school tax, interest on State (debts to) permanent school fund, \$500,000 annual appropriation, and certain other sources.

⁵ The attendance grant though professedly for stimulation fulfills the function of a fund for general relief.

⁶ Exclusive of average daily attendance in city high schools and in secondary agricultural high schools. Statement June 1, 1928, to authors from Dr. D. S. Yeung, director, div. of research, Ala. State Dept. of Educ.

⁷ The methods of apportioning vocational education funds are determined by the Federal Smith-Hughes Act and Rules and Regulations of the Federal Board for Vocational Education.

⁸ This total does not agree with the total of Table 4 because textbook funds totaling \$300,000 have not been included.

CHAPTER II

ARIZONA

The State taxes levied by Arizona include general property taxes, a graduated inheritance tax, taxes levied upon corporations, generally as general property taxes, license taxes, and fees imposed on certain business activities, occupations, and professions. The proceeds of all State taxes, including those levied to provide school revenues, are paid into the State general fund. Arizona levies no personal income tax. An annual poll tax of \$2.50 is levied upon every male inhabitant, not exempt by law, between the ages of 21 and 60 years. The proceeds of this tax are credited to the county school fund, and therefore will receive no further consideration in the present account, the primary concern of which is State taxes.

State general property taxes for schools.—The School Laws of 1921, paragraph 2815, provided for the levying of a State general property tax sufficient to produce not less than \$25 for each child in average daily attendance in every public elementary school and public high school of the State during the preceding year. This paragraph as revised and printed in the School Laws of 1925 (p. 141) makes no reference to the levying of any tax, but merely provides that there shall be appropriated annually in the general appropriation bill for common and high school education in the State during each fiscal year a sum of not less than \$25 per capita for all pupils in average daily attendance in the common and high schools of the State during the preceding year.

In 1927 an act was passed by the legislature which provided that the average daily attendance in kindergarten schools as well as in the elementary schools and high schools should be included in arriving at the basis on which the \$25 per capita levy should be made.¹

Two outstanding and significant characteristics of Arizona's method of levying State school taxes are: First, the policy of insuring the provision of a definite amount for each child in average daily attendance and thus obviating the prorating of school funds, an evil common throughout the United States; second, fixing no definite rate to be levied, but rather fixing the amount which must be produced by a State tax.

¹ Statement in personal letter dated Sept. 20, 1927, to F. H. Swift from C. O. Case, State Supt. of Pub. Instr. for Ariz.

The amount to be raised by general property taxes is reached by making up the budget of all the different State departments and from the total deducting the estimated amount to be secured from other sources, that is: (1) Banking fees; (2) cooperation with Biological Survey; (3) corporation commission fees; (4) express company tax; (5) fair commission fees; (6) inheritance taxes; (7) land commission fees; (8) license and inspection fees; (9) private car tax; (10) real estate board tax; (11) secretary of State fees; (12) State treasury fees; (13) interest on State funds deposited.

"Taxes other than property taxes really make up the school revenues, although the same are paid out of the general fund. The rate of this general property tax (levied to provide the \$25 per capita grant) is determined after the amounts secured from the sources listed above have been deducted from the total budget request of all departments."²

The funds required to provide the annual State grant of \$25 per pupil in average daily attendance as well as the funds required to meet the State's obligations with respect to vocational education, in so far as they are not provided from the proceeds of the 13 classes of fees and taxes listed above, are provided by levying a State general property tax. It should be noted, however, that the amount actually appropriated from the general fund for public schools never exceeds the amount which would be provided by a general property tax sufficient to provide \$25 per child in average daily attendance, together with such sum as would be required to meet the State's obligations for vocational education. In other words, the general property tax is the only type of State tax which Arizona levies specifically for providing school revenue. Although other types of taxes and fees do contribute to the support of schools, their contribution is indirect and the law gives the schools no prior claim to their proceeds.

Sources of State school revenue other than taxes are income from the permanent State school fund, income from school sections in national forests, rentals, and interests of State school lands, 2 per cent of the gross proceeds of toll roads, bridges, and ferries.³

In 1923-24 the State school tax levied to provide a grant of \$25 per child in average daily attendance, produced \$1,325,425 and the State school tax for vocational education produced \$81,100, making the total amount raised by school taxes \$1,406,525 which was 73.43 per cent of \$1,915,505.07, the total State school fund of that year.⁴

² Personal letter dated Sept. 26, 1927, to F. H. Swift from C. O. Case, Ariz. State Supt. of Pub. Instr.

³ See Bienn. Rept. of the State Supt. of Pub. Instr. of Ariz., 1922-1924, p. 19; Ariz. Sch. Laws, 1925, p. 141, par. 2815 and note.

⁴ See Bienn. Rept. of the State Supt. of Pub. Instr. of Ariz., 1922-1924, p. 194.

State School Funds

The moneys provided by the State for the support of kindergartens, elementary schools, and high schools include (1) the income of the State permanent school fund, (2) an appropriation of \$25 per pupil in average daily attendance, credited to and known as the State school fund, and (3) appropriations for certain special projects and school officials.

The State permanent school fund.—The constitution and the laws of Arizona provide for the establishment of a State permanent school fund to be derived from the following sources: (1) Sections 2, 16, 32, and 36 in each congressional township, or land selected in lieu thereof, granted by the Federal Government to Arizona upon its admission into the Union, for the use of public schools; (2) 5 per cent of the proceeds of the sales of lands owned by the Federal Government within the State and sold by the United States subsequent to the admission of Arizona into the Union; (3) unclaimed shares and dividends of any corporation incorporated under the laws of Arizona; (4) gifts, devises, and bequests made to the State for general educational purposes. The former constitutional provision which reserved for this fund property escheating to the State has been repealed.

The income derived from the investment of moneys belonging to the permanent school fund and from the rental of school lands, together with such other funds as may be provided by law, is apportioned among the counties of the State. The amount apportioned to any county shall constitute a part of the county school fund.²

The State school fund.—The State school fund consists of an annual appropriation for the benefit of common (that is, elementary) and high schools of a sum of money sufficient to provide not less than \$25 per child in average daily attendance in public kindergartens, elementary schools, and high schools of the State during the preceding year.

Special appropriations.—The laws of Arizona require that the State legislature shall make appropriations from the State general fund for the following projects: County scholarships amounting to \$1,000 a year annually for each county of the State and to be assigned to candidates on the basis of competitive examinations,³ free textbooks for elementary schools,⁴ normal and high school cadet companies,⁵ superintendent of public instruction (for salaries, opera-

² Enabling act, secs. 24 and 27; Constitution, Art. X, secs. 8 and 9; Sch. Laws of Ariz., 1925, pp. 9-12, 22-23.

³ These scholarships are available to high-school graduates for the payment of expenses at the University of Arizona. Sch. Laws of Ariz., 1925, pp. 203-205, para. 4490-4493.

⁴ *Ibid.*, p. 149, par. 2825.

⁵ *Ibid.*, p. 223, sec. 20.

tion, traveling expenses), Americanization education, teachers' pensions of \$600 per year for each lawfully retired public-school teacher.⁹ The amounts due for free textbooks and for teachers' pensions are paid out of the operation fund appropriated for the State department of education.¹⁰

Apportionment of State School Funds

Special appropriations.—The appropriation for vocational education is provided by the State to match dollar for dollar the Federal subvention received under the terms of the Smith-Hughes Act. The methods and bases employed in disbursing this State appropriation are provided in the Smith-Hughes Act and in the regulations of the Federal Board for Vocational Education. The remaining types of special appropriations noted in a preceding paragraph are disbursed in the form of flat quotas by methods which involve no other principle than that of easing the burden of school corporations or of individuals, or stimulating school corporations to provide certain types of educational activity such as the organization of high-school cadet companies.

Permanent school fund.—The constitution provides that the income for the State permanent school fund and from the rental of school lands, together with such other funds as may be provided by law, shall be apportioned annually among the various counties of the State in proportion to the number of pupils of school age residing therein.¹¹

In actual practice this constitutional provision is disregarded, and all State funds are apportioned among the counties of the State on the basis of average daily attendance of the preceding year.¹²

State school fund.—From the State school fund is first deducted the appropriation made to the office of the State superintendent of public instruction and the State board of education. To the remainder is added the income from the permanent school fund, the rental of school lands, and all other State school revenues. This total is then disbursed in four quarterly apportionments among the various counties of the State on the basis of their average daily attendance for the previous year.¹³

It is conceivable that a situation might develop such that the amount of \$25 per pupil could not be apportioned back to the counties, as the appropriation made for the State department of edu-

⁹ Sch. Laws of Ariz., 1925, p. 77; p. 189; p. 149, par. 2825; pp. 203-205, para. 4490-4493; p. 223, sec. 20.

¹⁰ Information furnished by State Supt. of Pub. Instr., Jan. 12, 1928.

¹¹ Constitution of Ariz., Art. XI, sec. 8; Sch. Laws of Ariz., 1925, p. 22.

¹² Statement of C. O. Casé, Supt. of Pub. Instr., in letter to F. H. Swift, dated Sept. 20, 1927.

cation is deducted from the amount so raised. However, the amount received from nontax receipts and apportioned with the tax money has always provided for a little more than \$25 per pupil on the basis of the average daily attendance of the year previous. If a larger appropriation should be made for the State department, the amount of apportionment to counties would automatically be reduced.

Apportionment by counties.—The quota received by each county from State funds becomes a part of the county school fund.¹³ The county superintendent, on the basis of estimates transmitted to him by the trustees of common-school districts and the board of education of high-school districts, is required to estimate the total cost of maintaining the schools in his county within the limits prescribed by law and including a county school reserve fund. The county superintendent apportions all moneys credited to the county school fund, whether received from the State treasurer, the county tax, or other sources, with the exception of the county school reserve fund, as follows:

He apportions first to each 1-room or 2-room rural school a sum sufficient to maintain such a school in a creditable manner for not less than eight months: *Provided*, That he shall apportion to every 1-room school not less than \$1,500, and to each 2-room rural school not less than \$3,000. The remainder is prorated among all other school districts within the county on the basis of the average daily attendance of the preceding year.¹⁴

County school reserve fund and apportionment.—In making his estimate of the cost of maintaining the schools within his county for the ensuing year, the county superintendent computes separately the estimated cost of 1-room and 2-room rural schools and the cost of maintaining all other elementary schools and high schools. He is required by law to add to his estimate 10 per cent of the estimated cost of maintaining elementary schools and high schools, including all rural schools. This 10 per cent fund is set aside as a separate fund in the county treasury to be known as the county school reserve fund.

Whenever a school in any elementary or high-school district has been maintained for a period of five months and it shall appear that the average daily attendance is greater than in the preceding year, the county superintendent shall apportion to said district out of the county school reserve fund, an amount to which this district is entitled on the basis of the average daily attendance quotas provided by law. If the reserve fund is insufficient to meet the legitimate demands of all districts showing an increased attendance over the pre-

¹³ Constitution of Ariz., Art. XI, sec. 9; Sch. Laws of Ariz., 1925, p. 23.

¹⁴ Sch. Laws of Ariz., 1925, p. 145, sec. 2821.

ceding year, then the said reserve fund shall be prorated among the several districts entitled to such additional quotas: *Provided*, That in no case shall the apportionment from the county reserve fund on account of increased attendance be a greater pro rata than the regular apportionment for the same year. Any balance of the reserve fund remaining at the close of the school year shall be credited to the county school fund and apportioned in the same manner as the county school fund is apportioned.¹⁵

Equalization provisions.—Arizona provides no State equalization fund. Nevertheless, she attempts to equalize school revenues and school burdens by certain policies. From State, county, and district sources she guarantees, regardless of the number of pupils, \$1,500 per annum for every 1-room rural school and \$3,000 for each 2-room rural school.¹⁶

The law provides further that every county must levy a county tax, which together with the county share of the State school fund, shall provide not less than \$45 nor more than \$80 per pupil in average daily attendance in all schools except 1-room and 2-room rural schools, which are guaranteed \$1,500 and \$3,000, respectively, under the provisions already described. A further effort at equalization is embodied in the provision that all schools must be maintained at least eight months.

¹⁵ *Sch. Laws of Ariz.*, 1925, p. 146, sec. 2821.

¹⁶ *Ibid.*, p. 143, sec. 2817c.

CHAPTER III

ARKANSAS

Types of State taxes levied.—Arkansas levies the following classes of State taxes and fees: (1) Corporation taxes; (2) license taxes and fees, levied upon many occupations, professions, and business activities; (3) inheritance taxes; (4) gasoline and motor oil tax; (5) general property tax; (6) severance tax; (7) cigar and cigarette stamp tax. The first four of these classes of taxes furnish no revenues for education either directly or indirectly and will not be considered in the present account.

Poll tax.—The constitution provides that a poll tax of \$1 shall be levied upon every male inhabitant of the State over 21 years of age. The proceeds of such taxes are credited to the county school fund and distributed among the districts of the county on the basis of the school census. The proceeds of poll taxes in Arkansas must be regarded as a source of county rather than State revenue and consequently do not fall within the scope of the present study.

No State income tax.—In 1923 Arkansas passed an act which provided for a tax of one-tenth of 1 per cent on the entire gross income of every individual in the State not specifically exempted by the terms of the act.¹ This act proved thoroughly unsatisfactory and was repealed in 1925. That the act of 1923 was designed to provide public-school revenue is shown by the fact that, all except \$20,000 of the proceeds were to be credited to the common-school fund and apportioned in the same manner as that fund.²

An effort was made in 1927 to secure the passage of an act providing for a net income tax, the proceeds to constitute an equalization fund, but the bill was defeated in the senate by a few votes.³

State School Funds

Arkansas maintains the following State funds for providing aid to public schools: The permanent school fund, revolving loan fund, the common-school fund; State equalizing fund, the vocational education fund, and the school supervision fund.

¹ Acts of Ark., 1923, No. 345.

² Acts of Ark., 1923, Act 345, sec. 20; Sch. Laws of Ark., pp. 105-106.

³ Based on statement contained in letter dated Oct. 10, 1927, to F. H. Swift, from Dawson, director of research, Arkansas State Department of Education.

The permanent school fund.—The laws and constitution set aside no fewer than 18 sources from which the receipts shall constitute the principal of a permanent common-school fund. The most important of these sources are school lands and other lands granted by the Federal Government to the State of Arkansas and 10 per cent of the proceeds of the sales of all State lands.*

It has been the policy of Arkansas to use the moneys belonging to the principal of the permanent school fund for various State institutions and projects and to issue bonds representing the State's indebtedness to this fund. The interest on this State debt, like the interest on the university endowment fund, is paid from the proceeds of a State general property tax credited to the State sinking fund.

Revolving loan fund.—Act 119 of the acts of 1927 provides that there shall be transferred to a fund, to be known as the revolving loan fund, moneys credited to the principal of the permanent school fund. From this fund, loans will be made to needy school districts to be used for building schoolhouses. The effect of this act will be to restore to a cash basis a large portion of the permanent school fund which now exists only as a credit fund. The interest derived from the loans to the districts will be used to pay for the costs of the administration of the revolving loan fund and to pay to the common-school fund the interest due it from the permanent-school fund. The origin of the revolving loan fund excludes it from this account.

The common-school fund.—Common-school fund is the title provided by the constitution and the laws for the permanent school fund just described, but in State reports this endowment fund is designated "permanent school fund," and the term "common-school fund" is used to designate the annual current revenue derived from the combined income of (1) the permanent school fund; (2) the State 3-mill general property tax; (3) two-thirds of the proceeds of the State severance tax; and (4) the proceeds of a State cigar and cigarette stamp tax.

The State equalizing fund.—This fund was created by Act 28, Acts of Arkansas, 1927. Act 149 of the same year provides that after \$750,000 of the proceeds of the cigarette and cigar stamp tax have been added to the common-school fund the balance shall be credited to the State equalizing fund for the benefit of public schools. It is estimated that this balance will not amount to more than \$20,000 per year. Those fostering the creation of the State equalizing fund had expected the creation of a State net income tax, the proceeds of which would be the chief source of the equalizing fund.

* For a more complete statement of the composition of this fund see F. H. Swift, *The Public-School System of Arkansas, Part II, Public-School Finance*, U. S. Bu. of Ed. Bul., 1928, No. 11, pp. 35-37.

Vocational education fund.—To meet the obligations incurred through the acceptance of the Smith-Hughes Act, Arkansas levies an annual general property tax of one-fifth of 1 mill. The proceeds of this tax are paid into the State treasury and set apart as a separate fund entitled "the vocational education fund."²

The school supervision fund.—The laws authorize the State board of education to pay \$1,500 to each county superintendent of schools annually as a part of his salary. To provide a fund for this purpose an annual tax of 0.18 mill is levied, the proceeds of which are paid into the State treasury and credited to the school supervision fund.

State Taxes as Sources of School Revenue

General property tax.—The constitution limits the rate of the State general property tax to 10 mills. The general assembly fixes the annual rate and determines the manner in which this rate shall be distributed. In 1927 the total rate levied for educational, charitable, and corrective purposes amounted to 8.7 mills distributed as follows:

TABLE 1.—Arkansas general property taxes for educational and charitable purposes, 1927¹

Fund or purpose	Rate (in mills)	Fund or purpose	Rate (in mills)
Common school fund.....	3.00	State normal school.....	0.20
School supervision fund.....	.18	Branch normal school (negro).....	.12
Vocational education fund.....	.20	University fund.....	1.00
Sinking fund ².....	.30	Confederate pension fund.....	2.00
State charitable institutions.....	1.20	Total.....	8.70
Four district agricultural schools.....	.60		

¹ Data taken from statement furnished to authors by Howard A. Dawson, director bureau of educational statistics and information, Arkansas State Department of Education.

² The sinking fund, amounting to \$130,000 annually, is used as follows: For interest on permanent school fund \$65,725; interest on State university endowment fund, \$6,183.34; balance used to pay interest and retirement on other State debts. A further analysis will show that approximately one-tenth of 1 mill is devoted to paying the interest on the permanent school fund and 0.95 mill to pay the interest on the university fund, leaving approximately 0.005 mill as the rate levied to pay interest on and to retire other State debts.

Severance tax.—The severance tax owes its origin to act 116 passed in 1923. This act provides for levying annually a privilege or license tax to be known as the severance tax upon all natural resources severed from the soil or water for commercial purposes, including minerals, bauxite, timber, forest products, etc.

Rates.—Except as otherwise provided, the rate shall be a tax of 2.5 per cent of the gross cash market value of the total annual production of such natural resources. Special rates are provided on the following natural products: Bauxite, 25 cents a ton; manganese ore,

³ Sch. Laws of Ark., 1923, p. 162, sec. 8778.

10 cents a ton; lumber, 7 cents per thousand feet board measure on total stumpage; coal, 1 cent per ton.⁶

Cigar and cigarette stamp tax.—Every wholesaler of cigars and cigarettes is required to pay an annual business license fee of \$25 per year for each place he operates. Every retailer of these commodities must pay an annual permit fee varying from \$5 to \$20 according to the actual gross sales.

A State retail sales tax of 10 per cent of the ordinary sales price is levied on all cigars sold at retail and a sales tax of \$2 per thousand is levied on all cigarettes sold at retail. Every retailer is required to purchase State tax stamps and to affix to every box of cigars and to each package of cigarettes stamps denoting the tax thereon.⁷

State Taxes as Sources of State School Funds

General property tax.—State general property taxes provide 100 per cent of the school supervision fund, 100 per cent of the interest due from the State on the permanent school fund, 100 per cent of the State's contribution to the vocational education fund, and approximately 50 per cent of the common-school fund. (Total of items 1 and 2, Table 2.)

Severance tax.—Two-thirds of the proceeds of the State severance tax are credited to the State common-school fund, the remaining one-third is placed to the credit of the counties from which the proceeds were originally received. As a result of this last provision, approximately 91 per cent of the total revenue returned to the counties is paid to two counties, Ouachita and Union, because most of the severance tax comes from oil and these two counties contain practically all of the oil of the State. It is asserted that money is abundant in these counties, whereas poverty characterizes the school districts of other counties. The counties must devote one-half of their respective shares to their public schools and one-half to the county highway fund.

Cigar and cigarette stamp tax.—The proceeds of the permit fees to be paid by wholesale and retail dealers in cigars and cigarettes are credited to a special fund for the administration and enforcement of the act.

The moneys received in the State treasury from the sales of tobacco-tax stamps shall be divided as follows: The proceeds up to the amount of \$750,000 shall be credited to the State common-school fund, the

⁶Sch. Laws of Ark., 1923, pp. 84-85, sec. 5; Howard Dawson, *Financial Support of Education in Arkansas*, p. 531.

⁷Acts of Ark., 1927, Act 149. It should be noted that the proceeds of this tax reported in Table 2 were levied and collected under a different act.

remainder shall be credited to the equalizing fund.⁶ Table 2 shows the amounts contributed to the common-school fund during the biennium 1924-1926 by each of the sources thus far named.

TABLE 2.—*Analysis of biennial receipts of Arkansas common-school fund, 1924-1926*

Sources	Amount	Per cent of total
1. 3-mill tax.....	\$3,436,410.00	47.9
2. Tax for interest on perpetual school fund.....	131,450.00	1.9
3. Severance tax.....	2,001,868.05	28.2
4. Cigarette and cigar stamp tax.....	1,354,253.12	18.8
5. Income tax.....	147,343.92	2.1
6. Miscellaneous sources.....	7,000.41	.1
Total.....	\$7,666,376.22	100.0

¹ This amount is reported in the State treasurer's report as proceeds "from county collectors."

² Excluding balance from previous year of \$498,050.12. All amounts in Table 2 are taken from Arkansas State treasurer's biennial report, 1923-1926.

Apportionment of State School Funds

The school supervision fund, as indicated in the paragraph defining it, is apportioned in the form of flat, fixed quotas of \$1,500 each to every county in the State, such quotas to be applied to the salaries of county superintendents.

The method of apportioning the vocational education fund is largely determined by the Federal Smith-Hughes Act and the Rules and Regulations of the Federal Board for Vocational Education.

The permanent school fund, as already noted, is added to the common school fund, and consequently its method of apportionment will be described in the paragraph dealing with the common school fund.

Common school fund.—The State superintendent of public instruction apportions the common school fund among the several counties of the State on the basis of the school census; i. e., the number of persons between 6 and 21 years of age residing in each county.

Revolving loan fund.—The revolving loan fund is not a fund for helping districts to meet the current costs of education, but on the contrary is merely a fund loaned to needy districts to aid them in erecting, repairing, and equipping schoolhouses and in paying off indebtedness on buildings and equipment. The power to grant or refuse any application for a loan rests with the State board of education. This board is empowered further to make rules and regulations necessary for administering the fund.

⁶ This method of dividing the receipts was provided by Act 149, 1927; formerly the entire proceeds of the stamp tax were credited to the common-school fund; see Arkansas Treasurer, *Bienn. Rep.*, 1924-1926, pp. 7 and 24.

These rules and regulations have not been completed; but the two essential features of such regulations will be as follows:

- (a) No loan will be made until the building plan has been approved by the State supervisor of school buildings and grounds.
- (b) Preference will be given to districts formed by consolidation in conformity with a county program of school organization, such county program to be made by the county board and the State board of education.

No loan should be made for an amount exceeding 7 per cent of the assessed value of property in the district, nor for more than \$10,000.

This limit of \$10,000 will undoubtedly have to be raised if the act is to aid in abolishing small districts.*

Arkansas Equalizing Fund Apportionment

The law leaves the administration and apportionment of the equalizing fund largely to the discretion of the State board of education. However, certain principles and data must be taken into consideration by the State board in making grants from the equalizing fund to the local school districts. The plan may be described as follows:

- (1) A minimum length of school term throughout the State shall be fixed by the State board of education, the same to be as great as the moneys available will permit.
- (2) The State board shall determine the number of teachers which shall be allowed to each school district on the following basis: (a) For elementary grades, 1 teacher for each 30 pupils or major fraction thereof; (b) for high-school grades, 1 teacher for the first 20 pupils, 2 teachers for the first 30 pupils, 3 teachers for the first 45 pupils, 4 teachers for the first 70 pupils, and 1 additional teacher for each 30 pupils above 70.
- (3) The State board shall establish a minimum uniform graduated salary schedule for all school employees, based upon the duties and qualifications of such employees, such schedule to be construed only as the minimum the State will guarantee, but not to prohibit local school authorities from paying higher salaries.
- (4) The State board shall determine the amounts which shall be regarded as reasonably necessary for salaries, costs of operation, equipment, transportation of pupils, retirement of indebtedness, and the maximum percentage of the total district revenue which shall be allowed for the payment of interest and principal of indebtedness.
- (5) The State board shall determine the total amount of funds which will be available in each district of the State for the support of schools, including the proceeds of the district's quota of the State common school fund, the district tax, the district's share of the county quota of the severance tax, the poll tax, and certain other minor sources.

* Statement furnished to authors by H. A. Dawson, director of research, Ark. State Dept. of Educ.

The difference between the amount required to meet the district budget approved by the State board of education, and the amount of revenue available from all sources, excluding the equalizing fund, is the amount which the State board of education shall apportion to the district from the State equalizing fund, provided the district has voted the maximum tax permitted by the constitution.

Requirements.—In order to participate in the State equalizing fund a district must: (1) Have voted a district school tax of the maximum rate permitted by the constitution; (2) enforce the compulsory school laws; (3) furnish all reports required by the county board of education and the State board of education; (4) maintain the prescribed course of study; (5) employ teachers whose qualifications correspond to the specifications made in the district budget submitted to the county board of education; and (6) any district receiving aid from the equalizing fund for high-school purposes must admit free to its high school qualified students from any other high-school districts.¹⁰

Summary.—The aim of the act providing for the equalizing fund and its apportionment is to provide State aid for the more needy school districts. Certain obligations are imposed upon the districts in order to make them eligible for aid from this fund. Nevertheless, the standards which are to be used for guidance in the apportionment of the equalizing fund are very largely left to the State board of education. No mathematically determined bases which can be applied to all districts are worked out in the Arkansas system, such as we find in the system of Maryland, New York, and certain other States.

¹⁰ Acts of Ark., 1927, Act 28, sec. 3 (5) and secs. 5 and 6.

CHAPTER IV

CALIFORNIA

The California tax system is generally classified as a dual tax system, for the State draws a sharp line between the sources which are taxed by counties, districts, and cities and those taxed by the State.

No income tax.—The constitution authorizes income taxes, but no income tax law has been enacted.¹

No poll tax.—In 1924 an amendment to section 12, Article XIII, of the constitution was adopted, which provides for a State poll tax of \$5 on each male inhabitant over 21 and under 50 years of age, not exempted by law. The proceeds of this tax were to be paid into the State school fund. Formerly such taxes were paid into the county school fund in the county wherein collected. No legislation has been enacted to put the new constitutional amendment into effect, and no poll taxes are levied.

State taxes levied.—The following classes or types of taxes and fees are levied by the State: Corporation, inheritance, motor fuel (gasoline), oleomargarine, fees, and license taxes. The gasoline tax and the oleomargarine tax contribute nothing directly or indirectly to schools.

Corporation taxes.—By far the major portion of State revenues is derived from taxes on corporations, the proceeds of which are credited to the State general fund.

Business and service fees.—The State imposes certain fees for (1) the privilege of engaging in certain types of business activities; (2) services rendered by public officials; (3) the recording of documents; (4) the pursuit of certain occupations and professions; (5) miscellaneous activities. The proceeds of such fees are credited to the State general fund. The State controller, in his statement of receipts for the fiscal year 1925-26, itemizes the following fees: (1) Secretary of state fees; (2) surveyor general fees; (3) water commission fees; (4) State court fees; (5) insurance commission fees; (6) department of agriculture fees.

Inheritance taxes.—Standing next in importance to the corporation tax as a source of State revenue is the graduated State inheritance tax. In 1926, more than 12 per cent of the State general

¹ Constitution of Calif., Art. XIII, sec. 11.

fund, the major source of all State school funds, was derived from the proceeds of inheritance taxes.

No State general property tax.—Only counties, municipalities, and districts levy general property taxes. Although the State has levied no general property tax for schools or for any other purpose since the inauguration of her present system of State corporation taxes, she has been very careful not to relinquish her right to levy such a tax should the proceeds of other types of State taxes ever prove insufficient to meet the financial obligations of the State. Indeed, in order carefully to perpetuate this right it is the practice of the legislature, when providing for the levying of the State tax to meet the State budget cost, always to include in the act the provision that, if the rate levied shall prove insufficient, there shall be levied, in addition, a State general property tax of a rate sufficient to meet any deficiency.²

The relative importance of the major sources contributing to the State general fund during the year 1925-26 is shown by Table 1.

TABLE 1.—Analysis of California general fund actual receipts July 1, 1925, to June 30, 1926¹

Sources	Amount	Per cent of total
Taxes on:		
Corporations including franchises ¹	\$47,351,562	78.5
Corporation licenses.....	1,357,319	2.3
Inheritances.....	7,420,167	12.3
Fees ²	651,591	1.1
All other.....	3,534,687	5.8
Total.....	60,315,326	100.0

¹ Calif. Controller, Bien. Rep. 1924-1926, p. 26, col. 2.

² Taxes on banks, insurance companies, and public-service corporations. Includes taxes impounded and not paid prior to July 1, 1925, amounting to \$6,316,348.16. For statement of taxes paid by each class of corporation see Calif. Controller, Bien. Rep. 1924-1926, p. 103.

³ Computed; includes fees received by secretary of state, surveyor general, water commission, supreme court and court of appeals, insurance commission, and department of agriculture.

⁴ Computed.

State Taxes as Sources of School Revenue

Corporation taxes.—Although the objects to which the proceeds of corporation taxes shall be applied are not specified in the constitution or the laws, the constitution provides that there shall be first set apart from the proceeds of the State corporation taxes, the moneys to be applied by the State to the support of the public-school system and the State university.³ We have in this constitutional provision the definite recognition that the public schools and the university have first claim upon the proceeds of the State corporation taxes. Such taxes must, therefore, be regarded as a type of State tax levied to provide revenues for the support of public education.

¹ Compare Statutes of Calif., 1927, ch. 668, sec. 1, p. 1188.

² Constitution, Art. XIII, sec. 14e.

Inheritance taxes.—Former laws required that the annual proceeds of State inheritance taxes should be credited to three funds as follows: (1) The first \$250,000 to the State school fund; (2) 5 per cent to the teachers' permanent retirement fund; (3) balance to the State general fund.⁴ In 1925 an act was passed which provides that "all taxes levied and collected under this (the inheritance) act shall be paid into the State treasury to the credit of the general fund."⁵ The California school law of 1927 erroneously embodies the provisions of earlier laws and includes these repealed provisions in the school code. (See School Laws of California, 1927, p. 278.)

The general fund as a source of school revenue.—Table 1 has shown that 78.5 per cent of the general fund is derived from corporation franchise taxes, 2.3 per cent from corporation license taxes, and 12.3 per cent from inheritance taxes, making a total of 93.1 per cent derived from taxes on corporations and inheritances. The general fund furnishes 100 per cent of the State high school fund and 50 per cent of the vocational education fund. The portion of the State (elementary) school fund furnished by the general fund varies from year to year. In 1924, 91.5 per cent and in 1926, 95.4 per cent was thus derived.⁶ The total expenditures paid from the general fund during the year 1925-26 amounted to \$53,748,673. Of this total amount approximately 40 per cent was expended for elementary schools, high schools, the vocational education fund, and teachers' permanent retirement fund, as follows: Elementary schools, \$16,203,000, 30 per cent; high schools, \$4,666,000, 9 per cent; vocational education fund and teachers' retirement fund, \$546,000, 1 per cent.⁷ The amount transferred to the vocational education fund was \$224,867.64 and to the teachers' permanent retirement fund \$321,157.04.

State School Funds

The moneys provided by the State for the support of public schools and junior colleges are credited to four distinct funds, which may be thus defined:

(1) State moneys provided for elementary schools derived from a State grant of \$30 per child in average daily attendance constitute the *State (elementary) school fund*. (A more complete definition of this fund will be given in a later paragraph.)

(2) Moneys derived from the State grant of \$30 per child in average daily attendance in high schools and in junior colleges organized as departments of high schools constitute the *State high-school fund*.

⁴ Calif. Statutes, 1921, ch. 821, sec. 22; Calif. Gen. Laws, Act 5838, sec. 1.

⁵ Statutes and Amendments to the Codes of Calif., 1925, p. 393, ch. 238.

⁶ Per cent computed on basis of data presented in Calif. Controller, Bien. Rept., 1922-1924, p. 51; *ibid.*, 1924-1926, p. 56.

⁷ Calif. Controller, Bien. Rept., 1924-1926, p. 27. Per cent computed.

(3) State moneys provided by the State for vocational education, together with moneys derived from the Federal Smith-Hughes fund, constitute the *Vocational-education fund*.

(4) Moneys apportioned by the State to junior colleges maintained by junior college districts, derived from the Federal royalty grant, constitute the *State junior-college fund*.

In addition to the moneys credited to the above four funds, the State makes certain special appropriations to pay the cost of State and county school administration and supervision and to maintain various educational commissions, such as the curriculum commission and various educational projects, such as a teachers' pension system, printing and publishing State reports, etc.

State Sources of Public School Aid in California

I. State school fund—

1. Income from perpetual school fund and land rents.
2. Balance of State junior-college fund after apportionment to junior-college districts.
3. Transfer from the State general fund* sufficient with the above revenues to provide \$30 per elementary pupil in average daily attendance during the preceding school year.

*II. State high-school fund.—*Transfer from State general fund.

*III. Vocational education fund.—*Transfer from State general fund.

*IV. Special appropriations.—*Transfers from State general fund.

*V. State junior-college fund.—*Federal royalty fund grants.

Special appropriations are generally paid in the form of flat quotas involving no other principle than that of providing adequate support for some necessary undertaking or of stimulating that which is regarded as a desirable school project. The apportionment of the vocational education fund is in the main determined by the regulations and policies of the Federal Board for Vocational Education.

Before considering the apportionment of State funds to counties and State and county funds to districts, two interesting features of the California system should be noted: (1) Elementary-school funds and secondary-school funds are kept distinct and separate at all times, and (2) for purposes of apportionment, units of average daily attendance are allowed on prescribed bases for attendance in all types of elementary and secondary school and junior-college classes, but no allowance is made for kindergartens, the support of which is borne by the districts.

* The State general fund is derived chiefly from corporation taxes. By an act passed in 1925 the law devoting the first \$250,000 of the proceeds of inheritance taxes to the State school fund was repealed, and all inheritance-tax proceeds are now credited to the general fund.

Apportionment of State Elementary School Fund

State funds provided for elementary schools include not only the State school fund available to all elementary school districts of the State, but special appropriations provided for teachers of children of defective speech and teachers for children of migratory laborers. These last two funds are apportioned on the basis of teacher grants, whereas the first, the State (elementary) school fund, is apportioned in part on the basis of average daily attendance.

Method of apportionment.—The method of apportioning the State school fund was revised by an act of the legislature in 1927.⁹ The State superintendent of schools apportions the State school fund under the new law in the following manner:

To every county and to every city and county he apportions:

(1) *Teacher unit quotas.*—For each and every teacher determined and assigned to the county or city and county on the basis of average daily attendance during the last preceding year, \$700.

(2) *Average daily attendance excess cost quotas for handicapped children.*—To each county and city and county providing special instruction for physically handicapped pupils in elementary school districts, an amount equal to one-half the excess cost of educating such pupil during the preceding year, providing such excess cost shall not exceed \$100 per pupil.

(3) *Balance average daily attendance quotas.*—He shall then apportion the balance of the State school fund among the counties or cities and counties of the State according to their average daily attendance during the last preceding year.

Teacher units are computed under the provisions of section 1858, First, as amended in 1927.¹⁰ The method of computing teacher units will be described later. For the year ending June 30, 1927, the apportionment on the basis of average daily attendance amounted to \$5.60 per unit of attendance. The total elementary school fund apportioned for the year amounted to \$17,291,808.80, of which approximately 81.3 per cent (\$14,063,700) was apportioned on a per teacher basis and 18.6 per cent (\$3,228,108.80) on the basis of average daily attendance.¹¹

Special Appropriations Apportioned on per Teacher Unit and Average Daily Attendance Bases

Teacher grants for speech defectives.—The California Legislature of 1927¹² placed upon the superintendent of public instruction the

⁹ Polt. Code of Calif., sec. 1532; Statutes of Calif., 1927, ch. 585.

¹⁰ Polt. Code of Calif., Statutes of Calif., 1927, ch. 585, sec. 5.

¹¹ Calif. Supt. of Pub. Instr., Second Apportionment of State Sch. Funds for the Fiscal Year Ending June 30, 1927, p. 2.

¹² Statutes of Calif., 1927, ch. 696.

responsibility of promoting and superintending the instruction in the public schools of children with defective speech. The act provides a biennial appropriation of \$30,000 to carry out this policy. The superintendent of public instruction is authorized to apportion to such counties or cities and counties of the State, "as in his judgment require the maintenance of special classes for the correction of speech defects, such sums of money as may be necessary, not to exceed \$75 per month for each teacher employed in such special class."

The act further requires that in order to receive the State quota the county and district eligible for such State aid must match the State quota dollar for dollar.

Teacher grants for migratory children.—Chapter 409, Statutes of California, 1927, directs the superintendent of public instruction to encourage and superintend the organization of classes of elementary grade for the education of children of migratory laborers engaged in seasonal industries in the rural districts of the State.

The act provides for an appropriation of \$10,000 to constitute a fund to be known as "A Migratory School Revolving Fund." The superintendent of public instruction is authorized to apportion to "such counties of the State as in his judgment require the maintenance of special classes for the children of migratory laborers * * * such sums of money as may be necessary, not to exceed \$75 per month for each teacher thus employed."

Requirements.—No apportionment shall be made to any county unless the county shall have set aside out of its unapportioned county school fund an amount equal to that apportioned by the State. The average daily attendance of pupils in elementary schools established for the children of migratory laborers shall be reported separately to the State superintendent of public instruction and he shall apportion from the State school fund to the migratory revolving fund on the same basis and in the same manner and to the same amount as if the apportionment were made from the State school fund to elementary schools.

Apportionment of County Elementary School Fund

The present account is concerned primarily with methods of apportionment of State school funds, but in the case of California, quotas of the State school fund received by the counties are added to and apportioned with the elementary-school fund derived from the county school taxes and other county sources. For this reason and because the method of apportioning this composite county elementary-school fund among the districts differs from the method employed in apportioning the State school fund among the counties,

it is necessary to include a description of the method of the apportionment of the elementary school fund.

The method of apportioning the county elementary-school fund was revised by an act passed in 1927.¹⁵ The method by which the county school superintendent apportions the county elementary-school funds is described in the immediately following paragraphs.

Teacher units based on average daily attendance.—The superintendent of every county or every city and county must determine the total number of teacher units to which the county is entitled on the basis of the average daily attendance during the next preceding year by calculating:

- (1) One-teacher unit for the first 35 or fraction of 35 units of average daily attendance in each elementary school district.
- (2) One additional teacher unit for each additional 35 or fraction¹⁶ of 35 units of average daily attendance in each elementary-school district.
- (3) One additional teacher unit for each 300 units of average daily attendance, in each district having an average daily attendance of 300 or more.
- (4) One additional teacher unit for each 500 or major fraction of 500 units of average daily attendance in the aggregate in those districts in each of which the average daily attendance was less than 300 pupils.

Six Classes of Elementary Apportionment-Quotas

Having determined the number of teacher units to which his county is entitled, the county superintendent of schools proceeds to the task of apportioning the county elementary school fund and the county's share of the State (elementary) school fund. From these funds are provided the following six distinct classes of apportionments and funds: (1) A county supervision fund; (2) teacher unit quotas; (3) new district quotas; (4) suspended district quotas; (5) quotas for excess costs of physically handicapped children; (6) average daily attendance quotas.

County supervision fund.—A supervision and emergency fund, to be administered by the county superintendent, is created by apportioning \$1,400¹⁷ for each teacher unit allotted to the county on account of each 500 in average daily attendance in the aggregate in those districts having fewer than 300 in average daily attendance.

Teacher unit quotas.—\$1,400 is apportioned to each district on account of each teacher unit allotted to it on account of average daily attendance, one-half of this amount being apportioned from the State fund, one-half from the county fund.

New districts.—\$1,400 is apportioned to each newly organized school district which did not maintain school during the year in

¹⁵ Statutes of Calif., 1927, ch. 585, sec. 5, p. 1007.

¹⁶ Interpreted by attorney general as "fraction not less than one."

¹⁷ Of this total amount, \$700 is apportioned from the county elementary school fund and \$700 from the State (elementary) school fund.

which it was organized, for the purpose of maintaining school therein during the next succeeding school year.

Suspended districts.—If, in any school year any existing school district shall be suspended¹⁶ by the board of supervisors upon the recommendation of county superintendent of schools, there shall be apportioned to such suspended district during the year of suspension \$1,400; and such portion of such sum of money as may be needed may be used from time to time to insure and maintain the school property of the suspended district.

Excess cost for physically handicapped.—An amount is then apportioned to each district, equal to the excess cost of educating physically handicapped children, such amount not to exceed \$200 per pupil. One-half of this amount is apportioned from the State school fund and one-half from the county school fund.

Balance on basis of average daily attendance.—The law requires that after the above apportionments are made, the entire balance of the State elementary school fund and of the county elementary school fund shall be apportioned among the several districts in proportion to the number of pupils in average daily attendance during the next preceding school year.

The provisions of the law are conflicting, with the result that in practice there is always maintained in the county funds an unapportioned balance, although the entire balance of the State school fund is generally apportioned.¹⁷ Moreover, the law requires expenditures for certain specified projects (e. g. institutes) from the unapportioned county school fund.¹⁸

Emergency or equalization fund.—An act approved April 13, 1927,¹⁹ authorizes the county superintendent to set aside not more than 5 per cent of the unapportioned county elementary school fund as an emergency fund to be used to aid school districts in which the average daily attendance has been for a period of one month and still is more than 10 per cent larger than in the previous year, provided, that by reason of such increased average daily attendance, the district will be unable to maintain its schools for 170 days, and provided, also, that the district has levied the maximum lawful district school tax²⁰ for the current year, and in the judgment of the county superintendent is using its income wisely and economically. Although labeled an emergency fund, it will be seen that

¹⁶ Because the average daily attendance is five or less.

¹⁷ Statement Nov. 18, 1927, by Walter H. Morgan, chief of division of research and statistics, Calif., State Dept. of Educ.

¹⁸ Sch. Law of Calif., 1927, p. 72, sec. 1560 (1); p. 75, sec. 1566; p. 77, sec. 1577, first.

¹⁹ Statutes of Calif., 1927, ch. 1921.

²⁰ A recent decision of the superior court of San Diego County is to the effect that tax limits do not exist so far as school districts are concerned.

this fund embodies in a limited way the principles of an equalization fund.

If the above conditions are met, the county superintendent shall have the power to increase the apportionment on the average daily attendance to such district or districts as much as may be necessary to enable the said districts to maintain their schools for 170 days, provided, that the amount thus apportioned to such district or districts shall not in any one year exceed 5 per cent of the total unapportioned county elementary school fund.²¹

District library quotas based on average daily attendance.—Section 1714, Political Code, as amended by Statutes of California, 1927, chapter 420, provides that the county superintendent of each county or city and county shall apportion annually to each city or city and county not divided into school districts, as a library fund, such sums as may be requested by the board of education, provided the amount so apportioned shall not be less than 40 cents or more than \$1 per pupil in average daily attendance in elementary schools. The amount so apportioned shall be deducted from the county school fund apportioned to each city or city and county and added to the library fund of each city or city and county.

Similar provision is made in section 1713 of the Political Code for an apportionment to school districts other than those governed by boards of education. This section provides that the county superintendent shall apportion "such sums as may be requested by the school trustees"; but in no case shall the sum so apportioned be less than \$25 per teacher unit allowed under section 1858 of the Political Code. If the trustees fail to request such library apportionment, the superintendent is instructed to apportion not in excess of \$50 per teacher unit.

"All library apportionments are made from the county school funds of each district, and in actuality constitute a prior lien upon the 40 per cent of county moneys not reserved for teachers' salaries."²²

Apportionment of the State High-School Fund

The State superintendent of public instruction is authorized and directed by law²³ to apportion annually from the State school fund to the high-school districts of the State the following quotas:

1. *Flat quotas.*—On account of each day 4-year high school, each day junior high school, and each day senior high school, \$550 for

²¹ Statutes of Calif., 1927, ch. 121.

²² Statement made by Walter E. Morgan, chief, division of research and statistics, State Dept. of Educ., Sacramento, Calif.

²³ Polit. Code of Calif., sec. 1761, as amended by Statutes of Calif., 1927, ch. 585, sec. 7.

each year of the 4-year course, grades 9 to 12, inclusive, maintained during the preceding year.

The attorney general has ruled, under sections 1720 and 1750 of the Political Code, that no such apportionment can be made on account of years maintained to any district providing less than a full 4-year course, nor to any high school other than a junior high school, a senior high school, or a full 4-year high school.²⁴

2. *Bonus attendance grants for evening schools and special day and evening classes.*—To each high-school district, on account of each day 4-year high school and each day senior high school maintained therein; (a) \$80 for each unit or major fraction of a unit of the first 10 units of average daily attendance in an evening high school and in special day and evening classes (exclusive of part-time classes for minors under 18 years of age) maintained in connection with each such school during the preceding school year; (b) \$60 for each and every unit or major fraction of a unit of the second 10 units of such attendance; (c) \$40 for each and every unit or major fraction of a unit of the third 10 units of such attendance.

3. *Bonus attendance grants for part-time classes.*—To each high-school district for units of average daily attendance in part-time classes for persons under 18 years of age, maintained during the preceding year, \$80 for each and every unit or major fraction of a unit of the first 10 units of average daily attendance; \$60 for each and every unit or major fraction of a unit of the second 10 units of such attendance; \$40 for each and every unit or major fraction of a unit of the third 10 units of such attendance.

4. *Attendance grants for excess cost of educating physically handicapped.*—To each high-school district providing special instruction for physically handicapped pupils an amount equal to one-half of the excess cost of educating such pupils during the next preceding year, provided that such apportionment shall not exceed \$100 per pupil for each physically handicapped pupil in average daily attendance during the preceding year.

5. *Balance on basis of average daily attendance.*—The county superintendent shall then prorate the balance of the annual high-school fund among the high-school districts of the State on the basis of average daily attendance.

Where a junior college is organized as a department of the high school it is not financed separately. Under such circumstances the average daily attendance of students enrolled in junior college courses is included with the average daily attendance of the high-school dis-

²⁴ Statement furnished the writers by Walter E. Morgan, chief, division of research and statistics, Calif. State Dept. of Educ.

trict and is included in the basis employed for apportioning the county high-school fund.²⁵

The total State high-school fund apportioned in 1927 was \$5,010,640.92. Of this total, 15.7 per cent, or \$788,700, was apportioned on the basis of years maintained; 4.1 per cent, or \$203,540, was a bonus apportionment to high schools on account of average daily attendance in special day and evening classes and evening high schools; 1.2 per cent, or \$60,560, was the bonus apportionment on attendance in compulsory part-time classes for persons under 18 years of age; and the balance, \$3,957,840.92, or 79 per cent, was apportioned on average daily attendance at the rate of \$23.69 per unit of average daily attendance.

Apportionment of County High-School Fund²⁶

Tuition Quotas

Pupils attending in adjoining States.—In counties in which high-school students are attending high school in an adjoining State, the superintendent of schools must draw a warrant against the county high-school fund for the tuition of such students in favor of the county and State educating such students; such tuition payment based on the total cost per pupil of maintaining such high school and also for transportation of such students, upon affidavit, such transportation cost not to exceed \$10 per pupil per month. These payments are made from funds derived from the proceeds of the county high-school tuition tax.²⁷

Pupils attending in adjoining counties.—Before apportioning any of the county high-school fund to the high-school districts within his county the county superintendent of schools shall draw an order against such fund in favor of the superintendent of schools of any adjoining county in which pupils from his county are attending high school for an amount estimated by allowing for each unit of average daily attendance of such pupils the average amount raised in his county per unit of average daily attendance in high schools. A superintendent in whose favor such an order is drawn shall pay the amount to the credit of the high school or schools educating the pupils from the county paying such money.

²⁵ Sch. Law of Calif., 1925, p. 164, sec. 1750 b.

²⁶ The account here given is based upon Polit. Code of Calif., sec. 1764, as amended by Statutes of Calif., 1927, ch. 585. Wherever the term "county superintendent" or "superintendent of schools" is used in the following paragraphs it is understood to include the superintendent of schools of every county or every city and county.

²⁷ Polit. Code of Calif., sec. 1764 b.

Transportation Quotas

The county superintendent of schools shall then apportion to each high-school district within his county an amount sufficient to reimburse said high-school districts for money actually expended for transportation of pupils residing in territory in the county not included in any high-school district, and attending such high schools during the preceding year, provided such amount shall not exceed \$5 per month for each pupil so attending. The balance remaining in the county high-school fund after the above apportionments for tuition and transportation have been made shall be apportioned in the following manner:

Flat Quotas

New districts.—One thousand dollars is apportioned to each new high-school district organized during the year.

Old districts.—To each high-school district established previous to the 1st day of May next preceding, on account of each 4-year high school, each day junior high school, and each day senior high school maintained therein, there is apportioned \$250 for each year of the 4-year course, grades 9 to 12, inclusive, maintained in each such school during the preceding year, provided, that no school shall receive an apportionment on this basis for more grades than there are teachers employed in such grades.

*Average Daily Attendance Grants*²⁸

Bonus for evening high schools and special classes.—To each high-school district on account of each 4-year high school and each day senior high school maintained therein \$40 for each and every unit or major fraction of a unit of the first 10 units of average daily attendance in an evening high school and in special day and evening classes (exclusive of part-time classes for persons under 18 years of age) \$30 for each and every unit or major fraction of a unit of the second 10 units of such average daily attendance; \$20 for each and every unit or major fraction of a unit of the third 10 units of such average daily attendance.

Bonus for part-time classes.—For units of average daily attendance in part-time classes maintained during the preceding year for persons under 18 years of age as follows: For each unit or major fraction of a unit (a) \$40 for the first 10 units; (b) \$30 for the second 10 units; (c) \$20 for the third 10 units.

Excess cost for the physically handicapped.—The county school superintendent shall then apportion to each high-school district an

²⁸ All attendance grants are based on the average daily attendance of schools or classes maintained during the preceding year.

amount equal to one-half the excess cost of educating physically handicapped pupils, provided such amount shall not exceed \$100 for each such pupil in average daily attendance.

Balance on basis of average daily attendance.—After the foregoing apportionments have been made the remainder of the county high-school fund is then prorated among the high-school districts upon the basis of average daily attendance during the preceding year.

Provision for districts lying in more than one county.—Whenever a high-school district lies in more than one county, the county superintendent must apportion to such district such proportion of the total school money to which such district is entitled as the number of pupils in average daily attendance residing in that portion of the district situated in his county bears to the total number of pupils in average daily attendance in the entire district, as shown by the principal's annual report for the preceding school year.

Apportionment of State Junior-College Fund

The State junior-college fund is composed of that portion of the Federal royalty fund returned to the State in accordance with chapter 85, acts of the Sixty-sixth Congress, approved February 25, 1920. This act provides that 37½ per cent of the moneys paid to the United States as bonuses, royalties, and rentals for the lease of nonmetallic mineral lands belonging to the Federal Government shall be returned to the States in which such lands lie.²⁹ This fund is apportioned among the junior-college districts of the State organized separately but is not available for junior college courses organized in high schools. To every eligible junior-college district there is apportioned annually a flat quota of \$2,000, and, in addition, \$100 for each pupil in average daily attendance during the preceding school year, provided that the junior-college district furnished during the preceding school year an amount for the maintenance of the junior college at least equal to the amount apportioned to it by the State.³⁰ The law requires that any excess not required to meet the State's obligations to junior-college districts shall be added to the State school fund. Such excess becomes a source of State aid to elementary schools.

The total fund apportioned among junior-college districts during the year 1926-27 amounted to \$222,800. Of this total sum, \$206,800, or 92.8 per cent, was apportioned on the basis of average daily

²⁹ For more complete account of this fund, see E. H. Swift, *Studies in Public-School Finance (the West)*, pp. 13-15.

³⁰ *Sch. Law of Calif., 1927, act 4936, p. 271.*

attendance, and \$16,000, or 7.2 per cent, on the basis of flat quotas of \$2,000 per district.²¹

The quota transferred from the State junior-college fund to the State (elementary) school fund has constituted an important contribution to this fund, the amount thus transferred for the year 1923-24 being \$582,745, and for the 1925-26 year, \$105,317.²²

²¹ Amounts taken from pamphlet issued by Calif. Supt. of Pub. Instruc., entitled "Second Apportionment of State School Funds for the Fiscal Year Ending June 30, 1927," p. 17.

²² Calif. State Controller, Bien. Rept., 1923-24, p. 51. Ibid., 1925-26, p. 56.

CHAPTER V

COLORADO

Tax for loss of school fund.—Colorado levies no State tax to provide current revenues for public schools nor do the schools have any claim on any portion of the proceeds of any State tax. However, for several years the State has levied and collected a small general property tax to carry out the constitutional provision which requires the State to reimburse the (permanent) public school fund for any losses suffered by the same. The constitution makes no provision for the levying of any tax to meet such losses but does require that "the public school fund of the State shall forever remain inviolate and intact" and that "the State shall supply all losses thereof that may in any manner occur."¹

The proceeds of the tax levied to reimburse the public-school fund for losses are added to the principal of this permanent State endowment and do not become a part of the State provided current revenue for schools. This is the sole school fund which receives moneys derived from the proceeds of a State tax. The rate of the tax levied to cover the losses incurred by the public-school fund and the revenue derived from this tax were as follows: In 1923, rate, 0.0065 mill; proceeds, \$10,030.88. In 1924, rate, 0.01 mill; proceeds, \$15,405. In 1925, rate 0.024 mill; proceeds, \$36,977.58.²

State School Funds

Public-school fund.—The public-school fund is a State permanent endowment fund, the principal of which must be preserved inviolate and the income apportioned among the counties and school districts of the State for the benefit of public elementary and secondary schools.³ On November 30, 1926, the public-school fund consisted of investments and cash on hand amounting to \$8,870,484.16,⁴ and 2,883,470.47 acres of unsold public-school lands.⁵ All moneys derived from investments, interest on school land purchase money,

¹ Constitution of Colo., Art. IX, sec. 3; quoted from Sch. Laws of Colo., 1923, p. 21, sec. 50.

² Colo. Tax Commission, An. Rept. 1924, p. 122; *ibid.*, 1925, p. 121.

³ Colo. Sch. Laws, 1923, p. 21, sec. 50.

⁴ Colo. State Treasurer, Bien. Rept., 1925-26, p. 29.

⁵ Colo. State Board of Land Commissioners, Bien. Rept., 1925-26, p. 41.

rents and leases for the occupation and use of the surface of school lands, are credited to the public-school income fund. Ninety-one and five-tenths per cent of all moneys provided by the State during the biennium 1925-26 for the benefit of the public-school system was furnished by the public-school income fund, which amounted to \$1,832,722.19. (See Table 1.)

The constitution and the laws devote the following sources for increasing the principal of the public-school fund: (1) The proceeds from the sales of all common-school lands granted to the State by the Federal Government; (2) all estates that may escheat to the State; (3) all other grants, gifts, or devises that may be made to the State for educational purposes; (4) all rentals and royalties received by the State from stone, coal, oil, gas, gold, silver, or other mineral lands belonging to the public-school fund; (5) fines imposed upon county officers for neglect of land-aet duties.^a

The most important source of the public-school fund, has been and still is the Federal school land grant made to Colorado upon her admission into the Union, and consisting of sections 16 and 36 in each congressional township, or indemnity lands in lieu of the same. The area of the lands thus granted amounts to 3,754,415.49 acres, of which 870,945.02 acres had been sold at the close of the biennium 1925-26, leaving 2,883,470.47 acres unsold.[†]

Permanent school emergency or call fund.—By an act passed in 1911 Colorado provided for the creation of a permanent school emergency or call fund and for the transfer to such fund from the general school-income fund of the sum of \$20,000. The law further provided that the said permanent school emergency or call fund shall remain in the hands of the State treasurer, and any interest earned thereon from investment shall be added to the principal of the fund.

Appropriations.—Appropriations from the State general revenue fund, benefiting public schools, directly or indirectly, fall into two classes: (1) Appropriations for the support of the State department of public instruction; (2) appropriations for vocational education.

The appropriation for the State department of public instruction amounted to \$25,400 for the biennium 1925-26.[‡]

In 1919 the Legislature of Colorado provided for a continuing annual appropriation of \$10,000 for paying the costs of administering and supervising Smith-Hughes work and for an annually-increasing appropriation to match the Federal subvention received by the State for vocational education under the terms of the Smith-Hughes Act.

^a Constitution, Art. 9, sec. 5; Colo. Sch. Laws, 1923, p. 21, secs. 50-51; Colo. Session Laws, 1914, p. 46; Colo. Land Laws, 1914, p. 62, sec. 162, and p. 46, sec. 127.

[†] Colo. State Board of Land Commissioners, *Blen. Rept.*, 1925-26, p. 41. For a more complete account of the origin of this fund and the sources of increase, see F. H. Swift, *Studies in Public School Finance (the West)*, pp. 162-164.

[‡] Colo. Session Laws, 1925, pp. 50-51, ch. 16, sec. 9.

The amount appropriated by the State for vocational education for each of the years 1925 and 1926 was \$62,680.⁹

An analysis of the moneys provided by the sources described in the preceding paragraphs is presented in Table 1. This table shows the amount contributed by each source and the per cent which each such amount constituted of the total State-provided revenue during the biennium 1925-26.

TABLE 1.—Analysis of Colorado State aid to public schools¹ and the department of public instruction, biennium 1925-26²

Source	Amount	Per cent
Appropriations from State general revenue fund:		
Department of public instruction.....	\$25,400.00	.....
Vocational education (administrative).....	20,000.00	.....
Vocational education (distributive).....	125,360.00	.....
Total.....	170,760.00	8.5
Income from public-school (permanent) fund.....	1,832,722.19	91.5
Total State aid.....	2,003,482.19	100.0

¹ Includes both elementary and secondary schools.
² The items in this table are shown for the biennium because the State reports do not give the income from the public-school permanent fund by years but only for each biennium.
³ Colo. Session Laws, 1925, pp. 50-51, ch. 18, sec. 9.
⁴ Colo. Ed. Laws, 1919, pp. 37-38. In the present table the appropriation for the biennium has been estimated by doubling the annual appropriation provided by law.
⁵ Colo. State Treas., Bien. Rept. 1925-26, p. 30.

State Taxes and State School Funds

The relationship to the permanent public-school fund of the State general property tax levied to cover losses sustained by this fund has been sufficiently presented in preceding paragraphs. The only question, therefore, which might call for consideration at this point would be the extent to which appropriations from the State general revenue fund are in the last analysis derived from the proceeds of State taxes. In other States where an important part of the total State revenue is derived from the general revenue fund or where an important part of the general revenue fund is devoted through appropriation to public schools, it has been deemed necessary to analyze the sources contributing to the general fund with the view of determining the types of taxes contributing thereto and the relative importance of each different type of tax, but for Colorado any such analysis has been deemed both unnecessary and unwarranted. Appropriations from the general revenue contribute only 8.5 per cent of the total State aid for public elementary schools (see Table 1) and such appropriations constitute only 3.4 per cent of the total general revenue fund.¹⁰

⁹ Colo. Ed. Laws, 1919, pp. 37-38.
¹⁰ Total disbursements from the general revenue fund for the biennium 1925-26, \$5,001,938.56 (Colo. Aud., Bien. Rept. 1926-27, p. 31). The total amount appropriated, \$170,760, as shown in Table 1, constituted only 3.4 per cent of the total disbursements.

Apportionment of State School Funds

Appropriations.—State appropriations for vocational education are distributed in accordance with provisions adopted by the State in harmony with the Smith-Hughes Act and the Rules and Regulations of the Federal Board for Vocational Education. The appropriation for the State department of public instruction is a flat appropriation for salaries and contingent expenses of the department.

Permanent school emergency fund.—When on account of unavoidable misfortune or casualty any public-school district is in financial distress and the special school tax and apportionment received from other school funds are insufficient to provide proper and necessary school facilities in such district, the superintendent of public instruction may, with the approval and consent of the governor and attorney general, order the payment from the permanent school emergency fund to such district of such amount as may be necessary to provide proper school facilities.

Payments are made only upon the presentation of sufficient and satisfactory evidence of need and that the financial distress of such district will continue for at least one year unless relieved by the State. The law leaves to the discretion of the superintendent of public instruction, the governor, and the attorney general the matter of determining whether a district shall receive aid and the amount of aid which shall be granted from the permanent school emergency fund, but provides that in any one year not more than \$10,000 shall be expended from the fund. No basis or method of apportioning the permanent school emergency fund is provided by law other than that implied in these general provisions.¹¹

Public-school income fund.—Prior to apportioning the public-school income fund among counties and school districts deductions are made for two specific purposes in addition to the permanent school emergency fund already described: (1) Such sum as shall be required to pay for the printing of all registers and blank books furnished by the State superintendent of public instruction to teachers and other school officials.¹² (2) Such amount as shall be necessary to provide minimum teachers' salaries throughout the State.

The laws provide that, if in any county the maximum rate of county-school levy of 5 mills on the dollar shall be insufficient to provide funds to pay a minimum salary of \$75 per month to every teacher within the county, it shall be the duty of the State superintendent of public instruction before apportioning the State public-school income fund to apportion from this fund to each such county a sum sufficient to cover such deficiency.¹³ This provision makes it

¹¹ Colo. Sch. Laws, 1923, pp. 29-30, secs. 72-79.

¹² *Ibid.*, p. 18, sec. 37.

¹³ Colo. Session Laws, 1921, p. 724, ch. 214, sec. 7; *ibid.*, 1923, pp. 560-567, ch. 106, sec. 3; *ibid.*, 1927, pp. 640-641, ch. 158, sec. 3.

possible to use the entire public-school income fund to establish a minimum wage for teachers should occasion arise. To the present time only a minor portion of the fund has been used for this purpose.

Balance on basis of school census.—After the above two deductions have been made, the balance of the public-school income fund is distributed among the counties of the State ¹⁴ and thence among the districts of each county ¹⁵ on the basis of school population, i. e., all persons over 6 and under 21 years of age. Table 2 shows the distribution of the public-school income fund for the biennium 1925-26.

TABLE 2.—*Distribution of Colorado public-school income fund, biennium 1925-26* *

Purpose	Amount	Per cent
Teachers' minimum salaries.....	\$335,330.44	18.0
Official blanks.....	23,709.87	1.3
Certified to State auditor for apportionment.....	1,504,566.11	80.7
Total distributed.....	\$1,863,606.42	100.0

* Colo. State Board of Land Commissioners, *Bien. Rept.*, 1925-26, p. 11.

¹ This item includes a balance carried in the public-school income fund from year to year, and consequently does not agree with the receipts credited to this fund as given in an earlier paragraph.

¹⁴ Colo. Sch. Laws, 1923, pp. 22-23, sec. 56; *ibid.*, p. 71, sec. 129.

¹⁵ Statement from Colo. State Supt. of Public Instr., dated Apr. 11, 1928.

CHAPTER VI

CONNECTICUT

Unique features.—Connecticut levies no State tax specifically for public schools. On the other hand, she levies a large number of State taxes, the proceeds of which are credited to the civil-list account from which the State appropriates moneys for schools, as well as for other State-aided projects. The interest of the (State permanent) school fund is transferred to the civil-list account,¹ where it is merged with the proceeds of State taxes and moneys derived from a considerable variety of other sources. Owing to this fact, Connecticut in actual practice makes no distinction, in granting State moneys to public schools, between funds derived from taxation and the interest on her school fund.²

In the year 1925-26 Connecticut expended, for elementary and secondary schools, \$2,147,160.08³ out of moneys appropriated from the civil-list account.⁴ In the same year the income of the school fund contributed to the civil-list fund⁴ \$124,714.62, a sum which constitutes only 5.7 per cent of \$2,147,160.08, and less than one-half of 1 per cent (0.4 per cent) of \$29,610,677.14, the total State receipts from all sources.

Table 1 presents an analysis of Connecticut's total State receipts for the year 1925-26, showing the amount and per cent available for all general appropriations and the amount and per cent pledged in whole or in part to specific appropriations and therefore not available for general appropriations.

¹ Conn. State Treas. Rept., 1925, p. 6.

² This practice is the natural outcome of the relatively negligible proportion of State school revenues provided by the interest on the school fund.

³ Computed on basis of disbursements reported by Conn. State Comptroller, An. Rept. 1925, pp. 78-85, and data furnished to author by Conn. State Bd. of Ed. For complete statement see author's account Conn. State school funds and their apportionment, published elsewhere. The report of (Conn.) Bd. Ed., 1924-1926, col. 14, Table 2, p. 42, gives \$1,457,871.64 as the grand total of State grants for education, but this total does not include State expenditures (1) for State Bd. of Ed.; (2) for vocational education.

⁴ The total income for the year 1925-26 amounted to \$165,747.83. From this total, the sum of \$124,714.62 was transferred to the civil-list account, leaving in the State treasury a balance of \$41,033.21. Conn. State Treas. Rept. 1926, p. 162. The principal was reported on June 30, 1926, as amounting to \$2,052,427.79. *Ibid.*, p. 161.

TABLE 1.—Analysis of Connecticut State receipts, 1925-26¹

Receipts	Amount	Per cent
Available for all general appropriations:		
• From State taxes.....	\$15,032,171.69	51
• From miscellaneous sources.....	2,968,574.48	10
Available in part ²	11,589,930.97	39
Total.....	29,610,677.14	100

¹ Conn. State Compt., An. Rept. 1926, pp. 21-23.

² Pledged in whole or in part to specific appropriations, and to extent pledged, not available for general appropriations.

From the above table it will be seen that 61 per cent of the total moneys credited to the civil-list account, and amounting to \$18,020,746.17, is available for all general appropriations. Included among the miscellaneous sources which are available for all general appropriations are: Interest on funds, including the interest on the (State permanent) school fund, fees paid by corporations and individuals for services rendered or privileges granted by State officials and departments, together with moneys derived from a large variety of miscellaneous sources. State taxes furnish by far the major portion of the moneys available for all general appropriations and may therefore be regarded as the chief source of State school grants.

Types of State taxes levied.—Connecticut levies practically every type of tax employed in the United States to-day, except a State income tax,³ severance tax, and luxuries tax. Taxes on gasoline, as well as motor-vehicle fees, are paid to the State highway department. The taxes which furnish the revenues from which State grants are drawn include a State general property tax, poll tax, inheritance tax, admissions tax, and a considerable variety of corporation taxes, each of which will now be briefly described.

Types of State Taxes Providing School Revenue

General property tax.—Instead of following the policy employed by most States, of levying a general property tax of a certain fixed millage, Connecticut provides for levying "an annual State tax of \$1,500,000" upon the towns of the State. This annual tax is apportioned among the respective towns in the proportion which the total annual proceeds of direct taxation in each as averaged for the next three preceding fiscal years "is to the total revenue so determined for such time as averaged in all the towns in the State."

³ As will appear later, an income tax is levied on certain corporations and on mercantile and manufacturing establishments.

⁴ Conn. Pub. Acts, 1923, pp. 3640-3641, ch. 218; Conn. Gen. Statutes, 1915, sh. 257; Conn. Pub. Acts, 1927, pp. 4212-4213, ch. 120, sec. 1.

Military or poll tax.—The laws of Connecticut provide for the levying of an annual military or poll tax of \$2 upon all persons between the ages of 21 and 60, not specifically exempted by law. The proceeds of this tax are to be employed for State and town purposes.⁷

Inheritance tax.—The State levies graduated inheritance or estate transfer taxes upon such proportion of the net value of estates as is not specifically exempted by law. The rate levied varies from 1 to 8 per cent, depending upon the net value of the estate and upon the relationship of the individual, corporation, or association, to the grantor, donor, or decedent, and depending also upon whether the property is that of a resident or of a nonresident.

Tax on choses in action.—“A tax at the rate of 4 mills upon the par value of any taxable intangible property, including choses in action, bonds, and notes, may be paid to the State treasurer for the use of the State, and all property so voluntarily declared is exempt from local taxation during the period for which such payment is made.”⁸ The term “choses in action” includes deposits in banks, bonds, notes, credits, and evidences of debt, but does not include shares of stock in any corporation.⁹

Corporation taxes.—The State levies taxes upon the gross receipts or gross earnings of public-service corporations.

Bank tax.—Savings banks and savings departments of other financial institutions are required to pay to the State an annual franchise tax on the excess of their deposits, exclusive of surplus, over \$50,000, and over certain specified investments. The rate of the tax equals one-fourth of 1 per cent of the amount of its deposits remaining less the amount of local taxes on real estate in Connecticut.

Insurance companies.—Each share of stock of every insurance company incorporated under the laws of the State of Connecticut shall be taxed 4 mills upon the fair market value of each share of stock.

Each insurance company shall pay annually a State tax “on its corporate franchise equal to 2 mills on the fair market value of each share of its capital stocks.”

Domestic insurance companies conducting business in whole or in part upon the plan of mutual insurance shall pay an annual franchise tax of 3 per cent upon the total amount of investment income actually received, with certain exceptions. This tax is in lieu of all other taxes except taxes upon real estate and upon capital stock.¹⁰

⁷ U. S. Census, Digest of State Laws Relating to Taxation and Revenue, p. 59, sec. 7; Gen. Statutes of Conn., secs. 1154 and 1159; Conn. Pub. Acts, 1923, ch. 88; Conn. Pub. Acts, 1925, ch. 26.

⁸ U. S. Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 56, sec. 2.

⁹ Conn. Pub. Acts, 1923, pp. 3615–3616, ch. 199, sec. 6.

¹⁰ U. S. Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 61; Conn. Pub. Acts, 1925, p. 3958, ch. 184; *ibid.*, p. 3960, ch. 186.

Corporation income tax.—All corporations for which no specific rate is provided by law must pay, for the next preceding year or calendar year, an annual tax of 2 per cent upon net income, which is taxable by the United States. This tax is in lieu of all other taxes except that on increased capital stock.¹¹

Unincorporated business and manufacturing tax.—Mercantile and manufacturing establishments (other than corporations) pay annually on the entire gross income of such business conducted within the State, \$1 on each thousand dollars or fraction thereof from retail mercantile business or manufacturing, and 25 cents on each thousand dollars or fraction thereof from wholesale mercantile business.¹²

Motion-picture films.—A State tax is levied upon every motion-picture film or copy thereof exhibited within the State. "The amount of such tax, including the fee for registration of every such reel or film or copy thereof of 1,000 feet or less, shall be \$10, and for each 100 feet of film in addition, 50 cents."¹³

Admission and amusement taxes.—Every person who is required to pay an admission tax by the Federal Government shall pay to the State a tax which shall be equal to 50 per cent of the tax levied by the Federal Government.¹⁴

A State tax is imposed upon theaters, operas, or other places of amusement. The taxes to be levied range from \$40 per week on places of amusement having a seating capacity of 1,500 or more, to \$5 per week upon places of amusement which have a seating capacity of less than 500 and exhibiting not more than two nights a week.¹⁵

Business, occupational, and professional license taxes and fees.—Connecticut levies license taxes and fees on a large number of specified professions, occupations, and business activities. Fees are paid into the State treasury for certain services rendered or privileges granted State officials or departments. The proceeds of these fees are in part pledged to specific appropriations and in part added to the funds derived from miscellaneous sources which are available for all general appropriations.

State Taxes as Sources of School Revenue

In the year 1925-26 Connecticut expended 7.3 per cent of her total civil-list account or State general fund in appropriations for the

¹¹ U. S. Census, Digest of State Laws Relating to Taxation and Revenue, 1922, pp. 61-62, sec. 9.

¹² Ibid., p. 62, sec. 10.

¹³ Conn. Pub. Acts, 1925, p. 3946, ch. 170.

¹⁴ Ibid., 1923, p. 3572, ch. 3572, ch. 135, sec. 5.

¹⁵ Ibid., 1927, pp. 4426-4429, ch. 318.

benefit of public elementary and secondary schools.¹⁶ To attempt to determine the extent to which each of the various types of State taxes described in previous paragraphs contributes to the support of schools is obviously impossible. The relative importance of each State tax contributing to the State civil list or general revenue fund from which all appropriations are paid is shown in Table 2, which presents a source analysis of the total State receipts for the year 1925-26.

TABLE 2.—Source analysis of Connecticut total State receipts, 1925-26¹

Source	Amount ¹	Per cent of total ¹
Corporation taxes.....	\$9,011,567.97	30.43
Gross earnings.....		
Income ²	\$3,443,093.03	
Insurance stock.....	1,995,923.71	
Mutual life insurance.....	1,108,732.33	
Savings banks.....	499,128.24	
Nonresident stock ³	1,258,091.06	
Automobile fees ⁴	705,699.00	
Inheritance taxes.....	5,884,789.94	19.87
Gasoline tax ⁴	2,500,930.17	8.47
State tax (general property).....	2,344,426.09	7.92
Choses in action.....	1,500,000.00	5.07
Military (poll) tax.....	501,374.67	1.69
Unincorporated business.....	303,811.25	1.03
Admissions tax.....	157,807.32	.53
Miscellaneous receipts ⁵	12,106.37	.04
Grand total.....	7,387,863.36	24.95
	29,610,677.14	100.00

¹ Conn. Tax Commissioner, Bien. Rept., 1925-26, p. 30.

² Levied on all corporations for which law provides no specific rates.

³ On stock owned by nonresidents in insurance, trust, and bridge companies, and all banks except national banks.

⁴ Entire proceeds paid to State highway department.

⁵ Included, 1925-26, \$124,714.62 transferred from income of (State permanent) school fund, and many large items, e. g. (1) Nearly \$1,000,000 received for board and care of patients in State hospitals and sanatoria; (2) agricultural college fees, sales, rents, etc., \$552,268; (3) State board of education miscellaneous receipts amounting to over \$433,000. (See Conn. Comptroller An. Rept., 1926, pp. 21-23.)

State School Funds¹⁷

Unusual features.—Connecticut enjoys the distinction of having been the first State in the Union to establish a permanent State fund for the benefit of common schools. New York had taken steps in 1786 looking toward the establishment of her literary fund, but this fund was devoted to secondary and not elementary schools, and it was not until 1805 that she established her common-school fund. Furthermore, Connecticut began distributing the income from

¹⁶ Total civil list or general revenue fund, \$29,610,677.14. Total school appropriations therefrom, including certain payments for State board of education, \$2,147,160.08. (See footnote 3.)

¹⁷ In preparing the account of the apportionment of State school funds which here follows the author has received invaluable assistance from the monograph by Alfred Dexter Simpson, *Financing Education in Connecticut. A Proposed Plan to Enable the State of Connecticut to Meet More Adequately Its Educational Responsibility*, published by the State of Connecticut, Hartford, 1927. This excellent study will undoubtedly become a classic in the literature dealing with the problems of public-school finance in Connecticut.

her school fund in 1799, whereas the first distribution of the income of New York's common-school fund was not made until 1815.

Perhaps almost from the first it was the hope and expectation of the legislators and directors of the school policies of Connecticut that the income from the school fund should pay in full the costs of maintaining common schools, and so relieve the towns and school societies from all burdens involved in local support. The act which established the school fund, and subsequent acts relating to its management, lend support to this statement in several ways: (1) They contain no provisions requiring State or local taxation for schools; (2) they name no conditions which must be fulfilled by local school corporations in order to share in the revenue; (3) they fail to state any period during which schools must be maintained.

Finally, by an act passed in 1801, it was provided that school societies which had expended all public moneys available for teachers, wages might be considered to have fulfilled all necessary conditions, even though some districts under their jurisdiction had conducted no school during the year.¹⁸

From 1821 to 1854, local school taxes were virtually unknown in Connecticut, and the decline of the common-school system of that State resulted in the acceptance of the principle that an endowment which relieves local school corporations from the necessity of raising moneys by local effort is an injury alike to the community and to the cause that the endowment was established to advance. To-day, the school fund of Connecticut has sunk to a position of such negligible importance as a provider of State school revenues that its income is no longer apportioned directly to the towns of the State but is merged with the miscellaneous receipts which contribute to the civil-list account (State general revenue fund) from which the State makes all appropriations, both general and specific.

Owing to this fact no separate account can be given of the method employed in distributing the income of this fund among local school corporations. The present policy of Connecticut is to make a large number of grants, some on a general basis, such as the so-called enumeration grant of \$2.25 per school-census child, and others based upon more or less complex bases. In view of these facts, the present account must concern itself primarily with a description of the various types of school grants or appropriations payable from the civil-list account. But before entering upon this subject it will be well to describe briefly three funds which contribute to the support of public schools in Connecticut, namely, the school fund, the town deposit fund, and the civil-list account.

¹⁸ For a more complete account of the origin and effects of the Conn. school fund, see F. H. Swift, *A History of Public Permanent Common School Funds in the United States*, pp. 165, 168, 228, 237.

State Funds Providing School Revenues

School fund.—In 1780, Congress appealed to the States to cede to the United States Government their claims to lands in the Northwest Territory. A number of States made their cessions subject to certain reservations. Connecticut reserved for herself about 3,800,000 acres of land in the northwestern corner of Ohio, known as the Western Reserve. In 1795, Connecticut passed an act which provided that the proceeds of the sales of her Western Reserve lands should constitute a perpetual fund, the income of which should be distributed among the local school corporations of the State for the benefit of common schools.

No sources for increasing the principal of the school fund are provided at present other than wise investment. At the close of the year 1925-26 the principal of the fund totaled \$2,052,427.79 and its income to \$165,747.83. From this total income there was transferred to the civil list account, for school purposes, the sum of \$124,714.62, leaving in the State treasury a balance of \$41,033.21.¹⁹

The minor importance of the school fund as a provider of revenue is evident from the fact that in the year under consideration, the transfer of \$124,714.62 constituted only 5.7 per cent of \$2,147,160.08, the total appropriated from the civil list account for the benefit of elementary and secondary schools.²⁰

Town deposit fund.—Connecticut received \$764,670.60 as her share of the distribution of the United States surplus revenue fund of 1837. In that year Connecticut deposited \$763,661.83 with the towns to be loaned by them, and the fund thus deposited became known as the town deposit fund.

From time to time, investigations have been undertaken to determine the actual condition of this fund. The most recent of these was a study made in 1924 by Mr. Asahel J. Wright, chief clerk in the office of the Connecticut State Board of Education. The amount accounted for January 1, 1924, amounted to \$693,435.42, leaving unaccounted for a sum of \$70,226.41.

The waste of this fund has gone so far that in most towns the alleged interest is no longer a contribution to the support of schools. When the fund exists in a town order, no tax is laid to meet the interest, and the school resources are increased on paper only.²¹

¹⁹ Conn. State Treas., An. Rept., 1926, pp. 101-102.

²⁰ Computed on basis of disbursements reported by Comptroller (An. Rept. 1926, pp. 78-85. For detailed statement; see Table 4. Report of the (Connecticut) Board of Educ., 1924-1926, Pt. III, p. 43, Table 2, col. 14, gives \$1,457,871.04 as the grand total of State grants for education, but this total does not include State expenditures (1) for vocational education and (2) for State board of education. (See Table 4.)

²¹ Conn. Bd. of Educ., Rept., Pub. Doc. No. 8, 1925, p. 76.

The apportionment of the income of this fund rests entirely with the towns. Consequently, neither the town deposit fund nor its income will receive further attention in the present account.²²

Civil list account.—The civil list account, or the State general revenue fund, is the fund from which is paid all State appropriations for schools, as well as for other State-supported projects. This fund has already been described.

Apportionment of State School Funds

Connecticut distributes among the towns and cities of the State, for the benefit of public elementary and secondary schools, no less than 13 different State grants. To these 13 grants must be added appropriations made to the State board of education for salaries and expenses of its officials and for aid to public libraries and physical education extended through the agency of the State board. Moneys paid to the State board of education for normal schools are not included in the present account, which is concerned solely with funds benefiting elementary and secondary schools.

The funds provided for the State board of education are paid in the form of specific appropriations, some being statutory appropriations and consequently will receive no further discussion in the present account. The remaining 13 grants may on the basis of their underlying purpose be divided into four groups: (1) Grants for general relief, enumeration grants; (2) compensating subsidies; (3) stimulation grants; (4) equalization grants.

I. General Relief or Enumeration Grant

The first and oldest type of grant is the enumeration or school census grant, under which the State gives to every town \$2.25 for each child between 4 and 16 years of age enumerated as a legal resident therein. The moneys received from this grant must be devoted entirely to teacher salaries.

This type of grant is designed to afford general relief to all communities. The method employed in its distribution disregards differences in school burdens and wealth, as well as differences in the character of school facilities provided. "The forerunners of the present enumeration grant were paid entirely out of the income from the (State permanent) school fund."²³ The enumeration grant for

²² This fund is mentioned here because most States credited all or a portion of their share of the surplus revenue fund to State school funds.

²³ Alfred Dexter Simpson, op. cit., p. 27. Simpson gives an excellent criticism of Connecticut's methods of providing and distributing State school funds. The classification here presented is that given by Simpson, except that he makes classes 3 and 4 one class, thus having a total of only three major classes of grants.

the year 1925-26 amounted to \$802,178.67 and constitutes 37.4 per cent of the total State grants. (See Table 4.)

II. Compensating Subsidies

"Certain towns are required by law to make particular educational provisions for persons residing therein. Having complied with these legal requirements the town is compensated through the subsidy of the State, which steps in to bear a part at least of the cost."²⁴

As will appear from the more detailed account of these grants to be given in subsequent paragraphs, in most cases compensating subsidies are confined to communities whose low financial ability would make it an obviously unjust burden to require that they bear, respectively, the total cost of providing the facilities required by law. Perhaps the most obvious example is that of State grants to towns for the tuition of children residing on nontaxable State property. The principles involved in the case just cited will be found implicit in the situations for which the other grants of this compensating subsidy type are provided.

Six types of State grants fall within this group, namely, grants for high-school tuition, high-school conveyance, evening schools, tuition of pupils residing on nontaxable State property, classes of non-English speaking adults, and physical examination of children applying for working certificates. The moneys provided for these grants in the year 1925-26 constituted 10.1 per cent of the total State expenditures for public schools in the year 1925-26. (See Table 4, items 2, 3, 6, 8, 9, 11.)

III. Stimulation Grants

This group includes grants for school libraries, for supervision for a few towns, and for the payment of salaries for directors of Americanization classes, and for vocational education in two municipal trade schools. (See Table 4, items 7, 10, 12.) The moneys expended from these grants constituted 25.2 per cent of the total State expenditures for public schools in the year 1925-26.

These grants are designed to stimulate towns to provide certain educational features which the State has recognized as desirable. Grants included in this class differ from those included in class 2, in that in the present case the facilities are not required by law but are provided at the option of the town. The money provided by the State is for the sake of encouraging towns to provide these features and to assist them in so doing.

²⁴ Alfred Dexter Simpson, *op. cit.*, p. 28.

IV. Equalization Grants

Connecticut has thus far not attempted to provide any fund known specifically as an equalization school fund. Nevertheless, as will appear later, the quotas paid to towns from the grant for the support of schools is limited to towns of a certain valuation and graduated among such towns inversely to their assessed valuation. In like manner, the State provides a special aid grant to be distributed among more needy towns in accordance with provisions formulated by the State board of education. While in a certain sense these grants may be looked upon as made in part for the purposes of stimulation, obviously the dominant aim involved in their provision and distribution is that of equalizing school revenues, school burdens, and consequently educational opportunities.

State grants may be classified on several bases: (1) According to the dominating purpose or principle of the grant; (2) according to the class of project for which the grant is made; (3) according to the basis or method employed in distributing the grant.

Previous paragraphs have already classified Connecticut State school grants in accordance with the first of these three bases. In the immediately following paragraphs and in Table 4 these grants will be found classified on the second basis into four major groups, namely Group I, grants provided for services and materials furnished immediately to pupils; Group II, grants for school officials (excluding teachers); Group III, equalization grants; Group IV, grants to the State board of education. Table 5 will present a classification of grants grouped according to the third basis. From this general classification of State grants we may now turn to a more detailed description of each of these grants.

*Grants for Services and Materials Immediately Benefiting Pupils and Schools*²⁵

Enumeration grants.—As indicated in a previous paragraph under this grant, Connecticut apportions to every town in the State \$2.25 for each school child. In order to share in this apportionment the town or city must meet the following requirements: (1) The schools in said town must have been kept open during the preceding year for the period required by law; (2) the teachers employed must have been duly examined and approved; (3) the schools must have been visited according to law; (4) all moneys drawn from the public treasury by the said town for the said year must have been “appro-

²⁵ Included in this group are the grants for the support of schools and the grant for special aid. The grant for support is for teacher salaries and is granted on an equalization basis. It will be repeated in the third group and might be included also in Group II. These comments apply also to the grant for special aid.

priated to schooling" and have been expended solely for teacher wages.²⁶

High-school tuition grants.—The establishment of high schools is optional with the towns²⁷ but any town which does not maintain a high school is required to pay the tuition fee of any child who is a lawful resident therein and who attends a high school designated by the town school committee and approved by the State board of education.

The law requires further that to every town having a grand list of less than \$4,000,000 the State shall pay annually an amount equal to two-thirds of the aggregate sum which such town has actually paid for the tuition fees of children resident therein and attending approved high schools outside the town, "provided not more than \$50 shall be paid by the State for each pupil attending from any town."²⁸

High-school transportation grants.—Any town not maintaining a high school shall pay the reasonable and necessary costs of transportation of any child who is a legal resident therein and who, with the written consent of the town school authorities, attends a State-approved high school in another town. To each such town the State pays annually an amount equal to one-half of the aggregate of such transportation costs, provided that "not more than \$35 shall be paid by the State for each scholar conveyed."²⁹

Support of schools grant.—Under the provisions of the General Statutes of the State of Connecticut towns having an assessed valuation not exceeding \$3,500,000 are divided into nine classes on the basis of their respective property valuation as determined by the State board of equalization. The law provides that such towns shall be reimbursed a certain percentage of expenditures for teachers' salaries, the percentage being graduated according to the assessed valuation of the town and increasing as the valuation decreases.³⁰

The State appropriation provided to meet these reimbursement claims of towns is commonly spoken of as the grant for the support of schools. It is evident that this grant must be included in each of the three major classes of grants now under consideration: (1) Grants for services immediately benefiting pupils and schools; (2) grants for school officials; (3) equalization grants. The following table presents a plan of classification and shows the percentage salary reimbursement to which the towns in each class are entitled.

²⁶ Conn. Sch. Laws, 1922, pp. 102-103, ch. 27, sec. 242.

²⁷ Ibid., p. 78, sec. 190.

²⁸ Ibid., pp. 79-80, secs. 193, 194, 196.

²⁹ Ibid., pp. 80-81, secs. 197, 198.

³⁰ Conn. State Bd. of Educ., Financial Statistics Relating to Schools, 1924, p. 17.

TABLE 3.—Classification of Connecticut towns for equalization salary grants from appropriation for support of schools¹

Class	Basis (grand list) ²		State reimbursement per cent of town's expenditure for teacher salaries	Class	Basis (grand list) ²		State reimbursement per cent of town's expenditure for teacher salaries
	More than—	But not more than—			More than—	But not more than—	
I.....		\$750,000	75	VI.....	\$2,000,000	\$2,250,000	40
II.....	\$750,000	1,250,000	70	VII.....	2,250,000	2,500,000	30
III.....	1,250,000	1,500,000	65	VIII.....	2,500,000	2,750,000	20
IV.....	1,500,000	1,750,000	60	IX.....	2,750,000	3,500,000	10
V.....	1,750,000	2,000,000	50				

¹ Based on Conn. Pub. Acts, 1923, ch. 244, secs. 2 and 3.² I. e., assessed valuation.

Any town desiring to receive a State grant from the appropriation for the support of schools must make application to the State board of education. The State board of education having approved the application certifies the amount due the town to the State comptroller, who draws on the treasurer for the approved amount.³¹

Requirements.—In order to receive a State grant from the appropriation "for the support of schools" a town must have met the following requirements.³² Such town must have expended annually—

(1) a sum equal to \$30 for each child in average daily attendance; (2) the schools of the town must have been kept open for the period required by law; (3) the teachers employed must be teachers not disapproved by the State board of education; (4) school buildings must be in good repair; (5) the moneys provided for the payment of teachers' salaries shall have been expended solely for this purpose.

Special-aid grant.—This grant, like the grants for the support of schools, may be classified either as an equalization-fund grant, a grant provided for school officials; or as a grant provided to pay for services and materials immediately benefiting pupils and schools.

The special-aid grant is confined to towns having an assessed valuation of less than \$3,500,000, according to valuation determined by the State board of equalization. The methods of distributing the special-aid grant is "left to the jurisdiction of the State board of education," subject to the limits of the appropriation and to the approval of the board of control.³³

It is within the discretion of the State board of education to make, as conditions to be met by the towns seeking aid from the special-aid grant, such provisions relative to the maintenance of the schools as the educational interest may require.³⁴

³¹ Conn. Pub. Acts, 1923, ch. 244, sec. 1057.³² Conn. Sch. Laws, 1922, p. 112, secs. 268 and 269.³³ Conn. State Bd. of Educ., Financial Statistics Relating to Schools, 1924, p. 27.³⁴ *Ibid.*, p. 27.

Minimum tax.—The law provides that any towns having an assessed valuation according to the "lists of the State board of equalization" of \$3,500,000 or less, and which shall have paid in any year a school maintenance tax of not less than 6 mills (exclusive of any tax levied for land or buildings) and in which the money raised thereby shall be insufficient to maintain schools of the State required by the State board of education, may apply to the State board of education for special aid.³⁵ "The special-aid grants is * * * authorized by a clause in the law regulating the support of schools grant." It is "varying in amount," depending upon what remains from the appropriation for the support of schools after towns are remunerated for salary expenditures as shown in Table 4.³⁶

Evening schools.—Every town and school district of 10,000 inhabitants or more is required by law to establish an evening school for instruction of persons over 14 years of age, in such branches as the proper school authorities shall prescribe.³⁷ No persons between the ages of 14 and 16 who can not read and write shall be employed in any town where public evening schools are established unless he can produce every school month of 20 days a certificate from the teacher of an evening school, showing that he is a regular attendant and has attended such school 18 consecutive evenings in the current school months.³⁸

The proper school authorities of towns maintaining evening schools are required to certify to the State comptroller the average number of pupils attending such schools for a period of not less than 75 sessions of two hours each, and, further, the average number of pupils attending for any period beyond 75 sessions. The State reimburses towns maintaining evening schools a sum equal to \$4 for each pupil included in the number certified, for the first 75 sessions and pro rata for each pupil included in the average attendance for any period in excess of the 75 sessions.

Reimbursement is dependent upon the following conditions: (1) The town shall have maintained evening schools for at least 75 sessions of two hours each in the school year; (2) teachers must have been legally certified by the State board of education; (3) all required reports must have been made to the State board of education.³⁹

Library and apparatus grant.—This grant is provided to aid school districts and towns maintaining a high school in the establishment

³⁵ Conn. Pub. Acts, 1923, ch. 244, sec. 1057.

³⁶ Alfred Dexter Simpson, op. cit., p. 37.

³⁷ Conn. Sch. Laws, 1922, p. 23, sec. 56.

³⁸ Ibid., pp. 23-24, sec. 58.

³⁹ Conn. Sch. Laws, 1922, p. 25, sec. 62; Conn. State Bd. of Educ., Financial Statistics Relating to Schools, 1924, p. 27.

and maintenance of school libraries and in the provision of instructional apparatus.

Requirements.—In order to share in this grant school districts and towns must (1) raise by taxation or otherwise an amount equal to the quota or quotas available from the State grants whether for establishment or maintenance and replenishment of libraries and apparatus; (2) such moneys must be expended for the purchase of books of reference and other books used in connection with school work and instructional apparatus such as geographical, physical, and biological apparatus and supplies, projection apparatus and talking machines; (3) the school authorities must report to the State board of education prior to the receipt of any such grant the expenditure of twice the amount of the previous grant.

Distribution.—Within the limitations heretofore described, the school library and apparatus grants is distributed as follows:⁴⁰ To each town maintaining a high school and to each school district (1) \$10 to aid in the *establishment* of a high-school library; (2) and for maintaining or replenishing such library or apparatus \$5 annually, provided that the amount shall be \$10 in the case of a school in which only one teacher is employed; (3) if the number of pupils in actual attendance in any district or high school shall exceed 100, the State shall pay annually \$5 for the first 100 pupils and \$5 for each 100 pupils or fractional part of 100 pupils in excess of the first 100. Towns which avail themselves of the right granted by the State to appropriate money for the purchase of books and apparatus for use in the public schools may receive grants of \$5 for each public school. The method of apportionment and conditions are, in general, similar to those already set forth in the immediately preceding paragraph. It is unnecessary therefore to present them in detail.

Tuition grant for residents in nontaxable property.—The purpose of this grant is to furnish relief to towns educating children residing on State property exempt from taxation and from which therefore the town receives no revenue. This aid may be applied to the costs of high schools as well as elementary education.⁴¹

Basis of distribution.—The law provides that any town eligible for assistance from this grant shall receive therefrom an amount representing the proportional cost of educating children residing in such tax-exempted property provided that the amount so paid by the State shall not exceed \$35 per child per annum.⁴² In estimating such costs there shall be included the actual expense of maintaining the public

⁴⁰ Conn. Bd. of Educ., Financial Statistics Relating to Schools, 1924, p. 29. Conn. Pub. Acts, 1923, ch. 268, secs. 1 and 2.

⁴¹ Conn. State Bd. of Educ., Financial Statistics Relating to Schools, 1924, p. 29. See also Conn. Schs., Vol. IV, No. 10, July to August, 1923, p. 10.

⁴² Conn. Schs., Vol. IV, No. 10, July to August, 1923, p. 11.

schools of the town, together with transportation costs and the tuition of pupils in any high school of another town.⁴³

Grant for physical examinations of employed minors.—The law requires that every child under 16 years of age who desires work in any mechanical, mercantile, or manufacturing establishment must first obtain a working certificate from the secretary or agent of the board of education. Before such a certificate can be issued, each such child must be physically examined by a physician designated by the State board of education to determine whether or not such child is physically fit for the employment specified in the statement of his prospective employer.

A town which has previously paid the entire cost of examination and certified this fact, together with the amount paid for such examinations, shall receive from the State physical examination grant, a sum equal to one-half of the amount paid by the town for such examinations.⁴⁴

Grant for vocational education.—Under the terms of the Smith-Hughes Act there is available to the State of Connecticut from Federal funds for the year 1925-26 and annually thereafter to 1930 the sum of \$91,189.23.⁴⁵ The terms of the Smith-Hughes Act require that the Federal subvention shall be matched dollar for dollar by funds furnished by the State or by State and local sources.⁴⁶ Vocational schools in Connecticut are all State schools controlled by the State board of education and supported by appropriations which include Federal funds, State funds to match, and additional appropriations. The State subsidizes two city schools, but only with a normal payment, approximately \$8,000 per year. The State pays to the Connecticut Agricultural College funds for teacher training in agriculture and home economics. The State funds provided for these various projects are all apportioned in accordance with the principles and policies embodied in the Federal Smith-Hughes Act and the Rules and Regulations of the Federal Board for Vocational Education.

In the year 1925-26, the State moneys expended by Connecticut for State trade schools and high-school vocational courses amounted to \$400,694.59 and constituted 18.7 per cent of the total moneys provided for public elementary and secondary education. (See Table 4 and footnote 3.)

Grant for non-English speaking classes.—In any town, city, or school district wherein 20 or more persons of at least 16 years of age shall make written application for instruction in a school for non-English speaking adults, the school authorities shall establish and

⁴³ Cons. Schs., Vol. IV, No. 10, July to August, 1923, p. 11.

⁴⁴ Conn. Sch. Laws, 1922, pp. 139-144, secs. 351-361.

⁴⁵ Fed. Bd. for Voca. Educ., An. Rep., 1926, p. 156.

maintain such school for at least 75 sessions. All such schools shall be free to applicants residing within the town. The State fund provided to aid communities in maintaining such classes is apportioned on the basis of flat sums varying from \$2 to \$4 per pupil in average attendance, the exact amount being determined by the number and length of sessions. The proper local school authorities shall annually certify to the comptroller the average attendance of such school for a period of not less than 75 sessions of one hour each and the average attendance for any period beyond 75 sessions. Such town shall be entitled to receive from the State treasurer \$2 for each pupil in average daily attendance for the first 75 sessions of one hour each, and pro rata for each pupil included in the average attendance for any period in excess of 75 sessions. For each pupil in average daily attendance in any such school maintained for a period of not less than 75 sessions of two hours each the town shall receive from the State \$4.

Any class of at least 1-hour session in any town, provided there shall have been at least 25 sessions of such class, may receive State financial aid proportionate to the average attendance and the number of hours per session, as herein provided, if any one class of at least such length of session shall have run 75 sessions in said town."

Requirements.—No money shall be paid to any town for the benefit of classes for non-English speaking adults—

unless the town shall have maintained such school for at least 75 sessions of one hour each in each school year, nor unless the teacher or teachers therein shall have been legally certified by the State board of education nor until the board of school visitors, board of education, or town school committee shall have reported to the State board of education concerning the condition, progress, and attendance at such schools."

Americanization director's salary fund.—The law requires the State board of education to establish a division of adult education and appoint a director thereof. It further provides that any school committee of any town designated by the State board, may, subject to the approval of said board, appoint a director of adult education whose compensation shall be fixed by the State board of education. One-half of such compensation shall be paid by the State, provided no such payment shall exceed \$1,500 per annum.

Grants for Local Supervision

The State board of education may, upon the request of the proper school authorities of any town employing not more than 25 teachers, or upon the vote of any such town, appoint and fix the salary of an

⁶⁶ Conn. Pub. Acts, 1927, ch. 158; Conn. Schs., vol. 8, July-August, 1927, no. 10, p. 7.

⁶⁷ Ibid.

⁶⁸ Ibid., 1925, ch. 139; Conn. Schs., vol. 6, July-August, 1925, p. 8.

agent who shall discharge the duties of a superintendent of schools which shall include the duties of acting visitor as prescribed by law. Such a supervising agent may be assigned by the State board of education to two or more towns and his salary shall be paid by the State.⁴⁹

For the sake of providing adequate local supervision the law provides that two or more towns employing more than 30 and not more than 65 teachers may by uniting form a supervision district for the purpose of employing a superintendent of schools. One-half the salary of such superintendent shall be paid by the State, provided that the State shall not pay more than \$800 annually to any supervision district. Similar provisions for the employment of town school superintendents and the payment by the State of half the salary of each such superintendent are made in other sections of the law, towns for this purpose being classified on the basis of the number of teachers employed.⁵⁰

It will be seen that the State grants for local supervision fall into two classes: (1) Grants to pay the total salaries of State-appointed superintendents; (2) grants to pay one-half the salary of a superintendent employed by a (town union) supervision district. The total expended for these two classes of projects in the year 1925-26. amounted to \$120,000.

Equalization Funds

As pointed out in a previous paragraph, the State grant for the support of schools as well as that for special aid embody in a limited way at least some of the more basic principles underlying equalization funds. These grants and the methods of apportioning them have already been described:

Grants for State Board of Education

As indicated in Tables 4 and 5 the moneys provided for the State board of education and the educational projects financed through the agency of the board are given in the form of specific appropriations, of which some are statutory appropriations. The only grant which requires any detailed consideration here is that provided for public libraries.

The State board of education is required to appoint annually a committee of five persons, who shall constitute the Connecticut public library committee. This committee may expend a sum not to exceed \$7,000 for administrative costs including traveling expenses.

⁴⁹ Conn. Sch. Laws, 1922, pp. 37-38, sec. 93.

⁵⁰ *Ibid.*, pp. 35-37, secs. 88-92.

The function of this committee is to render assistance to communities in the establishment and administration of free public libraries. The committee is authorized to purchase books and pictures to be loaned to public libraries, schools, associations, and individuals, as the committee may select, and to provide assistance for public libraries and public schools in the purchase and cataloguing of books and in other administrative matters.

If any town having no free public library shall establish a free public library and shall provide for the maintenance and increase of such library in a manner satisfactory to the Connecticut public library committee, said committee may expend for books for said library a sum not to exceed that expended by the town for such library and not to exceed \$200.⁵¹ In towns whose grand list (assessed valuation) exceeds \$1,250,000 the State committee may expend annually for books selected by it for any free public library a sum not to exceed the amount annually appropriated and expended by the town for the increase of such library. In towns whose grand list does not exceed \$1,250,000 said committee may make a like expenditure for any free public library of a sum not to exceed the amount annually appropriated and expended from any source for the increase of such library provided that the annual expenditure by said committee shall not exceed \$100 for any library.⁵²

TABLE 4.—Apportionment of Connecticut State grants for public schools, 1926

	Amount*	Per cent of total	Basis of apportionment
<i>Group I—88.7 per cent — Grants for services and materials furnished immediately to pupils and schools</i>			
1. Enumeration grants.....	\$802, 178. 67	37. 4	\$2.25 per child between ages of 4-16.
2. High-school tuition.....	124, 889. 23	5. 9	Two-thirds of aggregate amount of tuition fees; limit \$50 per pupil.
3. High-school transportation.....	56, 514. 84	2. 6	One-half of aggregate amount paid for transportation; limit \$35 per pupil.
4. Support of schools (teachers' salaries) (equalization fund).	357, 466. 00	16. 7	10 to 75 per cent of total salary budget of towns less than \$3,500,000 assessment; graduated inversely to total assessed valuation.
5. Special aid (equalization fund).....	55, 150. 00	2. 6	Discretionary with board of education, subject to approval of board of control.
6. Evening school.....	13, 558. 19	. 6	\$4 per pupil in average attendance for 75 sessions and pro rata for each pupil in excess of 75 sessions.
7. School library and apparatus.....	20, 595. 00	. 9	For establishment, \$10 per school district, or town; for maintenance, \$5 per school; other moneys on basis of \$5 for each 100 pupils or fraction thereof.
8. Tuition of children residing in nontaxable State property.	3, 115. 00	. 1	Proportional cost per pupil within each town; limit \$35 per pupil.
9. Physical examination of children gainfully employed.	5, 613. 00	. 3	One-half of amount paid by town for such examinations.

* Amounts taken from Conn. State Comptroller, An. Rep., 1926, pp. 78-85, 103.

† Per cent which sum of expenditures in said group is of total expenditure (\$2,147,160.05).

‡ Conn. Sch. Laws, 1922, pp. 122-123, secs. 297-301.

§ Ibid., p. 124, sec. 305.

TABLE 4.—Apportionment of Connecticut State grants for public schools, 1926—Continued

	Amount	Per cent of total	Basis of apportionment
<i>Group I—88.7 per cent—Grants for services and materials furnished immediately to pupils and schools—Continued</i>			
10. Vocational education State trade schools.	\$400,694.59	18.7	Grants per school: (1) \$8,000 to 2 city schools. (2) Complete support of trade schools.
11. Non-English speaking classes.	15,257.43	.7	Flat quota per pupil in average daily attendance combined with number and length of sessions.
<i>Group II—Grants for local supervision</i>			
12. Salaries of town school superintendents:			Per school officer, flat salary grants.
(1) \$111,150.....			(1) Entire salary of each town superintendent appointed by State board of education upon town's request; total, \$111,150.
(2) 8,850.....	120,000.00	5.6	(2) One half salary of superintendent of union supervision district; limit, \$800.
<i>Group III</i>			
13. Equalization funds (see Group I, items 4 and 5).			Valuation and need.
<i>Group IV—8 per cent—State board of education and related grants</i>			
14. Salaries, and expenses, office, agents, etc.	139,526.17	6.5	Specific appropriation.
15. Public libraries, etc.....	21,257.14	1.0	Do.
16. Physical education.....	11,344.22	.5	Do.
Total.....	2,147,160.08	100.0	

* Total expenditure for trade schools, 1925-26, including Federal subventions was \$483,822.59. Deducting Federal subvention of \$91,128, there remains as balance, representing State-provided moneys, \$392,694.59; State provided \$8,000 to aid in vocational courses in two municipal high schools, thus making a total of \$400,694.59 State-provided moneys. (Computed on basis of data taken from (1) State comptroller, An. Rep., 1926, loc. cit., and (2) furnished to author by Connecticut State Board of Education, July, 1928.)

Thus far our consideration of the methods employed by Connecticut in apportioning State grants has been focused chiefly on the projects for which such grants are provided and the methods of apportioning the same. A question of equal importance is what are the various bases employed in the apportioning of State funds and to what extent is each such basis employed? For example, it is desirable to know to just what extent school moneys are apportioned on the basis of the number of pupils and whether the pupil basis is always the same, or whether in the case of some funds it is school census, in others enrollment, and in still others average daily attendance. The answer to these questions will be found in Table 5, which constitutes a fitting close to the present account.

TABLE 5.—Summary of bases employed in apportioning Connecticut State grants for public schools, 1926¹

I. Pupil bases.

1. School census (4-16).

Enumeration grant.

2. Enrollment.

Library and apparatus grant (in part)

¹ For source of data see Table 4 and accompanying text.

I. Pupil bases—Continued.

3. Average attendance.
Evening school.
Non-English speaking classes.
4. High-school tuition.
Two-thirds of aggregate amount of tuition fees. Limit \$50 per pupil.
5. High-school transportation.
One-half of aggregate amount paid for transportation. Limit, \$35 per pupil.
6. Tuition for children residing on nontaxable property. Limit \$35 per pupil.
7. Physical examination of children.
One-half paid by town.

II. School official grants for salaries (excluding State).¹

1. Supervision grant.
One-half salary of town school superintendent up to \$800.
2. Americanization director for towns.
One-half salary up to \$1,500.
3. Support of schools (teachers' salaries).
For towns with grand list (equalized assessed valuation) not exceeding \$3,500,000. Grants based on a percentage of teacher salary budget, and graduated according to grand list of the town. (For classification of towns and scale of percentage reimbursement see Table 3.)
4. Vocational education.
Fixed amount to match Federal Smith-Hughes subvention. For salaries and training of supervisors and teachers of vocational subjects in secondary schools.

III. Grants per school district and town.

School library and apparatus grant.

- (1) \$10 to establish library and purchase apparatus.
- (2) A continuing annual grant of \$5 per school and grant of \$5 for first 100 pupils and \$5 for each 100 pupils or fraction of 100 pupils in excess of first 100.

IV. Equalization grants.

1. Aid to needy town and district schools. Bases determined by the State board of education.
2. Support of schools (teachers' salaries).
For towns with grand list (equalized assessed valuation) or less than \$3,500,000. Grants based on a percentage of teacher salary budget, and graduated according to grand list of the town. (For classification of towns and scale of percentage reimbursement, see Table 3.)

V. Grants to State board of education and departments, bureaus, and officials subject to it. Fixed amounts determined by the legislature.

1. Salaries, expenses, agents, etc.
2. Public libraries and library committee.
3. Physical education.

¹ For source of data see Table 4 and accompanying text.

CHAPTER VII

DELAWARE

Unique features.—Delaware enjoys the rare distinction of being the only State in the Union that has endeavored to organize its schools into a single State unit administered and supported by the State. Delaware has passed through three stages of school organization and support. Prior to 1919 schools were organized and supported under the district system. In 1919 school districts were abandoned as units of support and a county unit system was established. The benefits of the larger unit were so evident that Delaware was led in 1921 to abandon the county unit in favor of the State unit.¹

For certain administrative purposes school districts are still retained with the result that there are found within the State to-day three types or classes of school districts: (1) The city of Wilmington; (2) 13 special districts centered about the larger towns; (3) the remaining districts, largely rural, which compose the rest of the State.

The law empowers any school district, any special school district, and the city of Wilmington to levy and collect upon a majority popular vote, local school taxes, but since the year 1921 only two districts in the State have provided school revenues by levying local taxes, namely, the cities of Wilmington and Claymont.² The schools of all districts except those of Wilmington and Claymont are supported entirely by the State.

A State tax may be used to provide school revenue by at least four methods: (1) A tax may be levied specifically for schools and the entire proceeds be devoted to the same; (2) a State tax may be levied not specifically for schools, but the schools may have a definite claim on a portion of the proceeds; (3) the proceeds of State taxes may be credited to the general fund from which appropriations are made for the support of public schools; (4) a combination of any two of the above methods or of all three. Delaware follows the first of these methods. All State taxes providing revenues for public schools are levied specifically for public-school support. The public schools of Delaware receive no aid from any taxes other than

¹ Del. Dept. of Pub. Instr. An. Rept., 1922, pp. 7-9.

² Based upon statements to the authors dated Oct. 8, 1925, and May 23, 1928, furnished by State Superintendent of Public Instruction H. V. Holloway.

those levied specifically for schools. For this reason it is unnecessary to describe in the present account any types of State taxes other than those levied for the benefit of schools.

State-School Taxes

Five types.—Delaware levies and collects the following five types of State taxes and fees specifically for public schools: (1) A general property tax; (2) a graduated personal income tax; (3) a fee for filing each income-tax return; (4) corporation tax; (5) franchise tax.³

State general property tax.—A State general property tax, the proceeds of which are paid into the State treasury and credited to the State school fund, is levied and collected by the counties. Under the law in force during the years 1921-22 to 1926-27 the rate levied was 25 cents on each \$100 of assessed valuation or 2.5 mills on the dollar. By legislative act of 1927 this rate has been decreased to 15 cents on each \$100 of assessed valuation or 1.5 mills on the dollar.⁴ Attention may well be called to the fact that in thus reducing the rate of her general property tax and thereby depending increasingly upon other types of taxes, Delaware is pursuing a policy in harmony with the recommendations of all outstanding authorities in the field of taxation.

Personal income tax.—The proceeds of a State graduated personal income tax are credited to the State school fund. Subject to certain exemptions provided by law this tax is levied upon all net personal incomes. The rates vary from 1 to 3 per cent according to the following schedule: 1 per cent of net incomes not exceeding \$3,000; 2 per cent of net incomes in excess of \$3,000, but not exceeding \$10,000; 3 per cent of net incomes in excess of \$10,000.⁵

Income-tax returns filing fees.—Formerly a fee of \$3 was required for filing each income-tax return. This fee was paid in addition to the total income-tax levy and was in the nature of a capitation tax. The proceeds of such fees were credited to the State school fund.⁶ By an amendment to the income tax law passed in 1927 such fees have been abolished.

Corporation tax.—Every corporation doing business for profit in the State is required to pay an annual tax of 2.5 mills upon each dollar of the actual value of that portion of its capital (including surplus or undivided profits) used and invested in the State during

³ Del. Sch. Laws, 1925, pp. 50-57, sec. 58. By an amendment to the income-tax law, passed in 1927, fees for filing income-tax returns have been discontinued.

⁴ Ibid., p. 56, sec. 58; Laws of Del., 1927, p. 497, ch. 158, sec. 58.

⁵ Ibid., pp. 70-75, secs. 1-6.

⁶ Ibid., p. 87, sec. 19.

the preceding year. The proceeds of this tax are credited to the State school fund.⁷

Franchise tax.—Every corporation is required to pay an annual State tax by way of license for its corporate franchise. The bases and rates of these taxes are presented in Table 1.

TABLE 1.—*Delaware franchise taxes levied for public schools*⁸

Type of corporation	Tax levied upon	Rate
Telegraph, telephone, cable, and express companies.	Gross receipts	1 per cent.
Electric, gas, heat, and power companies	Gross receipts and dividends in excess of 4 per cent.	Two-fifths of 1 per cent.
Pipe-line companies	Gross receipts	4 per cent.
Palace, parlor, and sleeping car companies	do	Three-fifths of 1 per cent.
Insurance companies (other than life)	Gross premiums	1½ per cent.
Life-insurance companies	do	Three-fourths of 1 per cent.
All other corporations	Number of shares of authorized capital stock.	2 per cent. \$5 to \$50.

⁷ Laws of Del., 1927, pp. 11-19, ch. 5.

State School Fund

As already indicated, the proceeds of the five types of State taxes and fees described in the immediately preceding paragraphs are credited to the State school fund. The only other revenue of importance credited to the State school fund is that derived from the interest on State permanent school funds and interest on bank deposits of the State school tax commissioner before such deposits are turned over monthly to the State treasurer.⁹ Table 2 presents a source analysis of the State school fund for the fiscal year ending June 30, 1926.

TABLE 2.—*Source and percentage analysis of Delaware State school fund, year ending June 30, 1926*¹⁰

Source	Amount	Per cent.
Income taxes	\$842,454.05	26.1
Fees for filing income-tax returns	347,091.06	10.8
Corporation taxes	188,037.57	5.8
Franchise taxes	1,215,087.83	37.6
General property taxes	586,764.72	18.2
Interest on permanent funds	42,002.00	1.3
Interest on bank deposits	3,061.18	.1
Miscellaneous receipts	4,132.20	.1
Total	3,229,222.61	100.0

⁸ Del. Aud., An. Rept., 1925-26, pp. 39-40.

⁹ Interest on deposits of the State school tax commissioner before they are turned over to the State treasurer, monthly.

¹⁰ Del. Sch. Laws, 1925, pp. 75-81, secs. 7-12.

¹¹ Statement furnished May 23, 1928, by Delaware State Superintendent of Public Instruction H. V. Holloway.

The only moneys credited to the State school fund in Table 2 not derived from State taxes are those constituting the last three items and totaling to \$49,785.38. This aggregate sum constitutes only 1.5 per cent of the total State school fund, from which it will be seen that 98.5 per cent of the State school fund was derived from the proceeds of State taxes.

Permanent Public-School Fund

This fund is referred to by various titles in the school laws and public documents. However, the title provided by the constitution of 1897, and which therefore may be considered the correct title is, "Public-school fund."⁹ The public-school fund was created by a legislative act passed February 9, 1796, which set aside the proceeds of marriage and tavern license fees to be paid into the State treasury between February 9, 1796, and January 1, 1806.

Provision has been made from time to time for adding to this fund various other State moneys, including Delaware's share of the United States surplus revenue distributed in 1837. At the present time no provision is made for increasing the principal of the public-school fund, which, however, must be preserved inviolate.¹⁰

On July 1, 1926, the principal of the public-school fund amounted to \$944,407.¹¹ The income for the fiscal year ending June 30, 1926, was \$42,602. This sum is credited to the current State school fund.¹²

Apportionment of State School Fund

Delaware's policies of school organization, administration, and support can not be properly understood apart from a knowledge of the distribution of her population as between the city of Wilmington and the rest of the State. According to estimates of the United States Census Bureau, the total population of Delaware in 1926 was 224,068. More than one-half of the inhabitants of the State, namely, 124,000 were estimated to reside in Wilmington.

The total enrollment in the public schools during the year 1926 amounted to 39,297. Of this total, 14,963 children were enrolled in the schools of Wilmington and 24,334 in schools outside the city of

⁹ Del. Sch. Laws, 1925, p. 3, sec. 2.

¹⁰ For a more complete account of the origin of this fund see F. H. Swift, *A History of Public Permanent Common School Funds in the United States*, pp. 238-239. As pointed out in this account, strictly speaking, Delaware's share of the United States surplus revenue was not actually added to the principal of the public-school fund, but was handled in such a way as to make it practically a part of this fund.

¹¹ Del. Treas. An. Rept., 1926, p. 12.

¹² *Ibid.*, p. 27.

Wilmington. Of the 1,433 teachers employed in the State, 511 were teaching in Wilmington and 922 outside of Wilmington.¹²

School budget required.—The State board of education is required to prepare biennially a budget showing the fund required to meet the estimated costs of maintaining elementary and secondary schools for each year of the succeeding biennium. This budget must be submitted to the general assembly for approval. Following the receipt of this budget the general assembly provides for an annual appropriation, payable from the State school fund, to cover the budget submitted by the superintendent, or as much of this budget as the general assembly approves. The law provides that should the State school fund prove insufficient to meet the annual legislative appropriation, "the deficiency or deficiencies shall be made from time to time out of the general fund by way of advances and the amount so advanced out of the general fund shall be repaid to the general fund from time to time as moneys, if any, shall be available for this purpose from the several items of the said school revenues."¹³

Table 2 showed that the total State school fund for the year ending June 30, 1926, amounted to \$3,229,222.61.¹⁴ The sum appropriated by the legislature for the year ending June 30, 1926, and for the year ending June 30, 1927, was only \$2,400,000.¹⁵

Dual control of apportionment.—The method of apportioning the annual legislative appropriation provided to cover the approved budget is determined first by the general assembly through the terms of the act providing the appropriation and second by policies adopted by the State board of education. The legislative act specifies a number of fixed sums for certain specified projects which must be paid from the appropriation and then further provides that the balance of the appropriation shall be distributed among the ordinary items of school expenditure, such as instruction, general control, etc., on a percentage basis. The State board of education supplements the provisions of the legislative act by passing a resolution which provides bases and methods of apportioning the funds available under the terms of the appropriation act for the major classes of school expenditures. The data to be presented in the paragraphs which follow will make clear this twofold method of apportionment. The plan of apportionment prescribed by the general assembly for the years ending June 30, 1926, and June 30, 1927, is shown in Table 3.

¹² Estimates of population of Delaware and Wilmington taken from World Almanac and Book of Facts, 1927, pp. 277-279 and 315. All other data taken from Del. State Dept. of Pub. Instr., An. Rept., 1926, pp. 16 and 21.

¹³ Del. Sch. Laws, 1925, p. 99, sec. 1.

¹⁴ Ibid., 1925, pp. 14-15, sec. 9.

¹⁵ Laws of Del., 1925, pp. 84-86, ch. 31.

TABLE 3.—Distribution of Delaware State school fund as provided by legislative act for each of the two years ending June 30, 1926 and 1927*

PART I. FLAT APPROPRIATIONS	
Purpose	Amount
Americanization of foreign born and education of native-born illiterate persons.....	Not less than \$25,000
Matching the appropriation of the Federal Government for Smith-Hughes Vocational Education.....	Not less than 20,000
Scholarships in teacher training.....	Not more than 12,000
PART II. BALANCE ON BASIS OF PERCENTAGE ALLOTMENTS	
	Per cent
Instruction.....	Not less than 73.5
Operation.....	Not more than 9.0
Auxiliary agencies.....	Not more than 5.5
Maintenance and upkeep.....	Not more than 4.3
General control.....	Not more than 4.2
Capital outlay.....	Not more than 2.5
Fixed charges.....	Not more than 1.0
Debt service.....	No part of the total None
Total.....	100.0

Definition of terms.—Section 3 of the act providing for the distribution of the State school fund as presented in Table 2 defines the terms instruction, operation, auxiliary agencies, maintenance and upkeep, general control, capital outlay, and fixed charges. For the sake of clarity these definitions are presented in the immediately following paragraphs.¹⁷

The term "instruction" * * * shall include the following expenditures: (a) The supervisory part of salaries of superintendents and supervisors and their expenses; (b) salaries of principals and teachers; (c) textbooks and professional books for teachers; (d) supplies and other materials for instruction; (e) tuition paid to other boards; (f) other instructional costs, including summer schools.

The term "operation" * * * shall include all expenditures for janitors and engineers, fuel, water, light and power, care of grounds, rent, supplies, and other operating expenses.

The term "auxiliary activities" shall include all expenditures for transportation of pupils, libraries, promotion of health, and other auxiliary activities.

The term "maintenance and upkeep" shall include all expenditures for the upkeep of grounds, repair of buildings, repair and replacement of equipment, repair and replacement of apparatus, and other maintenance.

The term "general control" * * * shall include: (a) Salaries and expenses of members of the State board of education and the expenses of the business office; (b) salaries of superintendents and their traveling expenses and the administrative part of the salaries of superintendents of special districts; (c) compulsory attendance and school census; (d) school election expenses.

The term "capital outlay" shall include all expenditures for grounds, new buildings and alterations (other than repairs), new equipment and apparatus.

The term "fixed charges" shall include all expenditures for insurance.

* Laws of Del., 1925, pp. 84-86, ch. 31. This table obviously excludes that portion of the State school fund set aside as a State school building account.)

¹⁷ Laws of Del., 1925, pp. 85, 86, ch. 31, sec. 3.

Apportionment by State board of education.—With the State board of education rests the responsibility of apportioning among the schools of the State the funds available for the various classes of school expenditure under the percentage distribution prescribed by the legislature. In order to carry out this responsibility, it is necessary for the State board of education to formulate a method of procedure. By a resolution passed September 22, 1925, the State board of education adopted the system of apportioning the annual appropriation from the State school fund for the years ending June 30, 1926, and June 30, 1927.¹⁸

In apportioning State funds among the school corporations¹⁹ the State board of education makes a separate apportionment for the following divisions: (1) The city of Wilmington; (2) each of the other special districts; (3) the State board of education. The moneys apportioned to the State board (with the exception of the definite amount allotted to the State board for general control) are for expenditures for schools located outside the special districts and the city of Wilmington, the finances of which are administered by the board. It is necessary to bear this last fact continually in mind in order to avoid the impression that the moneys apportioned to the State board are for meeting the costs of maintaining the same.

Summary of the State board's plan.—The plan of apportionment adopted by the State board in its resolution passed September 22, 1925, provides that 4.2 per cent of the total legislative appropriation of \$2,400,000 shall be distributed among the divisions²⁰ for meeting costs of general control. From the remainder of the appropriation shall be set aside (1) fixed amounts for five specified classes of expenditures (see Group B, Table 4); (2) teacher quotas granted for every full-time elementary teacher employed in the State and ranging from \$50 to \$150 per teacher; (3) high-school pupil grants of \$100 per pupil; (4) the entire fund remaining after all the above apportionments have been made shall be divided into three equal parts, two parts (i. e., two-thirds of the fund) shall be devoted to elementary-school pupil grants, one-third being prorated on the basis of net enrollment and one-third on the basis of average daily attendance.

The State board of education recently adopted a resolution providing a new plan for apportioning for the year 1927-28 the balance remaining under (4). According to the new plan, one-fourth of this balance will be apportioned on the basis of net enrollment; one-

¹⁸ Del. Dept. of Pub. Instr., An. Rept., 1926, pp. 54-56. All data presented in the remainder of the present section were taken from this source.

¹⁹ The official State reports of Delaware use the general term "divisions" to include the State board of education, the city of Wilmington, and the 13 special districts.

²⁰ For explanation of "divisions" see footnote 21.

d fourth on the basis of average daily attendance; and the remaining
e one-half on the basis of the number of elementary teachers.

f It will be seen that this new plan gives greater weight to the
y teacher unit than has been done heretofore. "This was made neces-
sary because the State board unit had to run so many small, 1-room
schools, the salaries of whose teachers were increasing year by year
1 according to the salary schedules."²¹

TABLE 4.—*Delaware State Board of Education plan of apportioning State school fund appropriation*^a

GROUP A. *General control*.—The maximum amount of 4.2 per cent (see Table 3), \$90,800, is deducted and allocated as follows:

State board.....	\$62,500
Each special district.....	1,000
Each superintendent.....	250
Of the remainder—	
50 per cent on basis of total net enrollment, including high-school enrollment.	
50 per cent on basis of average daily attendance, including high school.	

GROUP B. *Special allotments*.—The following amounts, totaling \$202,000, are deducted for specific purposes:

Summer-school expenses.....	^b \$16,000
Scholarships in teacher training.....	^c 12,000
Transportation.....	^d 129,000
Adult education.....	^e 25,000
Matching Federal aid for vocational education.....	^e 20,000

GROUP C. *Teacher allotments*.—An amount is deducted which shall make it possible to allocate—

- \$150 for each teacher paid a salary of \$850 or over.
- \$100 for each teacher paid a salary of \$700 to \$849.
- \$50 for each teacher paid a salary of \$600 to \$699.

GROUP D. *High-school pupil allotment*.—An amount is deducted sufficient to pay \$100 for each pupil enrolled in each high school.

GROUP E. *Elementary-school pupil allotment*.—After deducting the four allotments included in Groups A, B, C, and D, the balance is divided into three equal parts and apportioned among all the districts and schools of the State as follows:

1. One-third on the basis of the net enrollment of elementary-school pupils.
2. One-third on the basis of the average daily attendance of elementary-school pupils.
3. One-third on the basis of the number of full-time elementary-school teachers.

²¹ Statement furnished to the authors, May 23, 1928, by State Supt. of Pub. Instr. H. V. Holloway.

^a Compiled on basis of resolution passed by State board of education, Sept. 22, 1925; see Del. State Dept. of Pub. Instr., An. Rep., 1926, pp. 54-56. The plan of apportionment here is that provided for the \$2,400,000 appropriated by the legislature from the State school fund.

^b In conformity with the provisions of the appropriation act of the legislature.

^c Chargeable by definition of appropriation act to instruction.

^d Chargeable by terms of appropriation act to auxiliary agencies.

The net result of the major provisions thus far summarized merely allocates a certain sum to the city of Wilmington, the 13 special districts, and to the State board of education for the support of schools in all remaining districts. The plan thus far outlined gives no answer to the question how the total sum allocated to the various divisions shall be expended. For example, a division will receive grants from the State fund on each of the following bases: General control, transportation, elementary pupil grants, high-school pupil grants, teacher grants, etc. How shall the total amount thus received by a special district or by the State board of education for all the other districts be expended? For the sake of answering this question the board has embodied in its plan the following provisions:

Each division (i. e., the city of Wilmington, each special school district, and the State board acting for all other school districts) shall be limited in the expenditure of State funds to the amount allocated thereto for general control and for transportation, but in the expenditure of the remainder of the sum allocated, the following limitations shall be observed:

For instruction not less than	\$1.3 per cent of the total amount allocated.
For operation not more than	9.95 per cent of the total amount allocated.
For maintenance not more than	4.75 per cent of the total amount allocated.
For auxiliary agencies not more than	0.14 per cent of the total amount allocated.
For fixed charges not more than	1.1 per cent of the total amount allocated.
For capital outlay not more than	2.76 per cent of the total amount allocated.
For debt service	No part of the total.

100.00 per cent.

State school fund surplus uses.—As shown in Table 2, the State school fund for the fiscal year ending June 30, 1926, amounted to \$3,229,222.61. The legislative appropriation for that year was only \$2,400,000, which is \$829,222.61 less than the total receipts for the same year. According to the State treasurer, the accumulated balance of the State school fund on July 1, 1926, amounted to \$1,402,652.70.²² The facts before us present a paradoxical situation. The law requires that the State school fund shall be used for the benefit of public schools, yet the legislature refuses to appropriate the total proceeds of the State school taxes. As a means of caring for the situation thus produced, the general assembly of 1927 passed an act creating the "State school building account." This act provides that any balance not exceeding \$1,000,000 to the credit of the State school fund on July 1, 1927, after the payment of all school accounts for the school year ending June 30, 1927, shall constitute a special account, to be known as the "State school building account." In like manner any balance not exceeding \$2,000,000 to the credit of the State school fund on July 1, 1928, shall be credited to the State school

²² Del. State Treas. An. Rept., 1925-26, p. 12.

building fund.²³ This account shall be administered by the State board of education and the moneys available therefrom shall be used as the name of the account implies to aid districts in meeting the cost of school building programs. Two-fifths of the money credited to the State school building account shall be devoted to the school building programs of the city of Wilmington and three-fifths shall be devoted to meeting the costs of school building programs outside the city of Wilmington.²⁴

Compulsory district building tax.—In order to share in the State school building account, a district must contribute a sum equal to 2 per cent of the assessed valuation of the real and personal property in such district as shown by the county assessment in force during the year 1919, provided that a district may deduct from this sum the aggregate of school building improvement bonds issued by the district since 1900, without regard to whether any or all of said bonds have been paid.

Criticism of present plan.—Delaware has much to offer in the way of suggestion and example to the other States of the Union from the standpoint of recognizing that the final responsibility for equalizing educational opportunities should be placed upon the State. The advances made by the school system of Delaware under the present plan of State administration and support are deserving of the highest praise as well as the thoughtful study of all students of public-school finance. That there are, however, many difficulties in the present system of State revenues can hardly fail to be recognized. The Delaware system provides no means for insuring adequate funds for the support of schools.²⁵ Indeed, it leaves with the legislature the power to determine whether the moneys necessary to meet the expenditures set forth in the budget of the State board of education shall be provided. It has been the practice of the legislature to refuse to appropriate the moneys called for by the budget despite the fact that accumulations credited to the State school fund were sufficient to do this. The State superintendent of public instruction in his last report calls attention to the unsatisfactoriness of the present situation and policies in the following words:

The fact that the sources set up for the support of schools provided a balance of \$552,175.22 after the payment of the State appropriations at the close of business June 30, 1925, and that there was a total balance of \$1,382,841.11 at the close of business June 30, 1926, indicates that the legislature has been quite conservative in its appropriations for the support of schools. It should be noted here, however, that this conservatism has been the cause of many embarrassments, with particular reference to the supplying of adequate textbooks

²³ Laws of Del., 1927, pp. 480-481, ch. 154, sec. 1.

²⁴ Laws of Del., 1925, pp. 489-490, sec. 15, § 27.

²⁵ Any district may upon majority vote levy local school taxes to supplement its State fund apportionment. This policy does not, however, guarantee adequate funds.

and materials of instruction, and the making of necessary repairs, particularly in cases of emergencies. It has also made impossible the securing of the highest type of teachers for the schools of the State, because of our comparatively low salary schedule.³⁰

In the same report the superintendent recommends "that the legislature make its appropriation for schools in accordance with the budget estimates submitted by the department to the governor."³¹ The result of putting this recommendation into effect would be to give the State board of education the same type of fiscal independence as that which is to-day enjoyed by many city boards of education. Carrying out such a recommendation would undoubtedly leave the State public-school building account without adequate funds. It was undoubtedly because the superintendent foresaw this possible situation that he recommended further that the legislature make provision for an adequate school-building program, limiting the amount therefor by a conservative estimate of the balance of funds that may be collected from the sources set up for the support of schools after first making adequate provision for the current expenses of the same.

³⁰ Del. Dept. of Pub. Instr., An. Rept., 1926, p. 43.

³¹ *Ibid.*, p. 51.

CHAPTER VIII

FLORIDA

Income and inheritance taxes prohibited.—In November, 1924, Florida adopted a constitutional amendment which forbids the levying of any tax upon "inheritances or upon the income of residents or citizens of this State."¹

Extensive use of general property tax.—Florida offers an interesting example of a State making increasing use of the general property tax; throughout the past 15 years, she has depended more and more upon it. In 1914 the total general property tax levied amounted to 5½ mills distributed as follows: For general revenue, 1¾ mills; for State school tax, 1 mill; pension tax fund, 2¼ mills; State board of health tax fund, one-half mill.

In 1917 Florida added a State road-tax fund of one-half mill; in 1919 a State prison tax of three-eighths mill; in 1923 a tick-eradication tax of three-eighths mill; in 1925 a free school textbook tax of three-fourths mill. In 1925 Florida was levying State general property mill taxes for eight projects as opposed to four projects in 1914, and the total millage in 1925 was 10½ mills as opposed to 5½ mills in 1914. The year in which the heaviest tax was levied was 1919, in which the millage amounting to 12 mills was distributed as follows: General revenue tax, 5 mills; State school tax, 1 mill; pension tax, 3⅛ mills; State board of health tax, one-half mill; State road tax, 2 mills; State prison tax, three-eighths mill. The rates levied for the several purposes are determined by the legislature biennially and vary from year to year, but in no case has any tax once levied during the period 1914 to 1925 been abandoned.²

Poll taxes.—The constitution authorizes every county to levy a poll tax not to exceed \$1, but further requires that the proceeds of such taxes shall be credited to the county school fund of the county wherein collected.³ Obviously such taxes do not fall within the scope of the present study.

Types of taxes levied.—Florida levies the following four types of State taxes and fees: (1) General property tax; (2) gasoline tax;

¹ Constitution, Art. IX, sec. 11; Fla. Gen. Laws, 1923, vol. 1, p. 483. Nat. Tax Assoc. Proc., vol. 18, p. 279 (1925).

² Fla. Compt., An. Rept., 1926, p. 213.

³ Constitution, Art. XII, sec. 9; Fla. Sch. Laws, 1925, p. 6.

(3) corporation taxes; (4) license taxes and fees levied upon a long list of occupations, professions, and business activities, or required in return for the granting of a specified privilege or the rendering of a service by a State official or department. Of these four classes of taxes the first, by an act approved May 27, 1927, contributes directly to current State school funds. The proceeds of one type of business-license tax, namely, a State tax on dealers in automobile tires and tubes, are added to the principal of the permanent State school fund. The proceeds of corporation taxes and of most license taxes and fees are credited to the general revenue fund from which are paid a number of appropriations benefiting public schools.

In those States where the public schools have a definite claim on a share of certain tax proceeds credited to the State general fund or where appropriations from the State general fund constitute a large proportion of the payments from this fund it has been deemed necessary to determine the various types of taxes which contribute to the general fund (and thereby indirectly to the support of public schools) and the relative importance of each tax as a source of the general revenue fund. In Florida, as will appear later, neither of these conditions prevails, nor any other condition which would warrant such an analysis. Consequently in the paragraphs which follow attention will be confined to consideration of the three types of taxes which provide State school funds, namely: General property taxes, taxes on dealers in automobile tires and tubes, and the gasoline tax. It has seemed advisable, however, before attempting to discuss these taxes as sources of school funds, to describe briefly the State funds which Florida provides for the benefit of public elementary and secondary schools.

Taxes and State School Funds

Florida provides the following nine funds or classes of funds which contribute aid to public schools or to projects immediately affecting public schools: (1) Teachers' examination fund; (2) the (permanent) State school fund; (3) 1-mill tax (State common school fund); (4) free school books tax fund; (5) Smith-Hughes trade and industry fund; (6) Smith-Hughes teacher-training fund; (7) appropriations from the general revenue fund; (8) public free school fund (created 1927); (9) equalization fund (created 1927).

Of these nine funds the first and sixth do not come within the scope of the present account. It is obvious that on this basis will be excluded also the State appropriation provided to match the Federal Smith-Hughes grant for the training of teachers and directors of vocational and trade subjects. The teachers' examination fund is made up entirely of the receipts of moneys paid by teachers for cer-

tificates and examinations,⁴ and is also excluded. As stated in an earlier paragraph, the principal and consequently the income of the permanent State school fund are by an act of 1927 entitled to the proceeds of the State tax on dealers in automobile tires and tubes. Consequently this fund must be included in the present account.

The State school fund—origin.—"In December, 1835, while Florida was still a Territory, 'the register of the land office was charged with the duty of selecting and securing various lands granted by Congress for schools, seminaries, and other purposes.'"⁵ On her admission as a State in 1845, Florida received from the Federal Government section 16 in each congressional township, amounting in all to 1,053,653 acres.⁶ By an act of March 2, 1839, provision had been made for the selection in each township of three school trustees who were to have charge of the sixteenth section school lands in their respective townships, and apply the rents or profits of the same for the benefit of common schools.⁷ As far as can be learned only one township ever organized to secure the benefits of this act. The legislature in 1848 enacted a law providing for the sale of the sixteenth section school lands and the payment of the proceeds into the State treasury for the establishment of a State permanent common school fund.⁸

The constitution provides that the principal of the fund shall remain inviolate and shall be derived from the following sources: Proceeds of (1) the sales of all school lands granted to the State by the United States; (2) 25 per cent of the sales of public lands now or hereafter owned by the State; (3) escheated property or forfeitures; (4) appropriations by the State.⁹

An act approved May 27, 1927, provides for the levying of a State tax on every person, firm, or corporation engaged in the automobile tire and tube business. This tax constitutes a business license tax upon each place of business maintained. The rates to be levied vary with the population of the city or town in which the place of business is maintained, and range from \$3 in cities and towns having a population of fewer than 1,000 to \$80 in cities and towns of more than 75,000 population.

Counties are required to levy an additional tax: "In every case where a license fee or tax is employed in the preceding section, a county license tax of 50 per cent of the State license tax, be, and the same is hereby, levied and imposed."

⁴ Fla. Sch. Laws, 1925, pp. 46-47, sec. 127; pp. 40-50, sec. 135; p. 52, sec. 144.

⁵ Bu. of Ed. Cir. of Inf. No. 7, 1888, p. 20, note 2. For a more complete account of this fund see F. H. Swift, A History of Public Permanent Common School Funds in the United States, 1795-1905, pp. 243-246.

⁶ Com. of Ed. Rpt., 1892-93, Vol. II, p. 1, 283, Table of Land Grants.

⁷ Constitution, Art. XII, sec. 4; Fla. Sch. Laws, 1925, p. 5.

All money derived from the State automobile tire and tube tax shall be credited to the State school fund and all money derived from the corresponding county tax shall be credited to the county school fund of the county wherein collected.⁸

The principal of the State school fund is invested chiefly in county and municipal bonds. On June 30, 1926, the principal consisted of \$4,077,167, invested in bonds, and uninvested cash amounting to \$98,110.61, making a total of \$4,175,227.61. The interest for the year 1925-26 amounted to \$162,165.75.⁹

Common school fund.—State school fund is the title specifically provided by the laws of Florida and by the constitution (Art. XII, sec. 6) to designate the principal of the permanent common school fund. But in the Florida school laws of 1925 (p. 17, sec. 28, fourth) this permanent fund is called the common school fund. There is much confusion, therefore, as to the use of the term State school fund as found in the laws of Florida and in official reports. In the present account "common school fund", will be employed to designate the fund consisting of the proceeds of the State 1-mill property tax and any other current State revenue which the law provides shall be credited to the current "State school fund."

The laws provide only one source of revenue for the current common school fund, namely, a State general property tax of 1 mill.¹⁰

Textbook fund.—By an act approved May 26, 1925, Florida provided that all textbooks for use in the first six grades shall be furnished free at the expense of the State for pupils whose parents are residents or taxpayers of the State.¹¹ The law further provided that for the purpose of carrying out the provisions of the free State textbook fund act there shall be created a special fund to be known as the textbook fund, to be derived from the proceeds of a State tax of three-fourths of 1 mill upon the dollar, provided, that if the governor at any time shall discover that the full amount of three-fourths of 1 mill is not necessary, he is authorized and empowered to reduce such millage, not, however, to such an extent as to cause any deficiency in the amount necessary to carry out the provisions of this act.¹²

According to the State comptroller the total collected from the State free textbook fund tax from January 1, 1925, to June 30, 1926, amounted to \$383,439.21.¹³ The superintendent of public instruction

⁸ Gen. Laws of Fla., 1927, Vol. I, pp. 1332-1334, ch. 12, 412. The proceeds of this State tax will be credited to the permanent school fund. (Statement to the author, dated June 8, 1928, from State superintendent of public instruction.)

⁹ Supt. of Pub. Instr., Bien. Rept., 1926, p. 25.

¹⁰ Constitution, Art. XII, sec. 6; Fla. Sch. Laws, 1925, p. 6.

¹¹ Fla. Gen. Laws, 1925, pp. 471-478, ch. 10, 254; Fla. Sch. Laws, 1925, pp. 91-99, sec. 262-380.

¹² *Ibid.*, p. 98, sec. 279.

¹³ Computed from Fla. Compt., An. Rep., 1926, pp. 54, 121.

reports that the taxes collected by the State treasurer for the free textbook fund to November, 1926, amounted to \$417,219.76.¹⁴ The proceeds of this tax were first used to purchase free textbooks for the school year 1926-27.¹⁵

Smith-Hughes trade and industry fund is the title assigned by the comptroller to the appropriation provided by the State to match that portion of the Federal subvention received under the provisions of the Smith-Hughes Act for assisting in the payment of salaries of teachers, supervisors, and directors of vocational education in secondary schools.¹⁶ As this is but one of a number of appropriations which are paid from the general revenue fund it has been deemed best to give it no further consideration except in connection with the general revenue fund.

Appropriations from the general revenue fund.—The legislature of 1925 provided for appropriations from the general revenue fund for the year June 30, 1925, to June 30, 1926, as follows: (1) For the State superintendent of public instruction and staff (including State supervisor of high schools and of elementary schools) salaries, traveling, printing, and contingent expenses, \$41,080,¹⁷ (2) to match the Smith-Hughes Federal subvention available for salaries of teachers, directors, and supervisors of vocational education in secondary schools \$55,570.98;¹⁸ (3) for high-school teacher-training departments, \$500 for each of Florida's 63 counties, total, \$31,500;¹⁹ (4) educational survey commission, \$10,000. The total of the four foregoing classes of appropriations for the year 1925-26 is \$138,150.98,²⁰ which is less than one-half of 1 per cent (0.00417) of \$33,050,706.33, the total receipts for the year 1925.²¹ The laws of 1925 provide for an appropriation of \$12,500 to pay for the cost of putting into effect an act requiring the State comptroller to prescribe forms for financial statements and reports made by certain county officers, including the county board of public instruction and the county superintendent of public instruction.²² The laws provide also for an appropriation of \$2,000 to pay for the services and expenses of members of the State

¹⁴ Fla. Supt. of Pub. Instr., Bienn. Rep., 1926, p. 46.

¹⁵ Statement dated June 8, 1928, received by authors from State superintendent of public instruction, W. S. Cawthon.

¹⁶ Fla. Compt., An. Rep., 1926, p. 40. For a complete list of the titles assigned by the comptroller to the various State funds see *ibid.*, pp. 58-62.

¹⁷ Fla. Gen. Laws, 1925, vol. 1, p. 586, ch. 11, 332.

¹⁸ *Ibid.* The total appropriation was \$66,570.98, but \$10,000 of this sum was an appropriation to be used for paying the costs of the training of teachers, supervisors, and directors of vocational subjects, and \$1,000 for the costs of administering the act.

¹⁹ *Ibid.*, p. 481, ch. 10, 258, sec. 3.

²⁰ Computed.

²¹ Total here given is taken from abstract of State comptroller's report, published as an appendix to Gen. Laws of Fla., 1927, vol. 1, p. 1639, ff.

²² Fla. Sch. Laws, 1925, pp. 115-118, secs. 329-336.

textbook commission.²³ The law requires that there shall be provided a continuing appropriation to cover all the expenses incurred in teaching to all children between the ages of 6 and 21 years the evils of alcoholic beverages and narcotics. No definite amount is specified and no appropriation for the purpose is listed in the comptroller's report. No record has been found of the amount appropriated for the textbook commission and for the purpose of paying the costs of the financial forms to be prescribed by the State comptroller. The items for these purposes are probably included in some amount assigned to printing, contingent expenses, or some other such cost. The appropriations already described are summarized in the following table:

TABLE 1.—Florida State appropriations from the general-revenue fund benefiting public schools

Purpose	Amount
To match Federal Smith-Hughes subvention.....	\$55,570.00
State superintendent of public instruction and staff.....	41,080.00
High-school teacher-training departments.....	31,500.00
Educational survey commission.....	10,000.00
Total.....	138,150.00

²³For source and explanation of data see account of appropriations given in text.

Public free school fund and equalization fund.—The public free school fund was created by Senate bill No. 621, approved May 30, 1927, and effective July 1, 1927, which provided for the establishment of a special fund to be known as the public free school fund and to be composed of two-thirds of the moneys derived from each of the following three sources: (1) An additional tax of 1 cent on every gallon of gasoline or other light products of petroleum, such tax to continue in force for two years beginning July 1, 1927; (2) an additional State general property tax of one-quarter of 1 mill upon the dollar to be levied and collected for the year 1927 and every year thereafter; (3) interest on State funds deposited in various banks in the State.

The remaining one-third of the moneys to be derived from the above three sources shall be deposited in a special fund to be known as "a permanent building fund for the institutions of higher learning, experiment stations, and other institutions under the management of the State board of control." One-half of the public free school fund is to be set aside and apportioned as an equalization fund. The remaining half is to be apportioned for the benefit of public schools on the basis of average daily attendance.

²³ Fla. Sch. Laws, 1925, pp. 83-85, secs. 242-244, and p. 90, sec. 258.

Summary of State school funds.—The various State funds provided for the benefit of public schools in Florida have been indicated in preceding paragraphs. Before entering upon the question of the extent to which State taxes furnish these funds it will be well to show the relative importance of each of these classes of funds, (1) as a source of State provided revenues and (2) as a source of the total current school receipts derived from all sources. The total receipts for the year 1925-26 derived from all sources, State, county, and district, amounted to \$18,009,876.91.²⁴ As shown in Table 2, the total amount derived from all State sources in the year under consideration was \$1,305,703.25, which is 7.26 per cent of \$18,009,876.91, the total current receipts for that year. The amount contributed by each major State source and the per cent which this amount is of the total State-provided school moneys and of the total moneys provided by the State, county, district, and all other sources, is shown in Table 2.

TABLE 2.—Florida State school funds, 1925-26

Fund	Amount	Per cent of total State school receipts	Per cent of total revenue receipts from all sources ¹
Common school fund or 1-mill State tax fund.....	\$ 588,166.76	45.0	3.27
Free school book tax fund.....	417,219.76	32.0	2.33
Interest on permanent State school fund.....	162,165.75	12.4	.90
Appropriations from general revenue fund.....	138,150.98	10.6	.77
Total.....	1,305,703.25	100.0	7.26

¹ Excluding cash balance from previous year and moneys derived from loans, and the proceeds of sales of bonds and time warrants.

²⁴ Fla. Supt. of Pub. Instr., Bien. Rep., 1926, pp. 304-306.

¹ Ibid., p. 46. See text of present account for explanation of how this amount was determined.

² See Table 1 and text.

State Taxes as Sources of State School Funds

In Table 3 are shown the taxes which contribute to State school funds in Florida. It should be borne in mind that the public free school fund was not created until 1927 and that consequently the taxes provided for this fund contributed nothing to the school receipts of the year 1925-26, about which the present account centers.

²⁴ Fla. Supt. of Pub. Instr., Bien. Rep., 1926, pp. 304-306. The total receipts for the year amounted to \$50,492,472.39, but this total includes cash from last year, \$7,162,427.79; loans, \$5,840,767.70; proceeds of sales of bonds and time warrants, \$19,479,399.99. These three items are excluded from the total given above.

TABLE 3.—Florida State taxes contributing to public school funds, 1928

Type of tax	Rate	Fund to which credited
General property tax.....	1 mill..... ¾ mill..... ¼ mill.....	Common school fund. Free textbook fund. Two-thirds to public free school fund, one-third to permanent building fund for institutions of higher learning.
Gasoline sales tax.....	1 cent per gallon (additional).	Two-thirds to public free school fund, one-third to permanent building fund for institutions of higher learning.
License tax on dealers in automobile tires and tubes.	\$3 to \$80.....	Permanent school fund. ¹

¹ State Supt. of Pub. Instr., W. S. Cawthon, in a letter to the authors, dated June 8, 1928, writes: "I have this morning received a ruling that the proceeds of this tax will be credited to our permanent school fund."

General property tax.—From the data already presented it is evident that the general property tax is the most important of all sources of State school funds thus far employed by Florida. Table 2 has shown that 77 per cent of the total State school funds provided by Florida in the year 1925-26 were derived from the proceeds of the 1-mill State tax and the three-quarter mill free textbook tax. The general fund from which the appropriations for the State superintendent of public instruction and for other purposes were made is also largely derived from the proceeds of State general property taxes. The act of 1927 creating the public free school fund and the permanent building fund for institutions of higher learning definitely provides for further use of the general property tax as a source of State school funds.

Gasoline tax.—Prior to June 8, 1925, the State of Florida levied a sales tax of 3 cents on every gallon of gasoline or other light products of petroleum. Beginning with June 8, 1925, the rate was increased to 4 cents per gallon. It was provided that the proceeds of 3 cents shall be credited to the State highway department and the proceeds of 1 cent shall be divided equally among the counties.²⁸ This chapter offers no specific interpretation of the phrase "equally among all the counties" nor does it indicate the use to which counties shall apply their share of the proceeds of the State gasoline tax. However, by an act passed in 1927 Florida provided that in counties having a population of not fewer than 8,050 nor more than 8,100 and counties having a population of not fewer than 8,793 and not more than 10,000, the county's share of the proceeds of gasoline taxes shall be transferred to the general county school fund.²⁹

As stated in an earlier paragraph, by an act passed in 1927 Florida provided for levying 1 cent additional tax on each gallon of gasoline sold and for devoting two-thirds of the proceeds of this additional

²⁸ Laws of Fla., 1925, p. 13, ch. 10, 025.

²⁹ *Ibid.*, 1927, vol. 1, pp. 494-497, ch. 11, 905-11, 907.

tax to the public free school fund and to a permanent building fund for institutions of higher learning.

Apportionment of State School Funds

Common school fund and State school fund.—Article XII, section 7, of the Constitution of Florida provides that “the interest on the State school fund and *all other moneys provided*, including the special school tax, for the support and maintenance of public free schools” shall be distributed among the several counties of the State in proportion to the average daily attendance in the same. The laws require the State superintendent of public instruction to apportion these funds among the several counties of the State in proportion to the average daily attendance of children between the ages of 6 and 21 resident therein. The superintendent is further directed to make such apportionments as may in his judgment be right and just when the reports on which apportionments should be made have not been received or are manifestly defective.²⁷ In keeping with this constitutional provision the current school fund and the income of the State school fund are apportioned among the counties of the State on the basis of average daily attendance.

The constitutional section quoted above provides that the moneys available from the State funds shall be used for the “support and maintenance” of free schools. It does not, however, define the terms “support and maintenance” nor specify the particular projects or items for which these funds shall be expended by the counties.

Requirements.—Any public school, failing to complete its public term before the termination of the school year, shall, if such lost time be not made up within the next year thereafter, forfeit the proportion of its financial apportionment not-used owing to its neglect or failure to maintain its school for the full term of school in that county.²⁸

*Public free school fund.*²⁹—One-half of the public free school fund is set aside and apportioned as an equalization fund. The remaining one-half is distributed among the several counties of the State in proportion to the average daily attendance of children between the ages of 6 and 21 years residing therein.

In order to share in this apportionment “the county shall for the year for which said apportionment is being made, be levying and collecting the constitutional 10-mill county school tax on the assessed valuation” of the taxable property in the county.

Equalization fund.—The purpose of the equalization fund is to insure an educational program of 120 days throughout the counties

²⁷ Fla. Sch. Laws, 1925, p. 17, sec. 28, 4th and 5th.

²⁸ *Ibid.*, 1925, p. 14, sec. 14.

²⁹ Based upon senate bill No. 621, approved May 30, 1927.

of the State. The law provides that if the fund is insufficient to maintain schools for 120 days in all counties, it shall be "apportioned for the maintenance of an educational program of less than 120 days for which funds are available."

Method.—The method of apportioning the equalization fund involves the following three steps:

(1) Four thousand two hundred dollars may be used annually for paying the costs of administering the fund; (2) the State board shall ascertain the total cost of an educational program in each county for 120 days; (3) from the total cost of said program they shall subtract the sum available to each county from all other State and county funds; the remainder shall be paid to the county from the State equalization fund.

Unapportioned balance.—If after the above apportionments have been made there shall remain any unapportioned balance (due to the failure of the counties to meet the requirements to be specified in the next paragraph), such balance shall be apportioned among all counties eligible for participation in said fund.

Requirements for participation.—In order to be eligible for participation in the public free school equalization fund, the county must meet the following conditions: (1) The county and each special tax school district in the county wishing to be eligible for a share in the equalization fund must be levying and collecting a 10-mill general property tax; (2) the county shall be providing the same length of terms in all schools as far as practicable; (3) a uniform system of books and reports prescribed by the State board of education must be adopted and kept in effect by the county; (4) the State and county funds available for the year for which aid is requested must be insufficient to operate the schools of the county for 120 days; (5) all funds apportioned to the various counties must be used only for the salaries of teachers or the extension of the school term.²⁰

Summary.—Average daily attendance of pupils, 6 to 21 years, is the basis employed in apportioning the major portion of all school moneys provided by the State. This is the basis employed in apportioning the income of the permanent common school fund, the current State school fund, and one-half the public free school fund. The method of apportioning the equalization fund is essentially a combination of need and effort. No county is allowed to share in this fund which fails to levy a county school tax of at least 10 mills. If the proceeds of such a tax, together with the revenues available from all local and State funds (except the equalization fund), are insufficient to maintain schools for 120 days the deficit is paid by the State from the equalization fund.

²⁰ Secs. 1 and 2, senate bill No. 621, approved May 30, 1927.

The law fails to state what items shall be included and allowed in the county school budgets which are to be employed as a basis for apportioning State quotas from the equalization fund. Certain counties in Florida are carrying exceedingly heavy school debts, others fall far below the average in the standard of their school buildings and equipment. The question at once arises whether the States shall approve as items in the budget which it proposes to equalize costs of debt service and building, and other capital outlay costs.

CHAPTER IX

GEORGIA

Unique features of school taxation in Georgia.—A considerable number of States provide that a certain per cent of the proceeds of one or more taxes shall be devoted to the support of free public schools. At least three States—Missouri, Kentucky, and Georgia—have extended this policy to include all State taxes. Missouri has provided that one-third of the total annual revenue of the State shall be devoted to the support of public schools.¹ Kentucky devotes to the support of public schools 69 per cent of the proceeds of the State general property taxes and certain State corporation taxes.² Georgia enjoys the distinction of having carried this policy further than any other State in a law which provides “that 50 per cent of all revenues received by the State from all sources of income or taxation shall be used and expended for the support and maintenance of the common schools of Georgia for the year in which said income or taxes are due or payable. This section shall go into effect January 1, 1922.”³

Other laws have modified the law just quoted and the public schools do not now receive 50 per cent of all State revenues. Nevertheless, this provision is significant in indicating a generous disposition toward the schools. It is necessary to analyze all sources of State revenue in Georgia, and particularly all taxes, for according to that law the public schools were entitled to 50 per cent of all State revenues; it is still in effect, but since its passage new taxes have been levied, the proceeds of which have, in the wisdom of the legislature, been allocated to other purposes.

Types of State Taxes

Georgia levies no income tax, but derives State revenue from the following seven types of taxes or fees: (1) General property taxes; (2) corporation taxes; (3) inheritance taxes; (4) poll taxes; (5) cigar and cigarette stamp taxes; (6) motor fuel taxes; (7) taxes and

¹ U. S. Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 235, sec. 12.

² Ky. Acts, 1926, p. 740.

³ Ga. Sch. Code, 1923, p. 38, sec. 109.

fees levied on various types of businesses, occupations, professions, and miscellaneous activities.

General property taxes.—The State levies general property taxes on all real and personal property. By constitutional provision the rate of such tax is limited to 5 mills.⁴

Corporation taxes.—Corporations are for the most part taxed under the general property tax law, but are subject to the two following additional taxes: (1) A corporation occupational tax and (2) insurance company gross premium tax. An occupation tax is levied on all corporations, the rates varying from \$10 to \$600, depending on the valuation of capital stock. The proceeds of such occupation taxes are credited to the general revenue fund.⁵ The legislature of 1927 increased the maximum rate to \$1,000.⁶ However, the data given in the present account (see Table 1) represent taxes collected in 1926 under the old rates. Insurance companies are required to pay an additional tax levied upon the gross premiums, less returned premiums or canceled policies. The rates of such taxes vary from one-half of 1 per cent to 1½ per cent, depending upon the proportion of the company's assets invested in Georgia.⁷

Inheritance taxes.—In 1925 Georgia abandoned the policy of determining the amount of inheritance taxes independently and levied an inheritance tax equal to 25 per cent of the Federal tax.⁸ In 1927 the State rate was increased to 80 per cent of the Federal tax.⁹

Poll taxes.—The State constitution provides that "no poll taxes shall be levied except for educational purposes and such tax shall not exceed \$1 annually upon each poll."¹⁰ The maximum permitted by the constitution is levied.

Cigar and cigarette stamp tax.—The State levies a stamp tax of 10 per cent of the retail selling price of cigars and cigarettes. The proceeds of this tax are devoted to pensions.¹¹

Motor-fuel tax.—Since 1921 Georgia has levied taxes on gasoline, naphtha, and other motor fuels. Of all such taxes, that levied on gasoline is by far the most productive. From 1921 to 1927 the rates of the tax levied on gasoline have increased from 1 to 4 cents per gallon. The proceeds of motor-fuel taxes have as a rule been devoted to the construction and maintenance of public highways, part of the

⁴ U. S. Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 86, sec. 1.

⁵ *Ibid.*, p. 91, sec. 9.

⁶ Ga. Laws, 1927, pp. 60-70.

⁷ U. S. Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 91.

⁸ Ga. Laws, 1925, pp. 63-64.

⁹ *Ibid.*, 1927, pp. 103-104.

¹⁰ Constitution, Art. VII, sec. 2, par. 3; quoted from Ga. Sch. Code, 1923, p. 5.

¹¹ Ga. Compt. Gen., An. Rept., 1925, p. 14.

proceeds being retained by the State and part being returned to the counties for the benefit of roads.

By an act passed in 1923 the tax on gasoline was fixed at 3 cents per gallon. The law further provided that the proceeds from 1 cent of such tax shall be credited to the State-aid road fund, the proceeds from 1 cent shall be returned to the counties for the benefit of roads, and the proceeds from the remaining 1 cent shall be credited to the State general fund for the purpose of reimbursing the general fund for the loss of moneys usually derived from the rental of the State-owned Western Atlantic Railroad.¹² For the purpose of placing in the treasury considerable funds the legislature of 1921 ordered the rental warrants of the railroad discounted for a period of five years ending December, 1926.¹³

The legislature of 1925 increased the rate of the gasoline tax to $3\frac{1}{2}$ cents per gallon and provided that the proceeds of the additional one-half cent be credited to the State-aid road fund.¹⁴ In 1927 the rate was increased to 4 cents, and it was provided that the proceeds of the additional half cent shall be credited to the State equalization school fund. Under the present law the proceeds of the State tax on gasoline is allocated as follows: Proceeds of $2\frac{1}{2}$ cents per gallon credited to State-aid road fund; proceeds of 1 cent per gallon to counties for benefit of roads; proceeds of one-half cent per gallon to State school equalization fund.¹⁵ The act of 1927 just cited provides that the proceeds of a tax of 1 cent on each gallon of kerosene shall also be credited to the State equalization school fund.¹⁶

Business, occupational, professional, and miscellaneous license taxes and fees.—The number of occupations, professions, and business activities upon which the State levies license taxes and fees is so great as to preclude any detailed description of them. A few of the most important are listed in Table 1. The proceeds of such taxes and fees are credited in part to the general fund and in part allocated to specified purposes. We may now turn to a consideration of the receipts derived from these various sources.

¹² Ga. Laws, 1923, pp. 41-44. The annual rental of this railroad has been for a number of years \$540,000.

¹³ Compt. Gen., An. Rept., 1926, p. 4. The legislature in the extraordinary session of March, 1926, directed the governor to discount the rental of the railroad for a period of 8 years, 1928 to 1935, inclusive, in order to meet the obligations to Confederate soldiers and their widows for pensions due and unpaid for the years 1922-1925, inclusive. (Ibid., p. 5.)

¹⁴ Ga. Laws, 1925, p. 65, sec. 1.

¹⁵ Ibid., 1927, p. 106.

¹⁶ Ibid., p. 106, sec. 2A.

TABLE 1.—Source analysis of Georgia State treasury receipts, 1926¹

Source	Amount	Per cent
General property taxes (current, delinquent, solvent, and penalties).....	\$5,706,424.06	23.8
Corporation taxes:		
General property.....	1,001,915.78	4.2
Insurance companies (on gross premiums).....	759,366.84	3.2
Occupation tax (on capital stock).....	372,924.43	1.6
Inheritance taxes.....	160,770.63	.7
Poll tax (current and insolvent).....	313,514.48	1.3
Cigar and cigarette stamp tax.....	868,376.86	3.6
Motor fuel taxes:		
State-aid road fund (1½ cents).....	2,334,188.64	
Counties (1 cent).....	1,556,418.56	
General fund (1 cent).....	1,556,418.56	
Total.....	5,447,025.76	22.8
Fees:		
Motor vehicle.....	3,378,979.41	
Fertilizers.....	240,307.04	
Pure food.....	66,875.05	
Oil.....	803,250.03	
Insurance companies.....	66,375.00	
Insurance agents.....	65,437.50	
Public Service Commission.....	41,889.89	
Miscellaneous.....	508,929.98	
Total.....	5,172,543.93	21.6
Refunds.....	105,356.26	.4
Interest.....	55,229.55	.2
Rental, Western & Atlantic Railroad.....	540,000.00	2.3
Miscellaneous rentals and sales.....	32,977.87	.1
Sale of Western & Atlantic Railroad rental warrants.....	3,169,395.00	13.2
Sale of refunding bonds.....	228,635.16	1.0
Total receipts.....	23,934,457.51	100.0

¹ Compiled from Ga. State Treas., An. Rept., 1923, pp. 9-12.

State School Funds

Georgia maintains the following three State funds for the support of free common schools: (1) Common-school fund; (2) vocational-education fund; (3) State equalization school fund.

No permanent common-school fund.—Georgia is the only State in the Union which, at the present time, maintains no permanent State endowment for the benefit of common schools.¹⁷

Common-school fund.—The constitution of Georgia provides that revenue from the following five sources shall be set aside for and devoted to the support of common schools: (1) Any education fund now belonging to the State, and the proceeds of the following State taxes: (2) Poll taxes; (3) taxes on shows and exhibitions; (4) taxes on the sale of spirituous and malt liquors; (5) any commutation tax for military service; (6) taxes on domestic animals destructive to other property.¹⁸ In making the annual appropriation for the State school fund the above sources of revenue are taken into account.

¹⁷ In 1817 Georgia provided for a permanent common-school fund. In 1840 the free-school fund possessed a principal estimated at \$1,100,000. All permanent school funds were lost during the Civil War. See F. H. Swift, *A History of Public Permanent Common School Funds in the United States*, pp. 247-250.

¹⁸ Ga. Constitution, Art. XVIII, sec. 3, sec. 6, par. 1, quoted from Ga. Sch. Code, 1923, p. 5.

Table 2 presents an analysis showing the sources furnishing the moneys composing the legislative appropriation for common schools for the year 1926.

TABLE 2.—Source analysis of appropriations for common schools, 1926¹

Source	Amount ²	Per cent
Poll tax.....	\$379,245	7.6
Show tax.....	11,334	.2
Hotel Patton (one-half rental).....	4,170	.1
Dividends (stock owned by State).....	2,410	
Total from fixed sources.....	397,159	7.9
General tax.....	4,606,041	92.1
Total.....	\$5,003,200	100.0

¹ Ga. Compt. Gen. An. Rept., 1925, p. 8.

² Estimated for purposes of making appropriation.

³ Item agrees with appropriation of general assembly for 1926. Ga. Laws, 1925, p. 13.

Diversion of State school funds alleged.—The constitutional provision which sets aside as a State school fund moneys derived from the six sources named above was superseded by the law quoted in the opening paragraph of this chapter, which required that 50 per cent of all State revenues shall be used for the support of common schools. Former State superintendent of public instruction, Hon. Fort E. Land, claims that the State law has not been complied with, and in support of his claim presents a table showing that the receipts of the State treasury increased from \$7,686,445.10 in 1918 to \$23,934,457.51 in 1926. If the law in force January 1, 1922 was still in effect in relation to all receipts, the common schools in 1926 would have received nearly 12 million dollars.

Instead, the State appropriation amounted to only \$5,003,200. The data presented by Superintendent Land show that the percentage which the appropriation for public schools is of the total treasury receipts decreased during the period 1918 to 1926 from 42 per cent of the total receipts to 21 per cent.¹⁹ This failure to set aside for the benefit of common schools one-half the total State receipts is the result of the practice of the legislature of allocating the revenues derived from certain taxes and fees in part or in toto to definite projects and departments. Such specially allocated revenues are not treated as a part "of all revenues received by the State," because they are set apart and not considered with the estimated revenue in making the appropriations for common schools. Nevertheless, the comptroller general estimates the revenue for 1926 as \$11,546,083,²⁰ and the amount appropriated, namely, \$5,003,200, would approximate 50 per cent of this estimated revenue.

¹⁹ Ga. Dept. of Ed.; Bienn. Rept., 1924-1926, p. 11.

²⁰ Ga. Compt. Gen., An. Rept., 1925, p. 7.

Vocational education fund.—Moneys for the State vocational education fund are provided by annual legislative appropriations. Such appropriations are paid from the State general fund, the sources of which have been already described. The legislature appropriated \$60,000 per annum for each of the years 1926 and 1927.²¹

State equalization school fund.—In 1926 the legislature at its extra session passed an act requiring that the general assembly shall provide, in addition to the regular school fund, an equalization fund, which shall be disbursed by the State board of education for the purpose of more nearly equalizing the educational opportunities of the children of the several counties of the State.²² At the time of the passage of this act the legislature failed to provide any funds to be credited to the State equalization school fund, but in 1927 at its regular session the legislature provided for an appropriation of \$6,003,200 for the support and maintenance of the common schools of the State for each of the years 1927 to 1929.²³ The act further provides—

that \$1,000,000 of said fund shall be appropriated and devoted to the creation of an equalization fund to be used as provided by an act approved March 13, 1926, and there shall be applied on said equalization fund as a credit the gasoline tax and kerosene tax allocated by law to such fund.²⁴ And any sum derived from said tax in addition to or in excess of said \$1,000,000 is hereby appropriated and shall be applied as an addition to said \$1,000,000 equalization fund.²⁵

Apportionment of State School Funds

Before entering upon a description of the methods Georgia employs in apportioning her State school funds it will be well to attempt to determine the relative importance of each. This is shown in Table 3.

TABLE 3.—Relative importance of Georgia State public-school funds, 1928

Fund	Amount ¹	Per cent
Common-school fund.....	\$5,003,200.00	81.6
Equalization school fund.....	1,000,000.00	16.3
Vocational-education fund.....	125,000.00	2.1
Total.....	\$6,128,200.00	100.0

¹ Ga. Laws, 1927, pp. 16-17

Vocational-education fund.—The methods of apportioning vocational-education funds are largely determined by the Federal Smith-

²¹ Ga. Laws, 1925, p. 13.

²² Ga. State Sch. Items, Apr. 15, 1926, p. 11.

²³ It will be noted that this amount (\$6,003,200) is exactly \$1,000,000 more than the amount appropriated for 1926. (See Table 2.)

²⁴ I. e., the proceeds of a tax of one-half cent per gallon on gasoline and 1 cent per gallon on kerosene.

²⁵ Ga. Laws, 1927, pp. 16-17.

Hughes Act and the Rules and Regulations of the Federal Board for Vocational Education.

Common-school fund.—Prior to making any apportionment of the common-school fund among the counties and local school systems of the State, deductions are made for the following specific purposes: (1) To aid consolidated and high-school districts; (2) for the support of the State department; (3) for teacher institutes. After these three deductions, totaling approximately \$370,000 (see below) have been made, the balance of the common-school fund is apportioned annually by the State school superintendent "to the different counties and independent local systems of the State upon the basis of the aggregate of children between 6 and 18 years of age, inclusive, in each county."²⁶

Requirements.—Only one requirement must be met for participation in the common-school fund, namely, that the county shall have made arrangements "by taxation or otherwise, for continuing the common schools free to all, for at least six months in the year, throughout the entire county."²⁷

Deductions for aid to consolidated and high-school districts.—The general assembly for 1925 passed an act which repealed all previous laws designed to provide State aid for the establishment and maintenance of consolidated schools. The act of 1925 provided that the State superintendent of schools shall set aside for the year 1926 and the years to follow, \$300,000 to aid in the establishment and maintenance of consolidated schools.

The law provides that the sum for this purpose shall be taken from the proceeds of State poll taxes.²⁸ Since the State constitution devotes the proceeds of all State poll taxes to the common-school fund, the law of 1925 under discussion provides in effect for deducting \$300,000 from the common-school fund before it is apportioned among the counties and local school systems on a school census basis.

When the board of education of any county combines small school units into a standard or approved consolidated school, with at least four teachers, and when satisfactory evidence has been presented to the State superintendent of schools, showing that such consolidated school is in need of additional State aid, there is allowed to such school the sum of \$500 annually.

If, in addition, the local school authorities provide for an approved or standard 4-year high school and satisfactory evidence is presented to the State superintendent of schools that such high school is in need of aid, there is allowed \$1,000 annually for the support of

²⁶ Ga. Sch. Code, 1923, p. 24, sec. 63.

²⁷ Ibid, pp. 38-39, sec. 112.

²⁸ Ga. Laws, 1925, p. 147.

such high school. The funds thus paid for benefit of consolidated schools and high schools shall be used exclusively for the payment of salaries of a principal and teachers.²⁹

Deductions for State department.—The expenses of the State department of education are met by moneys deducted from the common-school fund prior to its distribution. These deductions amounted for the year 1926 to approximately \$50,000.³⁰

Deductions for teacher institutes.—The annual appropriation law provides for deductions from the common-school fund to be devoted to the costs of conducting teacher institutes. The annual appropriation provided for this purpose in 1926 amounted to \$20,000.³¹

State equalization fund.—The State equalization fund owes its origin to an act passed in 1926, which provided that the general assembly shall provide an equalization fund. The general assembly of 1927 provided for the years 1928 and 1929, as a State equalization school fund, an appropriation of \$1,000,000.

The law reads in part:

The State board of education in its distribution of said equalization fund to county boards of education for the purpose of equalizing educational opportunities as between the several counties, shall take into consideration the possible returns from taxable values for school purposes, the extent to which local tax aid has been utilized, the educational needs, and the local inequalities existing in the several counties.³²

Apportionment of equalization fund.—The plan for apportioning the State equalization fund of \$1,000,000, adopted by the State board of education upon the recommendation of State Superintendent M. L. Duggan, provides that this fund shall be distributed among the counties and independent systems of the State on the basis of their relative financial ability and educational need.

The educational need is measured in terms of teacher units, to each of which is assigned a fixed amount or allowance. The number of teacher units is determined by dividing the average daily attendance by 30, except in a county in which the average daily attendance is 1.5 children or less per square mile. In such a county the number of teacher units is determined by dividing the average daily attendance of the county by 25. An allowance of \$600 is made for each teacher unit.

Financial ability is a term used to designate the current revenues available for the support of public schools from all sources, State and local, other than the State equalization fund, after having set aside

²⁹ Ga. Laws, 1925, pp. 147-148.

³⁰ Ga. Comptroller General, An. Rep., 1926, pp. 220-229.

³¹ Ga. Laws, 1925, p. 13.

³² Quoted from Ga. State Sch. Items, Apr. 15, 1926, p. 11.

from such revenues \$2,000 annually to pay the costs of the administration of schools within the county. More definitely the financial ability is determined by adding to the county apportionment from the State general school fund the proceeds of a county 5-mill general property tax and subtracting from this sum \$2,000, which shall be used to pay the costs of the administration of schools within the county.

Any excess of educational need over financial ability, determined according to the procedure set forth in the preceding paragraphs, shall be paid by the State from the State equalization school fund, provided that no county, together with independent system or systems included within such county, shall receive more than \$10,000, and provided further that no participating county shall receive less than \$1,000.

Requirements.—In order to share in the equalization fund local school corporations, districts, or independent systems must levy a general property tax upon all real, personal, and corporate property of not less than 5 mills, and must maintain schools not less than seven months.³³

³³ Based upon statement furnished to the authors by Dr. Gordon G. Singleton, Director of Information and Statistics, Ga. State Dept. of Educ. The plan as described by Doctor Singleton differs in certain details from that quoted by H. Reed Hunter. See Georgia's Plan for Distribution of Her Equalization School Fund, American School Board Journal, March, 1928, p. 40.

CHAPTER X

IDAHO

State taxes levied.—Idaho levies no State income tax and no poll tax, the right to levy the latter being reserved to the counties. The most important types of State taxes levied are: (1) An ad valorem or general property tax; (2) inheritance taxes; (3) corporation license taxes; and (4) a considerable number of business, occupational, professional, and miscellaneous taxes and fees.

Idaho State school funds.—The only State current funds employed for the benefit of public schools in Idaho are the public-school fund, derived from the income of securities and lands belonging to the public-school endowment fund,¹ and two annual appropriations payable from the general fund of the State, namely, an appropriation for the support and maintenance of the board of education and an appropriation to provide the State's share of the fund required to match the Federal Smith-Hughes subvention for vocational education. In the year 1925-26 the former of these two appropriations amounted to \$63,445 and the latter to \$25,000.²

No State school tax.—Idaho levies no State tax specifically for schools, gives the schools no prior claim on the proceeds of any State tax, nor creates any school fund from the proceeds of State taxes. The two appropriations referred to in the preceding paragraph are too small to warrant any attempt to determine the extent to which they might be regarded as being derived from proceeds of State taxes.

Although no State taxes are collected for the support of public schools, the law providing for the apportionment of the income of the public-school endowment fund provides that State taxes collected for the support of public schools shall be apportioned together with and in the same manner as the income from the State school fund.³

In Idaho, as in California, the State current fund is first apportioned among the counties and then by the counties among the dis-

¹ Idaho State Aud. Bien. Rept., 1924-1926, p. 34.

² Ibid., pp. 58 and 68. Computed.

³ The use here of the term "State school fund" illustrates the confusion which exists in the laws and State documents of Idaho with respect to the title of the State permanent public-school fund and its income. The fund, which in the reports of the State treasurer and State auditor is entitled "The Public-School Endowment Fund" in the Constitution and Laws is given the title of Public-school Fund or State School Fund.

tricts, together with county school funds. In both States the method by which quotas of the State school fund are apportioned by the counties among the districts differs from the method employed by the State in apportioning it among the counties.

State apportionment of public-school fund among counties.—The current public-school fund of Idaho is apportioned semiannually among the counties of the State from which the reports required by law have been received by the superintendent of public instruction, on the basis of the last school census of each county.⁴

Apportionment of county school fund including public-school fund.—The county school fund of each county consists of the county's quota of the State public-school fund, together with the school moneys derived from county sources. In apportioning this county school fund, four types of quotas are provided: (1) Teacher grants; (2) school census quotas; (3) equalization fund; (4) rural high-school quotas. The county superintendent apportions quarterly each year the public-school moneys, both State and county, among the several school districts within the county in the manner described in the immediately following paragraphs.⁵

Teacher grants.—Forty per cent of the public-school moneys he apportions among the districts in proportion to the number of teachers regularly employed by each district.

School census.—Forty per cent he apportions among the districts on the basis of the number of children in each district as shown by the last school census, provided, that no district shall be considered as having fewer than 15 pupils for the purpose of apportioning school moneys.

Equalization fund.—Seventeen per cent, or so much thereof as is needed, shall be apportioned for the relief of common and joint common school districts which having levied a special tax of 10 mills have not sufficient funds including their regular apportionment to maintain school for the full legal term. Judgment as to the needs of such districts rests with the county superintendent with the concurrence of the board of county commissioners.

Rural high schools' supplementary aid.—Three per cent of the whole amount, or so much thereof as is needed, the county superintendent shall apportion among approved rural high and joint rural high-school districts in proportion to the number of teachers regularly employed in such high-school work, provided that the annual amount apportioned to any such rural high school shall not exceed the sum of \$300 for each teacher employed in addition to its share of the first apportionment of 40 per cent as above provided for.

⁴ Idaho Compiled Statutes, sec. 907; Idaho Sch. Laws, 1927, pp. 64-65, sec. 108.

⁵ Ibid., sec. 908; Idaho Sch. Laws, 1927, pp. 65-66, sec. 109.

Balance on school-census basis.—Any amount remaining after the above apportionments have been made shall be apportioned among the districts in proportion to the last school census, provided any joint district or joint rural high-school district shall receive from each county, in which it lies, for every teacher such portion of a teacher's share as the school census of the part of the joint district which lies in said county bears to the whole census of the joint district.

CHAPTER XI

ILLINOIS

Types of Taxes Levied

Illinois levies the following five types of State taxes: (1) General property tax; (2) inheritance tax; (3) corporation tax; (4) business, occupational, professional, and miscellaneous license taxes and fees; and (5) motor-fuel (gasoline) tax. Illinois levies no State income tax. Bills presented to both houses of the legislature of 1927 providing for State income tax, the proceeds to be credited to the State school fund, failed to pass.¹ The power to levy a poll tax for roads is granted to the towns.²

General property tax.—The State levies general property taxes on the equalized assessed valuation of all real and personal property in the State not specifically exempted by law. Such taxes are levied and collected for specific funds and are described in Table 1.

TABLE 1.—*Analysis of Illinois State general property tax, 1925-26*¹

Fund	Amount	Per cent
State general revenue fund.....	\$13,233,901.25	42.9
State school fund.....	9,106,178.51	29.7
University of Illinois fund.....	2,885,321.97	9.3
Waterway bond fund.....	1,154,128.80	3.7
Soldiers' compensation fund.....	4,463,542.22	14.4
Total.....	30,843,072.75	100.0

¹ Ill. State Treas. Rept. 1926, pp. 7-13.

Inheritance tax.—Illinois levies a State graduated inheritance tax, the rates varying from 2 to 30 per cent.³

Corporation taxes.—Corporations are taxed for the most part under the State general property tax. Revenues from State corporation taxes as such are all relatively of little importance, except from insurance companies and the Illinois Central Railroad which pays as a State tax 7 per cent of its gross earnings. This tax represents a

¹ The Illinois Teacher, 16:30, September, 1927.

² Bureau of the Census, Digest of State Laws Relating to Taxation and Revenue, pp. 100 and 112.

³ Ibid., p. 109.

return for State lands and for certain privileges granted to the railroad as well as a tax in the usual sense of the term. No other tax is levied on this corporation. Insurance companies are taxed on gross receipts from business done within the State.⁴

Business, occupational, professional, and miscellaneous license fees and taxes.—Taxes and fees of the types indicated in the heading of the present paragraph are imposed by the State upon certain business activities for different services and privileges accorded by the State.⁵

Motor fuel.—An act providing for a new levy of 2 cents per gallon on all motor fuel was passed by the legislature of 1927 and is now in effect. This tax will not be considered further in the present account, since the entire proceeds are credited to the State road fund.⁶

Disposition of State tax proceeds.—The proceeds of all the foregoing State taxes except the motor fuel tax are credited in part or in toto to the State general revenue fund. Table 2 shows the amount and per cent of the general revenue fund derived from each type or class of State taxes for the year 1925-26.

TABLE 2.—Analysis of State general revenue fund, 1925-26

Source	Amount ¹	Per cent
General property tax.....	\$13,233,901.25	35.8
Departments (license taxes and fees).....	6,117,708.30	16.6
Tax on insurance companies.....	7,365,278.63	19.9
Illinois Central Railroad Co. tax.....	3,232,113.02	8.8
Inheritance tax.....	6,067,082.04	18.9
Miscellaneous.....	6,904.14	(4)
Total State general fund.....	36,072,988.28	100.0

¹ Ill. State Treas. Rept. 1926, pp. 7-12. The total given in Table 2 does not agree with that given in the State treasurer's report. The treasurer's report includes Federal subventions for colleges of agriculture and Federal aid to "State of Territorial homes." Obviously such items do not belong in Table 2.

⁴ Negligible.

It appears that 83.4 per cent of the general revenue fund is derived from the proceeds of State taxes as follows: 35.8 per cent from general property taxes; 28.7 from taxes on insurance companies and the Illinois Central Railroad; 18.9 from inheritance taxes, the remaining 16.6 per cent being derived from revenues which are in part taxes and in part fees. The total State general fund presented in Table 2 is not the total State revenue, but only the revenue collected for the State general revenue fund, from which certain appropriations are made for educational purposes.

⁵ Bureau of the Census, Digest of State Laws Relating to Taxation and Revenue, p. 110.

⁶ Ibid.

⁷ Laws of Ill., 1927, p. 759.

State School Funds

Illinois maintains the following five State public school funds: (1) School fund proper; (2) surplus revenue fund; (3) common school fund; (4) vocational education fund; (5) Kaskaskia Commons permanent school fund.⁷

School fund proper.—This fund, frequently called the 3 per cent fund, was created in the year 1818 by a constitutional ordinance which set aside as a State permanent common-school fund 3 per cent of the net proceeds accruing to the State from the sales of Federal lands lying within the State, one-sixth part excepted.⁸

Surplus revenue fund.—By an act passed March 4, 1837, Illinois set aside as a State public-school endowment fund \$335,592.32 from her share of the United States surplus revenue distributed in accordance with the provisions of an act of Congress approved June 23, 1836.

The school fund proper and the surplus revenue funds exist to-day only as State debts on which the State pays annual interest at the rate of 6 per cent and amounting to \$57,000 per year. This sum is paid by an appropriation from the State general revenue fund, added to the common-school fund and distributed as a part of the same.⁹

Common school fund.—Common school fund is the title provided by law to designate the total current school fund derived from all fixed State sources. In the reports of the superintendent of public instruction and elsewhere the common school fund is designated by various titles such as the State common school fund, distributive fund, State distributive fund, and common school distributive fund.

State school tax.—The law establishing the common-school fund provides that this fund "shall consist, until otherwise provided by law, of the proceeds of a two-thirds of 1-mill tax, levied annually upon each dollar of equalized assessed value of all the property in the State," and the income from the school fund proper and of the surplus revenue fund.¹⁰

In 1873 Illinois adopted the policy of making biennial appropriations of fixed amount, in lieu of levying the State 2-mill school tax provided by law. However, the adoption of this policy did not do away with a State tax to provide school revenue, for on the same day the act of 1873 appropriating \$1,000,000 a year was passed,

⁷ This fund is technically a State fund. However, as its income belongs exclusively to three districts in Randolph County, it will be excluded from further consideration here. For an account of this fund see F. H. Swift, *Studies in Public-School Finance—The Middle West*, pp. 7-10.

⁸ For a more complete account of the origin of this fund and of the surplus revenue fund, see F. H. Swift, *A History of Public Permanent Common School Funds in the United States*, pp. 254-258.

⁹ *Laws of Ill.*, 1927, p. 830.

¹⁰ *Ibid.*, p. 830, sec. 210.

another act was passed providing for an annual State general property tax of a rate sufficient to produce \$1,000,000 per year, the proceeds of which were to be designated the State school fund.

From 1873 to 1927 each successive legislature has pursued the same policy; that is, first appropriating a fixed amount and then levying of a State tax sufficient to produce the same.¹¹ The annual appropriation at present substituted for the State mill tax amounts to \$8,000,000.¹²

Reference to Table 1 will show that the amount credited to the State school fund from the proceeds of the State general property tax in 1925-26 exceeded by over \$1,000,000 the amount appropriated by the legislature, a fact which lends further support to the contention that in actual practice Illinois has never discontinued her policy of levying a State school tax.

Vocational education fund.—Federal subventions granted under the Smith-Hughes Act for vocational education are apportioned in accordance with the provisions of the Federal Board for Vocational Education. They will, therefore, receive no consideration in the present account.

State funds for vocational education are provided by a special appropriation from the State general revenue fund. This fund is the source of all educational appropriations, except the \$8,000,000 provided as already explained by a special State general property tax. The appropriations for the biennium 1925-27 benefiting public elementary and secondary schools are presented in Table 3.

TABLE 3.—*Illinois general revenue fund as a source of public-school biennial appropriations, 1925-1927*¹

Purpose	Amount
Interest on permanent funds	\$114, 000
Superintendent of public instruction salary	15, 000
General expense	183, 840
Printing	47, 500
Board of education for the blind	12, 000
Aid to districts in education of deaf, blind, and delinquent children	447, 160
Aid to districts in education of crippled children	200, 000
Vocational education	534, 728
Total appropriation for the biennium	1, 559, 228
Total appropriation for each year (computed)	779, 614

¹ Laws of Illinois, 1925, pp. 23, 85, 100, 149, 151, and 158.

Summary.—The total revenue for public schools provided by the State for the year 1925-26 amounted to \$9,895,793. Of this total, 92 per cent was derived from the State general property tax levied to provide the annual appropriation of \$8,000,000. Eight-tenths of 1 per cent was interest paid from the general revenue fund on the

¹¹ F. H. Swift, *Studies in Public-School Finance—The Middle West*, p. 11.

¹² Laws of Ill., 1927, p. 40.

State debt to the school fund proper and the surplus revenue fund. The remaining 7.2 per cent represents all other State school appropriations. In the last analysis all State school revenues in Illinois are derived from State taxes. These facts are succinctly shown in Table 4.

TABLE 4.—State taxes as sources of Illinois State public-school funds, 1925-26

Fund	Amount	Per cent of total State aid	Source or fund from which paid	Per cent of source derived from State taxes
State school fund.....	\$9,106,179	92.0	General property tax.....	100
Interest on State permanent school fund.....	57,000	.8	General revenue fund.....	100
All other appropriations.....	722,614	7.2	.....do.....	100
Total.....	9,895,793	100.0		

Apportionment of State School Funds

All current State school revenues, subject to apportionment, are credited to the common-school fund from which they are distributed as provided by law.¹³ Twice within four years, Illinois has completely changed the basis of apportioning her common-school fund. In 1923 a law was enacted changing the method of apportioning the major portion of the common-school fund from the long employed and thoroughly unsatisfactory basis of minor population to a complicated basis involving teacher-school-days, district property valuation, teacher training, and pupil attendance.¹⁴

This new method, which rewarded districts for maintaining long school terms and for employing well-trained teachers, was found to favor the wealthier districts. As a result, the 1927 legislature passed a law providing for an entirely different method of apportionment. This law, which will go into effect July 1, 1928, forms the basis of the following discussion.¹⁵

Annually, on the first Monday in January, the auditor of public accounts apportions the common-school fund as follows:

First, he sets aside the amounts required for the three following specific purposes:

1. An amount equal to one-tenth of 1 mill upon each dollar of the assessed valuation of all taxable property in the State is set aside for the maintenance and administration of State, city, and district pension and retirement funds.

¹³ Laws of Ill., 1927, p. 830.

¹⁴ Sch. Law of Ill., 1925, pp. 93-95.

¹⁵ Laws of Ill., 1927, pp. 834-839. Since the following account of the method of apportioning the State common-school fund is based entirely upon the pages cited, it has been deemed unnecessary in the following paragraphs to give citations referring to subdivisions.

2. An amount is set aside sufficient to meet the State's obligation for the salaries of county superintendents of schools.

3. When any State institution is located in a school district having fewer than 1,000 inhabitants, and the State owns one-eighth or more of the total land area of such district, and pupils who are members of families employed in such institutions attend the public school in said district, there is set aside from the common-school fund, to be paid to the board of directors of said school district, an amount equal to the sum which said land, owned by the State, would be required to pay in taxes, if privately owned, based upon the tax rate for school purposes in said district. The law provides similar reimbursements to districts to compensate them for being deprived of the proceeds of local taxes on State-owned improvements, switch tracks, and rolling stock with an equalized value of \$15,000 or more.

After the above amounts have been set aside, the balance of the common-school fund is then apportioned to the counties, for the benefit of the several districts therein, on the following basis: First, the sum of \$9 is apportioned for each pupil in average daily attendance. Average daily attendance is computed *in a 1-teacher school* by dividing the total aggregate days of attendance by the actual number of days school is in session; and *in schools of two or more teachers*, or in schools where records of attendance are kept by session teachers, by taking the sum of the respective averages of the units composing the group. Days of attendance are counted only for sessions of not less than four clock-hours class-time work per day, with pupils between the ages of 6 and 21 years, and in grades 1 to 8, inclusive. It is provided that any district shall be allowed at least 18 pupils in average daily attendance per full-time elementary school-teacher.

Second, a school district, which levies for educational purposes at least the maximum rate allowed by law, is entitled in addition to the apportionments based on average daily attendance, to such equalization quotas as are necessary to supplement the computed yield of the maximum educational tax rate allowed by law so as to produce the larger of the following sums: (1) The sum of \$25 for each pupil in average daily attendance, or (2) the sum of \$850 for each full-time elementary school-teacher.

The law distinctly provides that in case the money in the common-school fund available for distribution is greater or less than the amount required to meet the provisions of the law, the fund shall be prorated among the counties. State school funds are apportioned to the counties and county funds are distributed to the townships on exactly the same basis.¹⁰

¹⁰ Sch. Law of Ill., 1925, p. 10.

CHAPTER XII

INDIANA

Type of State taxes levied.—By an act approved March 9, 1925, Indiana reduced the number of State tax funds to six. The classes of State taxes and fees levied by the State at the present time include corporation taxes, taxes and fees levied on certain specified business activities, occupations and professions, fees paid to State officials for services rendered or records made and paid into the State treasury, a graduated inheritance tax, a gasoline tax, poll taxes, and general property taxes.¹ The only State taxes which contribute directly or indirectly to the support of public schools are a State general property tax of 0.7 of 1 mill, a 50-cent poll tax, and certain license taxes and fees levied on specified corporations, business activities, and professions.

All corporations are taxed under the general property law, but special State corporation taxes are levied upon certain classes of corporations including insurance companies, bridge and ferry companies, navigation companies, and joint-stock companies.²

In addition to the 50-cent poll tax for the benefit of schools, the State levies a poll-tax of \$1, the proceeds of which are credited to the general fund.

The State imposes a gasoline license fee or tax of 3 cents per gallon or fraction of a gallon. The proceeds are divided between the counties and the State highway fund as follows: Proceeds of 2 cents go to the State highway fund and of 1 cent to counties, cities, and towns; of this latter 1 cent, three-fourths to county and one-fourth to cities and towns.³

An act of March 9, 1925, provides that all revenue accruing to the State treasurer, except that derived from certain State general property taxes about to be specified, shall be paid into and constitute the general fund.⁴ This act in effect repealed the State general property tax of one-half of 1 cent on each \$100 formerly levied for vocational education, but continued the following general property taxes: Gen-

¹ U. S. Census Bu. Digest of State Laws Relating to Taxation and Revenue, 1922, pp. 114-119; Laws of the State of Ind., 1925 and 1927.

² U. S. Census Bu. Digest of State Laws Relating to Taxation and Revenue, 1922, pp. 117-118, secs. 9 and 10.

³ Information furnished July 6, 1928, by State Tax Commissioner Phillip Zoercher.

⁴ Laws of the State of Ind., 1925, ch. 79, pp. 238-242.

eral property tax levied for: (1) The State general fund; (2) common-school fund; (3) teacher-retirement fund; (4) one-fourth of 1 cent for State board of agriculture fund; (5) 0.06 of 1 mill to be levied annually 1920-1931, inclusive, for World War memorial fund; (6) 0.02 mill for the Dunes Park fund.⁵

In 1927 the legislature levied a general property tax of 0.02 mill to provide a building and improvement fund for the benefit of Indiana University, Purdue University, Indiana State Normal School at Terre Haute, Indiana, State Normal School, Ball Teachers College, eastern division, Muncie, the proceeds of the tax to be distributed among the institutions named on a percentage basis.⁶

The rate of the general property tax to be levied for the benefit of the general fund is determined annually by the State board of tax commissioners with the approval of the governor and the auditor, such rate being based upon the amount of money required to be produced by this means.⁷ The rate provided in 1927 was 0.05 of 1 mill.⁸

The tax levied for the Indiana State teachers' retirement annuity system, as will be explained later in the section of this chapter devoted to State school funds, is determined annually on an actuarial basis.

State School Funds

Indiana maintains four State funds for the benefit of the public schools: The congressional township fund, the permanent common-school fund, a current common-school fund, and the relief fund. Of these four funds, only the last two derive revenue from State taxes. Nevertheless, in view of the fact that the income of the permanent common-school fund is combined with the proceeds of taxes to form the current common-school fund, it seems best to present a brief statement regarding each of these four funds.

Congressional township fund.—The congressional township fund is a permanent endowment fund derived chiefly from the proceeds of the sales of the lands included in the sixteenth section of every congressional township granted to the State upon its admission into the Union. The principal of this fund is distributed among the counties and managed by the county auditors, who loan the fund at 6 per cent on mortgaged real estate within the county. The income is paid to the towns within the county on the basis of their original ownership.⁹

⁵ Laws of the State of Ind., 1921, pp. 752-55, ch. 256, sec. 4; *ibid.*, 1923, pp. 21-22, ch. 6, sec. 3; *ibid.*, 1925, p. 239, ch. 79, sec. 2; *ibid.*, 1925, pp. 273-75, ch. 102.

⁶ *Ibid.*, 1927, pp. 245-247, ch. 94.

⁷ *Ibid.*, 1925, p. 240, ch. 79, sec. 3.

⁸ *Ibid.*, 1927, pp. 145-146, ch. 55.

⁹ Ind. Dept. of Pub. Instr., An. Rept., 1925-26, p. 40; F. H. Swift, *A History of Public Permanent Common School Funds in the United States*, p. 266.

The only possible sources by which the principal of the congressional township fund may be increased are: (1) Wise investment, and (2) the proceeds of the sales of unsold sixteenth-section lands situated in five counties. The estimated value of these lands is \$34,954.¹⁰

Permanent common-school fund.—The permanent common-school fund was established in 1852 by the consolidation of several already existing funds, namely, (1) United States surplus revenue fund distributed in 1837; (2) the bank-tax fund; (3) the saline fund; (4) the county seminary fund; (5) delinquent-tax fund; and (6) sinking fund. Provision for taxes on corporations was made by the constitution of 1851, but a study by the writer in 1905 showed that up to that time taxes on corporations had added nothing to the principal of this fund,¹¹ and, so far as can be ascertained, no additions from this source have been made since. The only sources reported as contributing to the principal of this fund at present are: (1) Unclaimed estates, (2) the proceeds of State and swamp lands, (3) fines and forfeitures, (4) the hydrophobia fund, and (5) the proceeds of the sales of automobiles confiscated in the enforcement of the prohibition law.¹²

The sources reported by the auditor as contributing to the increase of the principal of the permanent common-school fund during the year 1925-26, and the amounts derived from the same, were as follows:¹³

State and swamp lands.....	\$220, 743. 50
Transfer from hydrophobia fund.....	16, 380. 25
Unclaimed estates.....	2, 196. 58
Reclamation of State lands.....	334. 93
Total.....	239, 655. 28

The principal of the permanent common-school fund is managed and invested in the same manner as that of the congressional township fund, but the income, instead of being distributed among the townships, is credited, together with revenues derived from other sources, to the State current common-school fund.

Table 1 shows the condition of the permanent common-school fund and the congressional township fund at the close of the year 1925-26.

¹⁰ Ind. Dept. of Pub. Instr., An. Rept., 1925-26, p. 39.

¹¹ F. H. Swift, A History of Public Permanent Common School Funds in the United States, pp. 264-265.

¹² Ind. Dept. of Pub. Instr., An. Rept., 1925-26, pp. 39-40.

¹³ Ind. State Aud., An. Rept., 1925-26, p. 22.

TABLE 1.—Indiana permanent common-school funds, 1925-26¹

Fund	Principal	Interest
Congressional township fund.....	\$2,402,309.54	\$149,538.87
Common-school fund.....	13,927,699.85	835,661.99
Total.....	16,420,009.39	985,200.86

¹ Ind. Dept. of Pub. Instr., An. Rept., 1925-26, p. 39

Relief or State aid fund.—In compliance with an act passed in 1905, and beginning with the year 1906, Indiana has set aside a certain portion of the combined proceeds of the State poll tax and the State general property tax as a relief fund designed to grant aid to the poorer local school corporations.¹⁴

For the year 1905-6, \$75,000 was thus set aside as a relief fund. Beginning with the year 1907 and continuing to the present time, a definite percentage of the proceeds of State school taxes has been designated to be used as a relief fund, as follows: From 1906 to 1919, inclusive, 5.2 per cent; from 1920 to 1922, 8.2 per cent; since 1923, 30 per cent. The total relief fund available for distribution in the year 1924-25 amounted to \$1,183,345.60.¹⁵

Current common-school fund.—Although "common-school fund" is specifically provided by law as the title for the State permanent common-school fund, it is commonly employed in the laws and in State official reports to denote the annual current-fund derived from the interest on the State permanent common-school fund itself, the proceeds of license taxes on shows and certain other license fees, moneys paid as State penalties, and 70 per cent of the combined proceeds of the State 50-cent school poll tax and the State general property school tax of 0.7 of 1 mill.¹⁶

In order to distinguish this fund from the permanent fund it has seemed best in the present account to refer to it as the current common-school fund, although in the laws and official reports it is styled merely as the common-school fund. For the year 1925-26 the current common-school fund amounted to \$4,731,845.12.¹⁷

State Taxes as Sources of School Revenue

By constitutional provision or by legislative act, Indiana has provided that public schools shall receive aid from the following types

¹⁴ This fund is also referred to in official reports as the State-aid fund, or merely as State aid.

¹⁵ Ind. Dept. of Pub. Instr., An. Rept., 1925-26, p. 119, and information furnished July 6, 1928, by State Tax Commissioner Philip Zoercher.

¹⁶ Ind. Dept. of Pub. Instr., An. Rept., 1925-26, p. 49; Ind. Gen. Laws, 1921, ch. 201, sec. 1.

¹⁷ *Ibid.*

of State taxes: Corporation taxes, license taxes and fees, as well as the general property tax and poll tax already described.

Corporation taxes for schools.—The constitution of Indiana, Article VIII, section 2,¹⁸ provides that such taxes on the property of corporations as may be assessed by the general assembly for school purposes shall be devoted to the common-school fund, but it has been impossible to find any evidence that any corporation taxes are levied specifically for common-school purposes.¹⁹

License fees.—State license fees are levied on a long list of occupations, ranging from \$1 for a nurseryman to \$100 for brokers and certain others. Such license fees, as well as fees and license taxes levied upon certain professions, are collected by the county treasurer, mainly for the benefit of the State school fund. Of these fees, those which appear most conspicuously in State reports are show licenses.

In the year 1925-26 the proceeds of State fees and licenses devoted to the current common-school fund amounted to \$4,415.05,²⁰ which is one-tenth of 1 per cent of the total public-school revenues derived from State sources, excluding the congressional township fund.²¹

General property tax.—In 1925-26 the public schools of Indiana derived \$6,123,369.32 from State revenues. Of this amount, \$3,928,409.60, or 64.2 per cent, was derived from the proceeds of the State general property tax and the 50-cent poll tax, the latter contributing only a minor portion.²⁰

Indiana levies a State general property tax to meet her obligation to the State teachers' pension system. The proceeds of this tax do not, of course, accrue to the public schools, and will consequently be omitted from the final analysis of school revenues with which the present account will close. Nevertheless, in view of the fact that moneys provided for a well-established teachers' pension system become a continuing charge upon the public purse, and, further, in view of the fact that expenditures for such a system are justifiable in the last analysis, primarily because of the benefit accruing to the public schools and the pupils therein, it seems necessary to make at least a brief reference to the general property tax levied by the State to meet its obligations to retire teachers.

By an act passed in 1921 Indiana established a State teachers' retirement annuity system, under the terms of which the State pays to teachers retiring at 60 years of age, who have served at least 40 years,

¹⁸ Ind. Sch. Laws, 1923, p. 27.

¹⁹ This statement is made after a careful study of the Laws of Ind. and of the reports of the State auditor and the State treasurer.

²⁰ Ind. Dept. of Pub. Instr., An. Rept., 1925-26, p. 49.

²¹ As explained in a previous paragraph, the congressional township fund in Indiana is the property of the townships. It is not included in the statement of State public-school revenues presented in the report of the department of public instruction. Cf. Dept. of Pub. Instr., An. Rept., 1925-26, p. 49.

not less than three-sevenths of an annuity of \$700. The system thus established is supported in part by annual assessments levied upon the teachers as well as by State funds.

A law passed in 1921 provided that in the year 1922, and each year thereafter, there shall be levied a State general property tax of a rate sufficient to provide the necessary funds to cover the State actuarial liability upon the basis of actuarial investigation.²²

State taxes furnish all moneys credited to the State relief fund and 83 per cent of the current common-school fund. The importance of State taxes as a source of State school funds in Indiana is shown in Table 2, which presents an analysis of the public-school revenues furnished by the State in 1925-26.

TABLE 2.—Analysis of Indiana State public-school revenues, 1925-26, excluding congressional township fund¹

Item	Amount	Per cent of total
State school taxes:		
(1) General property tax, 0.7 mill	\$3,928,409.60	64.2
(2) Poll tax of 50 cents		
(3) Relief fund ² balance from previous year (30 per cent of items 1 and 2) ..	1,150,924.20	18.8
(4) General property tax for vocational education	240,600.00	3.9
(5) License taxes and fees	4,415.05	.1
Permanent common school fund interest	799,020.47	13.0
Total:	6,123,369.32	100.0

¹All numerical data in Table 1, unless otherwise specified, are taken from Ind. Dept. of Pub. Instr., An. Rept. 1925-26, p. 49.

²In all State reports the poll tax and general property tax are reported as one item.

³State aid is the term employed in most State reports to-day to designate the fund for which the laws provide the title "relief fund."

⁴This is the balance in the deficiency fund Aug. 1, 1925, reserved for State aid.

⁵This item is reported as "Taxes appropriated for vocational education."

⁶Includes unclaimed fees amounting to \$1,636.05 and license fees amounting to \$2,779.

⁷The permanent common-school fund principal amounted to \$13,927,699.85. (Dept. of Pub. Instr., An. Rept. 1925-26, p. 39.) Interest on this at the required rate of 6 per cent ought to have produced \$835,622. The amount given in the present table is that reported as paid to the current State common-school fund.

Apportionment of State Public-School Funds

Congressional township fund.—As indicated in an introductory paragraph, the congressional township fund belongs to the townships in which were situated the lands which constituted the original capital of this fund. No consideration of the method of apportioning the income of this fund would be included in the present account were it not for the fact that in apportioning the current common-school fund consideration is given to the amount of revenue each township will receive from the congressional township fund.

²²Gen. Laws of Ind., 1921, pp. 752-755, ch. 256, sec. 4; *ibid.*, 1925, p. 239, ch. 79, sec. 2.

*Current common-school fund.*²³—Thirty per cent of the proceeds of the State school taxes²⁴ are set aside as a relief fund for weak school districts. To the remaining 70 per cent of the proceeds of the State school taxes are added the moneys derived from the other sources devoted by law to the current common-school fund. These include the unexpended balance from the deficiency fund, interest on the permanent common-school fund, the proceeds of unclaimed fees, and certain other minor miscellaneous sources such as show licenses. This total sum is subject to whatever deductions are provided for in the Indiana State teachers' retirement law of 1915 and any other deductions provided by law.

After such deductions have been made, the balance is then apportioned semiannually by the State department of public instruction among the counties of the State on the basis of school enumeration—i. e., the number of children between the ages of 6 and 21. All moneys apportioned from this fund shall be used exclusively for "tuition," a term employed to designate teachers' wages.

The method of apportionment may be more definitely described as follows: An annual enumeration or census of all children between the ages of 6 and 21 is made in each school corporation. The major portion of the current common-school fund, as defined above, is divided by the aggregate enumeration or State school census. The quotient thus obtained becomes the quota to be apportioned among the counties for each school-census child. To each county is apportioned, therefore, an amount equal to the product of the State quota per enumerated child multiplied by a number representing the county school census. In 1925-26 the quota per child amounted to approximately \$5.39.

Deductions for congressional township fund quotas.—It is in the apportionment of the current common-school fund by the county auditor among local school corporations that consideration is given to the quotas which such school corporations will receive from the congressional township fund. In apportioning the county quota of the State common-school fund the county auditor is required to ascertain the amount of the congressional township school revenue belonging to each school corporation within his county, and to apportion all other school revenue so as to equalize the amount of available school revenue for teachers' wages to each school corporation as nearly as possible according to the school enumeration therein.

Deductions for unexpended receipts.—In case any school corporation (that is, township, incorporated town, or city) fails to expend

²³ The present method of apportioning the current common-school fund is that provided for by Acts of Ind., 1921, ch. 201, and amended by Acts of 1925, ch. 209, and Acts of 1927, ch. 183.

²⁴ As previously explained, these include a 50-cent poll tax and a general property tax of seven-tenths of 1 mill.

for teachers' wages an amount as great as the State quota apportioned to it, there shall be deducted from the total quota of State tuition revenue apportioned to said school corporation in the next apportionment a sum equal to the said unexpended amount.

*Relief fund, method and bases.*²⁶—Any school corporation may levy a general property tax of 7.5 mills to be used solely for the payment of teachers' wages and a 7.5-mill tax for providing a special school fund which may be used for teachers' wages and all other items of expenditure, including capital outlay. Any school corporation which has levied a local poll tax of 25 cents, a local tuition tax, and a local special school tax the combined rates of which shall amount to not less than 10 mills, and which from the proceeds of such local taxes and from all State funds other than the relief fund shall have insufficient funds to provide a school term of eight months for all elementary schools, and the minimum required term for high schools, shall be eligible for aid from the relief fund.

In order that a school corporation may receive a grant from the relief fund the school authorities must submit to the county superintendent of schools a sworn certificate indicating that the available school funds are insufficient to provide the school terms required by law. Such certificate must include all the data necessary for determining the validity of the claim, such as (1) the rate of all local school taxes levied, (2) the funds available from local and State sources, (3) a complete list of teachers, (4) the total amount expended and to be expended for current operating expenses, (5) an estimate of the deficiency in school revenues.

If such certificate shall be approved by the county superintendent he shall forward it to the State superintendent of public instruction, together with the name and post-office address of the township trustee or treasurer of the school corporation.

Apportionment by State board.—The relief fund is apportioned by the State board of education as follows: From the relief fund there is first set aside a sum not to exceed \$3,000 for costs of administration. After examining and approving any relief-fund certificate submitted by any school corporation, if there be funds in the State treasury, the State superintendent of public instruction shall issue an order in favor of such corporation for an amount necessary to bring the term of the elementary school or high school up to the prescribed term. The quota of relief fund received by any school corporation may be used for teachers' salaries or for current operating costs, or for both.

²⁶ Throughout the paragraphs which follow the term "school corporations" will be used to designate inclusively townships, towns, and cities, and the term "local school authorities" will be used instead of the longer phrase "township trustee or board of trustees of any school town or city school."

No corporation shall receive aid from the relief fund unless it has levied the local school taxes already detailed if it maintains more than one high school, provided that it may, upon the approval of the State superintendent of public instruction, maintain two high schools. No town or city shall be eligible for relief-fund aid unless it consolidates with the township if, in the opinion of the State board of education, such consolidation should be made. No school corporation receiving aid from the relief fund shall be prohibited from making additional levies for permanent improvements, longer school terms, or supplementary educational facilities.

Any balance of the relief fund unexpended at the end of any year shall be held intact and carried forward, and shall be available as a part of the relief fund for the year next ensuing.

Table 3, which follows, presents the apportionment of the Indiana current common-school fund for the year 1925-26:

TABLE 3.—*Indiana current common-school fund apportionment, 1925-26*¹

Item	Amount	Per cent
Apportioned to counties on basis of school enumeration.....	\$4,462,096.03	81.4
Relief fund.....	784,273.69	14.3
State funds expended for vocational education.....	233,289.52	4.3
Total State funds expended for elementary and secondary education.....	5,479,649.24	100.0

¹Ind. Dept. of Pub. Instr., An. Rept., 1925-26, p. 50

²Computed.

³A reserve of \$335,402.60 was held in the deficiency fund for the relief fund. If this reserve had been apportioned, the relief fund disbursement would have amounted to approximately \$1,421,000 and the per cent of the total State funds devoted to equalization would have been proportionately increased.

CHAPTER XIII

IOWA

Iowa depends, in a large measure, upon the general-property tax for all revenues: State, county, and district.

No State income or poll tax.—Iowa levies no State income tax. County poll taxes are levied upon all male residents or citizens not specifically exempted by law as follows: A county poll tax of 50 cents on each male resident over 21 years of age; and township, town, and city poll taxes, not to exceed \$5 on all able-bodied male citizens between the ages of 21 and 45. Revenues from township poll taxes are credited to the general township road fund.¹

Types of State Taxes Levied

Iowa levies the following types of State taxes: (1) General-property tax; (2) moneys and credits tax; (3) inheritance tax; (4) corporation taxes; (5) cigarette-stamp tax; (6) business, occupational, professional, and miscellaneous license taxes and fees;² and (7) gasoline tax.³

General-property tax.—The State levies general-property taxes on the equalized assessed valuation of all real and personal property in the State. The general assembly fixes the total amount to be raised annually by a State general-property tax. The executive council annually determines the rate which must be levied to produce the said fixed amount. The rate so determined is levied by the county boards of supervisors.⁴

Moneys and credits tax.—Cash, corporation stocks, circulating notes of national banking institutions, and other forms of moneys and credits are entered and assessed at their actual value and taxed upon the uniform basis throughout the State of 5 mills on the dollar, assessment and collection being made where the owner resides.

Inheritance tax.—Iowa levies a State graduate inheritance tax, the rates varying from 1 to 20 per cent.

Corporation taxes.—In general, corporations are taxed under the general-property tax. Certain properties, such as that of railroad,

¹ Bu. of Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 123.

² Ibid., 1922, pp. 120-127.

³ Iowa Acts, 1925, p. 10.

⁴ Bu. of Census, Digest of State Laws Relating to Taxation and Revenue, 1924, p. 122; Iowa Acts, 1927, p. 234, ch. 274.

telephone, and telegraph companies are assessed by the State executive council, but collection is made by the county in which the property is located.

Revenues from two types of corporation taxes are paid directly to the State treasurer: (1) Insurance companies are taxed upon their gross receipts; (2) equipment car companies, operating cars upon lines not owned or operated by them, are assessed by the State executive council upon all property not locally assessed. The council levies a tax, the rate of which is the average rate of all taxes throughout the State for the previous year.

Cigarette-stamp tax.—The State requires that a stamp be affixed to each package of cigarettes or cigarette papers denoting the tax thereon. The rates are 1 or 2 mills on each cigarette and one-half or 1 cent on each package of cigarette papers, depending on the size of each.

Business, occupational, professional and miscellaneous license taxes and fees are imposed by the State upon certain business activities and for different services and privileges.

The above-mentioned taxes are credited entirely or in part to the State general revenue fund from which certain educational appropriations are made. The amount credited to the State general revenue fund derived from each type of tax, and the per cent which each amount is of the total general revenue fund for the year ending June 30, 1926, are shown in Table 1.

TABLE 1.—Analysis of Iowa State general revenue fund, year ending June 30, 1926

Source	Amount	Per cent
Tax levy (including moneys and credits).....	\$10,270,411.71	59.8
Insurance companies.....	1,349,301.15	7.8
Equipment car companies.....	46,146.10	.3
Cigarette stamp tax.....	829,174.38	4.9
Inheritance tax.....	1,121,533.23	6.5
Miscellaneous fees, refunds, and collections.....	3,537,085.97	20.6
Interest on bank balances.....	30,027.38	.2
Total.....	17,183,679.92	100.0

Iowa Treas., Rept., 1926, pp. 9-13.

State School Funds

The laws of Iowa provide for two funds for the support of elementary and secondary education: (1) The permanent school fund, and (2) the temporary school fund.

Permanent school fund.—The permanent school fund, the interest of which can only be appropriated for school purposes, was derived from the following four sources: (1) Five per cent of the net pro-

¹ Iowa Sch. Laws, 1925, sec. 4469, p. 156.

ceeds of the sales of the public lands of the State, which shall be paid to the State treasurer and apportioned by the State auditor among the several counties, taking into consideration the amount of the permanent school fund already in possession of and constantly loaned in said county; (2) the proceeds of the sale of 500,000 acres of land granted the State under the eighth section of an act of Congress passed September 4, 1841; (3) the proceeds of all intestate estates escheating to the State; (4) the proceeds of the sales of the sixteenth section of each township, or lands selected in lieu thereof.

The proceeds of all lands sold, and all sums due from escheats, are payable to the treasurer of the county in which the lands or escheated estates are situated or found.⁶ Although the State retains legal ownership of the permanent school fund and apportions the interest therefrom on the basis of school population⁷ (5 to 21 years), the immediate control and administration of this fund are entirely in the hands of the counties.

The total amount of the permanent school fund in the hands of the several counties on January 1, 1926, was \$4,813,857.03. The amount of interest due and apportioned for the first half of the year was \$108,501.99, which would make the estimated annual income from the permanent school fund approximately \$217,000.⁸

Temporary school fund.—The temporary fund is derived from the following three sources:⁹ (1) All forfeitures which are authorized to be made for the benefit of the school fund; (2) the proceeds of all fines collected for violation of the penal laws, and for the nonperformance of military duty; (3) the proceeds of the sale of lost goods and estrays.

These several funds are payable to the county treasurer of the several counties in which they arise, accounted for to the board of supervisors, and apportioned by it among the several school townships and independent districts of the county as provided by law. The basis of apportionment of all county funds is school population.¹⁰ The temporary fund is entirely a county fund, originating and being apportioned within the county.

No vocational education fund.—The State maintains no vocational education fund, responsibility for raising the State's quotas to match Federal subventions being placed, in the words of the law, upon the "local communities."¹¹

⁶ Iowa Sch. Laws, 1925, sec. 4470, p. 157.

⁷ Ibid., sec. 102, p. 5.

⁸ Iowa Aud. Rept., 1926, pp. 28-31.

⁹ Iowa Sch. Laws, 1925, sec. 4471, p. 157.

¹⁰ Ibid., sec. 4398, p. 140.

¹¹ Ibid., sec. 3844, p. 23.

State Taxes as Sources of Revenue

Appropriations.—The State of Iowa gives the greater part of its aid to elementary and secondary education in the form of appropriations from the State general-revenue fund. The laws of Iowa provide for the use of State funds for elementary and secondary educational purposes, other than administrative, for the following eight specific purposes: (1) Aid to 4-year high schools giving normal courses of study and training; (2) aid to "standard" rural schools; (3) aid to consolidated schools; (4) aid in relieving school conditions in mining camps; (5) aid to cities hiring special instructors for deaf children; (6) reimbursement to districts maintaining part-time classes; (7) aid to cities maintaining school gardens, farms, or grounds for nature study; (8) payment of tuition of children of appointees and employees of State institutions who attend school in a district other than the district in which they reside.

Expenditures from the State general revenue fund for elementary and secondary educational purposes for the biennium-1924-1926 are presented in Table 2.

TABLE 2.—*Expenditures from the Iowa State general revenue fund for elementary and secondary educational purposes, 1924-1926*

Purpose	Amount †	Per cent
<i>For administrative purposes:</i>		
Department of public instruction.....	\$71,325.43	
State board for vocational education.....	18,227.01	
Total for administrative purposes.....	89,552.44	8.7
<i>Distributed to districts:</i>		
High schools maintaining normal courses.....	316,174.59	
Standard rural schools.....	203,109.66	
Consolidated schools.....	298,495.34	
Mining camp schools.....	105,616.73	
Cities hiring special instructors for deaf children.....	20,531.00	
Total distributed to districts.....	943,927.32	91.3
Total expenditures for biennium.....	1,033,479.76	100.0
Total expenditures for each year.....	516,739.88	

Iowa Aud., Rept. 1926, pp. 8, 9, and 14

A comparison of Table 2 and the eight purposes listed above for which funds are provided by law shows that, for the years given, no State funds were used for the last-three purposes. A brief explanation of each case follows:

Reimbursement to districts maintaining part-time classes.—The laws provide that the districts shall be reimbursed from any Federal and State funds appropriated in aid of vocational education.¹²

¹² Iowa Sch. Laws, 1925, sec. 4294, p. 111.

The laws of Iowa for 1923, 1925, and 1927 show no appropriations for vocational education other than a small sum for administrative purposes. Consequently, any reimbursement to districts must have been provided by Federal funds.

Aid to cities maintaining school gardens, farms, or grounds for nature study.—Although State aid for this purpose has been allowed since 1919, the author could find no record of appropriations or expenditures. It is presumed that the expenditures were so small as to be negligible, or that the cities failed to meet the conditions requisite to ask for State aid under the provisions of the law.¹³

Payment of tuition of children of appointees and employees of State institutions who attend school in a district other than the district in which they reside.—This is a new law passed by the 1927 General Assembly.¹⁴ Consequently, no expenditures would appear for the biennium 1924-1926, which is the period covered by Table 2.

Summary

The following three totals for the year ending June 30, 1926, are repeated for the purpose of comparison: (1) Total State general revenue fund, \$17,183,679.92; (2) total expenditures from the State general revenue fund for elementary and secondary education, \$516,739.88; (3) interest from permanent school fund, \$217,000.

Iowa spends less than three-tenths of 1 per cent of her total general revenue fund for elementary and secondary education. This amount, however, is more than 70 per cent of the total support which the State provides for her public elementary and secondary schools, the remaining 30 per cent being derived from the interest on her permanent school fund.

Apportionment of State School Funds and State Aid

Iowa distributes aid from State sources to districts for elementary and secondary educational purposes under the following six divisions: (1) Interest from the permanent school fund, (2) aid to 4-year high schools giving normal courses of study and training, (3) aid to standard rural schools, (4) aid to consolidated schools, (5) aid in relieving school conditions in mining camps, and (6) aid to cities hiring special instructors for deaf children.

1. *Permanent fund.*—Although the permanent fund is managed and invested as a loan fund distributed among the counties of the State, the interest is apportioned among the several counties by the State auditor on the first Monday of March and September in pro-

¹³ Iowa Sch. Laws, 1925, secs. 4440-4445, pp. 151-152.

¹⁴ Iowa Acts, 1927, ch. 69, pp. 69-70.

portion to the number of persons between 5 and 21 years of age in each county.¹⁵ In computing the above apportionment the State charges each county $4\frac{1}{2}$ per cent interest on the amount of the permanent school fund which is in the control of that county.¹⁶

In case the interest on any county's loan from the State permanent school fund¹⁷ exceeds the amount required to pay to the said county the apportionment due it as computed by the State auditor,¹⁸ such excess is credited to the general State revenue fund; from this same fund is transferred, in turn, an amount necessary to make up any deficiency in a county in which the interest on the State loan,¹⁷ is inadequate to pay in full the apportionment due¹⁸ said county from the State.¹⁹

All county school funds, including the interest on the permanent fund, are apportioned by the county auditor among the districts on the same basis as the State apportions the permanent fund, namely, school population.²⁰

2. *Aid to 4-year high schools giving normal courses of study and training.*—Each 4-year high school which provides normal courses of study and training under authorization of the superintendent of public instruction receives State aid to the amount of \$750 per annum. This amount is paid directly to the secretary of the school corporation in two equal installments at the close of each semester.²¹

3. *Aid to standard rural school.*—Rural schools which meet certain requirements regarding grounds, buildings, equipment, length of term, number of pupils, and teacher certification are known as standard schools and are given State aid to the amount of \$6 for each pupil in attendance at least 6 months of the previous year. This aid is paid directly to the secretary of the school corporation, and is used for teachers' salaries and half for necessary improvements.²²

4. *Aid to consolidated schools.*—Any consolidated school in a district with an area of 16 or more Government sections, and which meets certain requirements regarding grounds, buildings, equipment, teacher qualifications, and course of study, is allowed State aid, which is paid directly to the secretary of the school corporation, according to the following:

¹⁵ Iowa Sch. Laws, 1925, sec. 102, p. 5.

¹⁶ *Ibid.*, sec. 4507, p. 106. This section further provides that all interest collected by a county above the $4\frac{1}{2}$ per cent charged by the State shall be transferred to the general county fund, and that if a county fails or refuses to collect the amount of interest due the State the deficiency shall be paid to the State from the General county fund.

¹⁷ Computed at $4\frac{1}{2}$ per cent per annum.

¹⁸ On the basis of school census.

¹⁹ Iowa Sch. Laws, 1925, secs. 4481-4482, p. 100.

²⁰ *Ibid.*, sec. 4396, p. 140.

²¹ *Ibid.*, secs. 3899-3902, pp. 83-84.

²² *Ibid.*, secs. 4329-4335, pp. 123-124.

(a) Two-room schools, \$250 for equipment and \$200 additional annually.

(b) Three-room schools, \$350 for equipment and \$500 additional annually.

(c) Schools having four or more rooms, \$500 for equipment and \$750 additional annually.

No consolidated school can receive State aid under the provisions of the above and additional aid for maintaining a normal training course.²³

5. *Aid in relieving school conditions in mining camps.*—This appropriation is expended by the superintendent of public instruction who, under the direction of the executive council, determines the amount to be disbursed to each eligible district, for the purposes for which the appropriation was provided.²⁴

6. *Aid to cities hiring special instructors for deaf children.*—Any school corporation is authorized to provide one or more special instructors for deaf children residing therein. State aid is given to the amount of \$20 for each month that each child not more than 16 years of age is given such instruction.²⁵

²³ Iowa Sch. Laws, 1925, secs. 4184-4185, p. 80.

²⁴ Iowa Acts, 1927, p. 250.

²⁵ Iowa Sch. Laws, 1925, secs. 4348-4352, p. 127.; Supp. to Iowa Sch. Laws, 1927, sec. 4349, p. 27.

CHAPTER XIV

KANSAS

Kansas levies only one tax specifically for the support of public schools. This is an annual tax or fee of \$50 required of every insurance company doing business within the State.¹ The proceeds of this tax are credited to the State annual school fund and in the fiscal year 1925-26 contributed \$19,950 to this fund.² Other sources of State public-school revenue include the income of the permanent school fund and appropriations from the State general revenue fund. The principal types of taxes contributing to the State general revenue fund and which must therefore be regarded as indirect sources of school revenue are (1) general property taxes, including a moneys and credits tax, (2) inheritance taxes, (3) corporation taxes, (4) a secured debts stamp tax.

In States where appropriations from the State general fund constitute an important proportion of the moneys paid from this fund, or an important proportion of total school receipts, it has been deemed necessary to make an analysis of the State general fund with a view to determining the relative importance of the taxes which contribute to this fund, and thus become indirect sources of public school revenue. That such an analysis, in the case of Kansas, would scarcely be warranted is evident from the data which follows: The total State general revenue fund for the year 1925-26 amounted to \$9,044,073.32.³ Of this total only a negligible proportion, namely, 1.29 per cent, or \$116,950 (see Table 1), was devoted to projects benefiting public schools. Again, in the year 1925-26 the State provided less than 1.6 per cent of the total revenue receipts available for the public schools of Kansas,⁴ whence it follows that State appropriations from the general revenue fund constituted considerably less than 0.3 of 1 per cent of the total public-school receipts.⁵

¹ Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 135.

² Kans. State Treas., Bienn. Rept., 1925-26, p. 94.

³ Ibid., p. 94.

⁴ Bur. of Ed. Bul., 1927, No. 39, p. 27, column 2. The 1.6 per cent given in the bulletin just referred to includes certain Federal moneys, hence the statement here "less than 1.6 per cent."

⁵ Computed as follows: Appropriations from State general fund constitute 16.1 per cent of the total State provided public-school moneys (see Table 1). All State moneys (including Federal) constituted 1.6 per cent of total school receipts. On the basis of these two items it will be found that State appropriations from the State general fund constituted 0.2576 per cent, i. e., approximately 0.26 per cent of the total public-school receipts.

State School Funds

Kansas maintains the six following State funds from which moneys accrue to the benefit of public elementary and secondary schools: (1) Permanent school fund; (2) State annual school fund; (3) school-fund inheritance; (4) State schoolbook commission revolving fund; (5) board of education fees fund; (6) school mail deposited for collection fund.* Each of these will now be briefly described.

State permanent school fund.—Article VI, section 3, of the constitution provides for the creation of a perpetual State school fund to be composed of the following items: (1) The proceeds of all lands that have been or may hereafter be granted by the United States to the State for the support of schools; (2) 500,000 acres of "internal improvement lands" granted under act of Congress, approved September 4, 1841; (3) estates escheating to the State for lack of heirs; (4) such per cent (5 per cent) on the sales of public lands as may be granted to the State by Congress. Section 3 provides further that the interest from this fund, together with all rents of school lands and such other means as the legislature may provide by taxes or otherwise, shall be inviolably appropriated to the support of common schools.⁷

Upon her admission into the Union in 1861 Kansas received from the United States Government sections 16 and 36 in each congressional township, or indemnity lands in lieu thereof, including indemnity lands in Indian reservations. The land received under these grants totaled 3,066,306 acres, and the moneys derived from the sale of these lands have constituted the chief source of the State permanent school fund. The 500,000 acres of "internal-improvement lands" were, despite the constitutional provision already quoted, never added to the State permanent school fund.⁸ The principal of the permanent school fund was reported on June 30, 1926, as amounting to \$10,505,932.25, of which \$10,281,774.44 was invested in productive bonds yielding an annual income of \$565,705.94. This income, together with income from school lands belonging to the fund, and amounting for the year 1926 to \$21,332.21, is credited to the annual school fund, making a total income from lands and investments of \$587,038.15.⁹

* Not all of these funds are provided by law. As will appear later, the sixth fund enumerated is merely an account created by the State treasurer. It appears to have no legislative foundation. The author was obliged to depend upon the treasurer's report for a statement of funds. Kans. State Treas., Bien. Rept., 1925-26, pp. 94, 95, 96, 98, 104.

⁷ Kans. Rev. Sch. Laws, 1923, p. 5.

⁸ F. H. Swift, A History of Public Permanent Common School Funds in the United States, p. 272.

⁹ Kans. State Treas., Bien. Rept., 1925-26, p. 94; Kansas. State Supt. of Pub. Instr. Bien. Rept., 1925-26, p. 348.

State annual school fund.—The State annual school fund consists of money derived from the following three sources: (1) Interest from bonds or other securities belonging to permanent school fund; (2) income from permanent school-land; (3) proceeds of a State fee of \$50 levied upon each insurance company doing business within the State of Kansas.¹⁰ The last source named is of negligible importance, contributing in the year 1925-26 to the State annual school fund only \$19,950.¹¹

School-fund inheritance.—This fund, according to law, shall be derived from the proceeds of estates escheating to the State for lack of heirs. The law provides that the proceeds of such estates shall be accredited to the school-fund inheritance, and after having remained credited to this fund for 21 years such proceeds shall pass automatically to the principal of the permanent school fund. To date no such transfers have been made, owing to the fact that the oldest item credited to the school-fund inheritance account has been credited to this account only 12 years.¹² The total amount credited to this fund June 30, 1926, was \$37,212.65. No income from this fund has been apportioned among the schools of the State.¹³

Schoolbook revolving fund.—The State schoolbook commission revolving fund is a fund created to provide moneys for the publishing of textbooks to be sold to the school districts. This is a revolving fund, being replenished from the proceeds of the sales of books to the school districts throughout the State.¹⁴

Board of education fees fund.—Like the schoolbook commission fund, this fund is also a revolving fund. It consists of fees paid by teachers for their certificates. Such fees are credited to the board of education fees fund which is used to pay the expenses incurred in certification.¹⁵

School mail deposited for collection fund.—School mail deposited for collection fund is not the title of a school fund in the ordinary sense of that term, but merely the name employed by the State treasurer to designate an account to which are credited temporarily (generally for about two weeks) moneys derived from a long list of miscellaneous sources, such as moneys received in payment of school bonds or coupons; school-land payments; inheritance-tax proceeds;

¹⁰ U. S. Bur. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 138.

¹¹ Kans. State Treas., Bien. Rept., 1925-26, p. 94.

¹² Statement in personal letter from George A. Allen, Jr., State supt. of pub. instr., dated June 6, 1928.

¹³ Kans., State Treas., Bien. Rept., 1925-26, p. 96.

¹⁴ Kans. Rev. Sch. Laws, 1923, pp. 196-205, secs. 709-736.

¹⁵ *Ibid.*, p. 82, secs. 99-100.

hunters', trappers', and fishers' licenses; car taxes and excise taxes.¹⁶ Moreover, the moneys temporarily credited to this fund include revenues which are later credited to funds other than school funds. Since this is not a school fund for the receipt or disbursing of school moneys, it will receive no further consideration in the present account.

Appropriations from State general fund.—The school law provides that appropriations shall be made from the State general fund for the following six purposes involving State aid to counties or school districts: (1) Vocational education; (2) normal (county) institutes; (3) normal courses in high schools; (4) industrial training; (5) equalization aid to districts; (6) special aid to District No. 75, Lansing, Leavenworth County.¹⁷

State reports for the year 1924-25 show appropriations for each of the purposes just named except for equalization aid to districts.¹⁸ For some years the legislature has failed to make any appropriations for high-school normal-training courses, industrial training, and district equalization aid, thus making ineffective the laws pertaining to these forms of State aid. For the year 1925-26 appropriations were made for only five educational projects benefiting public schools as follows: (1) State board of education, \$400; (2) State superintendent of public instruction, \$30,300; (3) vocational education, \$80,000; (4) county institutes, \$5,250; (5) District No. 75, Lansing, Leavenworth County, \$1,000.¹⁹

Analysis of State school funds.—Preceding paragraphs have described the various funds provided by Kansas for the benefit of elementary and secondary schools. It seems fitting before entering upon a consideration of the methods employed in apportioning such funds to present in summary form an analysis of these funds. Such an analysis is presented in Table 1, which shows the various State sources contributing to public-school support in the year 1925-26, the amount derived from each such source, and the per cent which each such amount was of the total State aid for public schools provided for that year.

¹⁶ Based upon statements from State supt. of pub. instr., George A. Allen, Jr., dated June 6, 1928, and June 27, 1928.

¹⁷ Kans. Rev. Sch. Laws, 1923, pp. 152-154, sec. 536-549; *ibid.*, pp. 175-176, sec. 619-626; *ibid.*, pp. 177-178, secs. 627-631; *ibid.*, p. 178, sec. 632; *ibid.*, pp. 89-92, secs. 307-314; *ibid.*, p. 109, sec. 382-383.

¹⁸ Kans. State Treas., *Bien. Rept.*, 1925-26, pp. 48-49.

¹⁹ Laws of Kans., 1925, pp. 12, 42, 94, 115; and Kans. State Treas., *Bien. Rept.*, 1925-26, pp. 86-87.

TABLE 1.—Source analysis of Kansas State aid for elementary and secondary schools, year ending June 30, 1926

Source	Amount	Per cent
State permanent school fund: †		
Income from school lands.....	\$21, 332. 21	.....
Interest on bonds.....	565, 705. 94	.....
Total permanent school fund income.....	587, 038. 15	81. 1
Insurance company fees credited to State annual school fund.....	19, 950. 00	2. 8
Appropriation from State general fund: †		
Board of education.....	400. 00	.....
State superintendent of public instruction.....	30, 300. 00	.....
Vocational education.....	80, 000. 00	.....
County institutes.....	5, 250. 00	.....
District No. 75, Lansing.....	1, 000. 00	.....
Total appropriations.....	116, 950. 00	16. 1
Grand total State aid.....	723, 938. 15	100. 0

† Kans. State Treas., Bien. Rept., 1925-26, p. 94
 † Laws of Kans., 1923, pp. 12, 42, 94, and 115

From Table 1 it is evident that the only type of State tax specifically devoted by Kansas to schools, namely, fees levied on insurance companies, provides a distinctly unimportant proportion of the State school revenues. The appropriations from the State general fund, although composing an appreciable part of the State provided revenues, become almost insignificant when viewed from the standpoint of the proportion of the total school receipts which they provide. In other words, the only really important source of State school revenue in Kansas at the present time is the State permanent school fund.

Apportionment of State School Funds

Introduction.—An earlier paragraph has indicated that the acts providing school appropriations for the year 1925-26 fail to include any provisions for appropriations for normal courses in high schools, industrial training, and an equalization fund. Nevertheless, it has been deemed advisable to include in the present section of this account a description of the methods provided by law for distributing these as well as all other appropriations benefiting public schools for which the school law makes definite provision.

State annual school fund.—This fund comprises 83.9 per cent of the total State aid (see Table 1) and is the only fund which is not provided by an appropriation from the State general-revenue fund. The State annual school fund is apportioned among the counties and by the counties among their respective constituent school districts, on the basis of school census—i. e., the number of persons resident therein between the ages of 5 and 21.²⁰

²⁰ Constitution, Art VI, sec. 4; Kans. Rev. Sch. Laws, 1923, p. 6, sec. 4.

Appropriations for board of education and State superintendent of public instruction.—Moneys appropriated for the board of education and State superintendent of public instruction are paid in the form of flat grants in accordance with the provisions of the appropriation acts. Obviously, such funds must, from the standpoint of purpose, be classified as grants for State administration and supervision.

Vocational education grants.—Kansas accepted the provisions and benefits of the so-called Smith-Hughes Federal Act providing subventions for the States to aid in the promotion of vocational education. By section 4, chapter 280, of an act passed in 1917 Kansas provided that "Any school or class which shall receive the benefit of Federal money allotted to the State of Kansas by the Federal Board for Vocational Education shall be entitled to an equal amount which shall be provided by" a legislative appropriation.²¹

The present series of studies is concerned chiefly and almost solely with funds and methods of apportioning such funds originating with the States. The methods employed in apportioning Smith-Hughes subventions and State moneys provided to match the same are largely determined by principles and policies embodied in the Federal Smith-Hughes Act and in the Rules and Regulations of the Federal Board for Vocational Education. For these reasons it has been deemed inadvisable to include any detailed statement of the methods devised for the distribution of these funds.

Normal institutes.—Any county which organizes a teachers' institute with 21 registered members is entitled to receive from the State a flat grant of \$50.²²

*High-school teacher-training courses.*²³—The State board of education is empowered to designate certain high schools to give normal-training courses and such high schools are entitled to receive from the State, subsidies to aid in meeting the costs of such courses. Grants for this purpose are made in the form of flat quotas, the amount which any school shall receive being determined by dividing the total available appropriation by the total number of schools eligible for such aid. Such money shall be used entirely to pay teachers' wages, and no high school situated in a city having a State teachers' college shall receive any portion of the State aid provided for high-school teacher-training courses.²⁴

²¹ Kans. Rev. Sch. Laws, 1923, p. 152, sec. 539.

²² *Ibid.*, pp. 175-176, sec. 624.

²³ Although, as indicated in a previous paragraph, no appropriation was made for three funds, namely, high-school, teacher-training courses, industrial training, and equalization, a description of the distribution of these funds is included, since such aid is contemplated, if not provided by law, although these laws have been rendered ineffective by the failure of the legislature to make the necessary appropriations.

²⁴ Kans. Rev. Sch. Laws, 1923, p. 177, sec. 628.

Industrial training.—For high schools that maintain normal-training courses or that shall put into operation such normal-training courses, the law provides an appropriation for industrial training. In order to be eligible for aid from this appropriation a school must maintain an approved course in the elements of agriculture and domestic science. If the amount appropriated by the legislature is insufficient to meet the claims of all schools, then such appropriation shall be prorated among the eligible schools. It will be seen that this appropriation, like the appropriation for normal-training schools, is distributed as flat grants on a per school basis.²⁵

District No. 75, Lansing, Leavenworth County.—As already indicated, the State grant to this district is a flat appropriation of \$1,000. This grant may be classified as a compensation grant given to a district in which special conditions prevail that justify special aid from the State.²⁶

Equalization fund.—Elsewhere in the present chapter the equalization fund has been included among the funds created by school law, but for which no legislative appropriation was made for the year 1925-26. The purpose of this fund is to equalize for school districts which levy a tax of 10 mills, the costs of maintaining an 8-months school. The laws provide that when the proceeds of the required 10-mill district tax, together with all other funds available to the district (not including, of course, grants from equalization funds), shall be insufficient to maintain an 8-months school, three-fourths of the deficiency shall be paid by the State and one-fourth by the county, as other county expenditures are paid.

The conditions and provisions which must be met in addition to those already stated, may be summarized as follows: (1) The district must follow the State approved course of study; (2) must employ a qualified teacher recommended by the county superintendent; and (3) must not expend more than \$600 per year for current costs, including teacher's salary, fuel, and incidentals.

Any district containing fewer than 12 school children may arrange to send these children to another district and shall pay to such district tuition not to exceed the average cost per pupil per week of the district receiving and instructing such children. The educational burden of such a district shall be equalized in the same way as that of a district maintaining a school—that is, the State and the county prorate the difference between the actual expenses for tuition and transportation of the pupils sent to another district, and the school revenues of the district from all sources, provided that any such district shall not receive State and county aid in excess of \$100 for any school year.²⁷

²⁵ Kans. Rev. Sch. Laws, 1923, p. 178, sec. 632.

²⁶ *Ibid.*, p. 109, secs. 382-383.

²⁷ *Ibid.*, pp. 89-92, secs. 307-314.

CHAPTER XV

KENTUCKY

Types of Taxes Levied

Kentucky levies the following five types of State taxes: (1) General property tax; (2) corporation tax; (3) inheritance tax; (4) gasoline tax; and (5) business, occupational, professional, and miscellaneous license taxes and fees.

General property taxes.—A tax of 30 cents per \$100 (3 mills on the dollar) is levied by the State upon all real estate, and a tax of 50 cents per \$100 (5 mills on the dollar) upon all other property, subject to a State general property tax.¹

Corporation taxes.—For the purpose of corporation taxes, Kentucky divides corporations into the following four classes: (1) Corporations exercising a special or exclusive privilege; (2) other corporations, except those included in classes (3) and (4); (3) bank and trust companies; and (4) building and loan associations.

Besides the general property tax levied upon their real property, railroads and similar corporations exercising a special or exclusive privilege pay an annual franchise tax of 50 cents on each \$100 of the market value of the portion of capital stock and bonds represented by the property owned and business transacted in the State.²

Other corporations, except banks and trust companies and building and loan associations, pay an annual license tax of 70 cents on each \$1,000 of that part of the asset value of their capital stock represented by property owned and business transacted in the State.³

Bank and trust companies pay an annual tax of 0.1 of 1 per cent upon the amount of deposits.⁴

Building and loan associations pay \$1 on each \$1,000 of paid in capital stock. These last two types of taxes are in lieu of all other taxes for State purposes.⁵

¹Ky. Acts, 1926, pp. 730-40, ch. 164.

²Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 145; Ky. Acts, 1926, pp. 209-210, ch. 75.

³Ky. Acts, 1926, pp. 203-208, ch. 74.

⁴Ibid., p. 740, ch. 164.

⁵Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, pp. 144-145.

Inheritance tax.—The State levies a graduated inheritance tax, the rates varying from 1 to 16 per cent,⁶ according to the value of the estate and the degree of relationship of the heirs. The proceeds of this tax are devoted entirely to the support of higher institutions of learning.⁷

Gasoline tax.—A tax of 5 cents per gallon on gasoline is levied for the benefit of the State road fund. This tax does not contribute to the public schools of the States.⁸

Business, occupational, professional, and miscellaneous license taxes and fees are collected by the State for certain privileges and services. The proceeds from these taxes and fees contribute to the general expenditure fund or to special funds for which they are collected.⁹ The net proceeds from fees collected by the State athletic board are credited to the State school fund.¹⁰

No State poll or income taxes.—The State levies no income tax, and poll taxes are reserved to the counties, cities, and districts for road and school purposes.¹¹

State Taxes as Sources of School Revenue

The laws of the State provide that a definite percentage of all State general property taxes and all corporation taxes which are collected in whole or in part in lieu of general property taxes shall be devoted to certain specified State activities. The percentage distribution provided by the law now in force is shown in Table 1.

TABLE 1.—Percentage distribution of receipts from Kentucky State taxes on general property and corporations¹

Purpose	Per cent
Common schools.....	69
Institutions of higher learning.....	15½
Sinking fund.....	3½
Road fund.....	11½
Total.....	100

Ky. Acts, 1926, pp. 740-741

Table 2 shows the types of State taxes contributing to the support of common schools, the amount provided by each such type for the

⁶ Ky. Acts, 1926, pp. 843-847, ch. 176.

⁷ Ibid., pp. 740-741, ch. 164.

⁸ Ibid., pp. 756-764, ch. 169.

⁹ Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, pp. 145-146.

¹⁰ The writers could find no law authorizing this transfer, but in the report of the State auditor the entire receipts of the athletic board (\$3,744.44) are credited to the State school fund. Ky. Aud., Blen. Rep., 1926-27, pp. 146 and 165.

¹¹ Bu. of the Census, op. cit., pp. 144 and 147.

year 1926-27, and the per cent which each such amount is of the total sum provided by State taxes.

TABLE 2.—*Kentucky State tax proceeds devoted to public elementary and secondary schools, 1926-27*

Type of tax	Amount	Per cent
Corporation taxes:		
Miscellaneous corporations, real estate, and franchises.....	\$155,441.15	2.9
Railroads, realty, and franchises.....	492,288.76	9.4
Bank deposits.....	31,305.58	1.4
Building and loan associations.....	42,835.22	.8
General property taxes:		
Realty and intangibles.....	4,340,814.00	82.5
Total receipts from taxes.....	5,263,084.71	100.0

Ky. Aud., Bien. Rept., 1926-27, p. 164.

This item appears in State reports under the heading "Sheriffs' revenue" because the sheriffs must collect all State, county, and district general property taxes. Bur. of the Census, Digest of State Law Relating to Taxation and Revenue, 1922, p. 143.

Refunds to sheriffs have been deducted from this item.

"Taxes on bank deposits and building and loan associations were taken from the sources of school fund by the 1928 legislature." (From letter to the author from G. Young, assistant State superintendent of public instruction, dated June 6, 1928.)

State Taxes and State School Funds

Table 1 shows that 69 per cent of the proceeds of State general property and corporation taxes is devoted to common schools and that 35/6 per cent of the proceeds of such taxes is devoted to the State sinking fund. It is from this sinking fund that the State pays to the State school fund the 6 per cent interest due annually on principal belonging to the State permanent school fund long ago borrowed by the State and to-day constituting a permanent State debt, amounting to \$2,315,627.11.¹² The interest paid annually on this debt must be regarded as drawn from the proceeds of State general property and corporation taxes.

The only portion of the State permanent school fund, which is a genuinely productive fund, to-day consists of 798 shares of capital stock of the Bank of Kentucky, amounting to \$79,800. Dividends from this stock are credited to the State school fund.¹²

All revenues provided by the State for the benefit of public elementary and secondary schools with the exception of certain appropriations from the State general expenditure fund for specific projects, are credited to the State school fund. The relative importance of State taxes as sources of school revenue can therefore be most easily determined through an analysis of the State school fund. Such an analysis is presented in Table 3.

¹² Ky. Common Sch. Laws, 1926, p. 22. For an account of the history of the Kentucky State permanent school fund see F. H. Swift, *A History of Public Permanent Common School Funds in the United States*, pp. 275-278.

TABLE 3.—*Analysis of Kentucky State school fund*

Source	Amount ¹	Per cent
State taxes on general property and corporations:		
69 per cent.....	\$5,263,084.71	96.89
Interest on State debt to permanent school funds ²	138,938.16	2.54
Interest on bank deposits.....	11,361.23	.70
Income from productive permanent funds:		
Dividends on stock.....	9,700.00	.18
Interest on liberty bonds.....	2,210.00	.04
Athletic board fees, etc.....	3,744.44	.07
Miscellaneous.....	3,643.00	.06
Total.....	5,462,682.44	100.00

¹ Ky. Aud., Bien. Rept., 1926-27, pp. 164-165.

As explained in the text, this interest is paid from the State sinking fund which is derived from 34 per cent of the proceeds of State taxes on general property and on corporations.

From Table 3 it is evident that State taxes on general property and corporations provided 98.89 per cent of the total moneys credited to the Kentucky State school fund in the year 1926-27. This fund constituted the entire State school support for that year with the exception of the following two items: (1) \$26,670.80 paid for vocational education from the State general expenditure fund, and (2) \$8,164.54 from the school examination fund.¹³

The total disbursements from the State general expenditure fund for the year 1926-27 amounted to \$8,170,520.93. The amount paid from this fund for vocational education constitutes a relatively negligible proportion of the total State general expenditure fund, and the State appropriation for vocational education constitutes less than 1 per cent of the total State-provided school revenues.

Apportionment of State School Fund

Uses.—The only objects for which the State school fund may be lawfully used are “the expenses of the State department of education of whatever character or kind and aid of common schools.”¹⁴

The law fails to provide any definite basis for determining what proportion of the school fund shall be used for the expenses of the State department. During the fiscal year 1926-27 the total disbursements from this fund amounted to \$5,318,216.09. Of this sum 1.16 per cent, or \$61,748.09, was devoted to the expenses of the State department of education and the balance of 98.84 per cent, or \$5,256,468, to the support of common schools.

Method of apportionment.—The portion of the State school fund available for the support of common schools is prorated and distributed among the counties of the State together with cities, villages,

¹³ Ky. Aud., Bien. Rept., 1926-27, p. 161.

¹⁴ Ky. Com. Sch. Laws, 1926, p. 23, sec. 4871.

and towns organized as separate school districts on the basis of the school census—i. e., the number of children 6 to 18 years.¹⁵

Requirements (school term).—The only requirement set forth in the law prescribing the method of apportioning the State school fund is that the school term shall be not less than 6 months, 120 days, and may be extended to 7 or 8 months by the superintendent of public instruction "when the resources of the school fund or contributions by local taxation or donations shall justify such extension; provided, however, that no such extension shall be made if it reduces the salaries of teachers below the standards "fixed by law."¹⁶

If the school term is 6 months the State school fund shall be divided into 6 equal installments and distributed on or before the 1st day of September, October, November, December, January, and February. "When the school term is extended to 7 months the school fund for that year shall be divided into 7 equal installments and if extended to 8 months into 8 equal installments."¹⁷

¹⁵ Ky. Com. Sch. Laws, 1926, pp. 24, 25, secs. 4375-4378; *ibid.*, p. 91, 4404.

¹⁶ *Ibid.*, p. 26, sec. 4376a.

¹⁷ *Loc. cit.*

CHAPTER XVI

LOUISIANA

Louisiana derives State revenues for the support of public elementary and secondary schools from four sources or classes of sources: (1) State general property taxes; (2) a State tobacco tax; (3) income from State permanent school funds; (4) miscellaneous minor sources, which in the year 1924-25 yielded in the aggregate the relatively negligible sum of \$1,782.64. (See Table 1.)

The State permanent school funds consist in part of productive investments and in part of State debts upon which the State pays interest to the schools from the State bond and interest tax fund. In view of the fact that the State bond and interest tax fund is derived from the proceeds of general property taxes, the interest paid by the State upon its debt to the State permanent school fund must be regarded as a tax derived fund.

State Taxes Levied Specifically for Schools

General property taxes.—Louisiana levies State general property taxes for various specific purposes. The aggregate rate levied for the year 1925 was 5.75 mills on the dollar, distributed as follows: (1) General State tax, 2 mills; (2) Confederate veteran tax, 0.75 mill; (3) educational tax, 2.5 mills; (4) State university tax, 0.5 mill.¹

The rate levied for public schools (2.5 mills) is the rate provided by the constitution.²

Of the rates just listed, two contribute to the support of public schools: The general tax, the proceeds of which are credited to several State funds, including the State bond and interest fund, from which the interest on the State debt to permanent fund is paid, and the educational tax, the proceeds of which are credited to the current school fund and which for the year 1924-25 amounted to \$4,227,197.

Prior to 1926, the year when the State law providing for the State tobacco tax went into effect, general property taxes furnished prac-

¹ La. Tax Com., An. Rept., 1924, p. 38.

² Constitution, 1921, Art XII, sec. 14.

tically all the State current school fund. This was the situation in the year 1925, the most recent year for which data was obtained.

Table 1 presents an analysis of the State current school fund in the year 1925 and the transfers and expenditures from this fund.

TABLE 1.—*Analysis of Louisiana current school fund receipts and expenditures—1925*¹

RECEIPTS	
Cash balance.....	\$10,247.68
General property taxes.....	4,232,265.88
Miscellaneous minor receipts.....	1,782.64
Total receipts.....	4,244,296.20
TRANSFERS AND EXPENDITURES	
Transfers:	
General engineer fund.....	16,231.33
State university fund.....	291,942.56
Expenditures:	
State department of education.....	78,159.20
Support of free public schools (apportioned).....	3,671,848.72
Salaries and office expenses of State officers other than educational department ²	140,411.77
Total transfers and expenditures.....	4,198,593.58
Balance.....	45,702.62

Tobacco tax.—In 1926 Louisiana passed an act providing for a tax of 1 cent on each 10 cents or fractional part thereof of the retail selling price of all cigarettes, smoking and chewing tobacco, cigars, cheroots, and snuff made of tobacco or any substitute thereof.³ The law provides that revenues from this tax shall be credited to the State current school fund.

The superintendent of public instruction states that this tax yielded approximately \$1,500,000 in the first year.⁴

Inheritance taxes.—Prior to 1922 the proceeds from State inheritance taxes were credited to the State current school fund and distributed to the parishes for the sole use of public schools.⁵

¹ La. Treas., *Bien. Rept.*, 1924-25, Statement B, opp. p. 36; *ibid.*, pp. 43-47.

² The laws provide that the salaries and office expenses of the State auditor, treasurer, and tax commission, and the salaries of the parish assessors shall be prorated as a charge against the four following State funds: (1) General fund, (2) current school fund, (3) State bond and interest tax fund, and (4) general engineer fund. Acts of La., 1924, pp. 160-161, Act 94.

³ Acts of La., 1926, p. 324, Act 197.

⁴ Statement to the authors from F. H. Harris, State superintendent of public instruction, June 25, 1928. A later report states that the 1926 tobacco tax act was repealed by the 1928 legislature. It was impossible for the authors to determine the effect of this legislation upon school revenues.

⁵ Bur. of the Census, *Digest of State Laws Relating to Taxation and Revenue, 1922*, p. 156; La. Treas., *Bien. Rept.*, 1920-21, Statement B, opp. p. 31.

In 1921 the schools were deprived of this source of revenue by an act which provided that the proceeds of State inheritance taxes shall be credited to the general fund.⁶

Severance taxes.—The severance tax is a tax levied upon natural products severed from the soil, except agricultural. In some States such as Louisiana the tax is levied on all such natural products other than agricultural. In other States it is levied upon certain specified natural products such as oil, or oil and minerals, or certain classes of minerals. This tax is based upon a recognition of the fact that when minerals, timber, clay, sand, and other natural products are removed from the soil the State is permanently impoverished, and that those who profit by this should pay tribute.

Louisiana is a pioneer in this method of taxation. Her original law, approved June 30, 1920, provided for a 2 per cent tax on the gross value of timber, minerals, oil, gas, salt, coal, sulphur, marble, sand, shell, stone, gravel, ores, and all other natural products. This original law placed the same rate upon all products. Subsequent legislation classified products and provided for different rates of taxation, namely, 3 per cent on oil and gas and 2 per cent on all other products.

Prior to 1922, Louisiana devoted two-thirds of the proceeds of her severance taxes to the State university and other State institutions and returned the remaining one-third to the parishes wherein collected, to be used for the support of public schools.

In 1922 an act was passed whereby the schools were deprived of the proceeds of severance taxes levied on natural products other than oil, gas, and salt. The following distribution of the proceeds was provided by the act of 1922: Two-thirds of the severance taxes collected on oil, gas, and salt and all of the taxes collected on all other natural resources severed from the soil or water shall be credited to a special fund hereby created and to be known as "the Severance tax fund of the State of Louisiana." The remaining one-third of the severance taxes collected on oil, gas, and salt shall be returned to the parishes from which collected and "apportioned and distributed quarterly among the parish schools and such governing authorities as have jurisdiction over the territory from within which such taxes are collected; provided that no parish shall receive more than \$200,000 in any one year from the proceeds of this tax."⁷

Poll taxes.—The constitution requires that a poll tax of \$1 shall be collected within each parish and shall be used exclusively for the benefit of the schools therein.⁸

⁶ Acts of La., 1921, extra session, p. 323; La. Trans., Bienn. Rept., 1922-23, Statement B, opp. p. 6. A similar policy was adopted by California in 1925. (See Statutes and Amendments to the Code of California, 1925, p. 893, ch. 230.)

⁷ Acts of La., 1922, p. 296; *ibid.*, 1926, p. 570.

⁸ Constitution of 1921, Art. VIII, sec. 2; La. Sch. Laws, 1926, p. 7.

Although these last two types of taxes, severance taxes and poll taxes are levied under the authority of the State and the proceeds of the severance taxes are paid into the State treasury, they can not be regarded as sources of State school funds for the reason that the school moneys derived therefrom are regarded as belonging to the local political corporation in which they originate.

State School Funds

The constitution of Louisiana provides that—

the public-school fund of the State shall consist of: First, the proceeds of two and one-half mills of the taxes levied and collected by the State; second, the proceeds of the poll tax, which shall be applied exclusively to the support of public schools in each parish in which collected, and shall be paid by the tax collector directly to the parish school board; third, the interest on the proceeds of lands heretofore or hereafter granted by the United States for school purposes, and the revenues derived from unsold portions thereof; fourth, all funds and the proceeds of lands and property, other than improved lands, heretofore or hereafter bequeathed, granted, or escheated to the State, not designated for any other purpose; fifth, such other funds as the legislature may appropriate.⁹

The first item in the above list is the 2½-mill educational tax already described which, prior to 1926, provided practically the entire current school fund. The second item, as already explained, can not be considered a State tax. The third and fourth items will be discussed under permanent funds in the succeeding paragraphs. The author found no "other funds" appropriated by the legislature mentioned in the fifth item.

Free school fund.—The State permanent school fund of Louisiana, officially known as the free school fund, owes its origin to congressional school land grants made to the State of Louisiana in 1806 and 1843, whereby Louisiana received 786,044 acres of sixteenth-section congressional lands for the use of common schools.¹⁰

These sixteenth-section grants and other Federal land grants are the chief sources from which the major portion of the principal of the school fund has been derived. Louisiana belongs to that group of States which decided that the sixteenth-section school lands shall belong to the townships wherein located and not to the State. Certain townships gave their school lands to the State and the proceeds of the sales of such lands were credited to the State free school fund. Other townships retained these lands, still possess them and derive an appreciable revenue from the rent of the same. Still others have lost all record of their school lands.

⁹ La. Constitution of 1921, Art. XII, sec. 14; La. Pub. Sch. Laws, 1926, p. 13.

¹⁰ The data in this section of the present account, unless otherwise specifically indicated, is taken from F. H. Swift, *A History of Public Permanent Common School Funds in the United States*, pp. 279-282.

Prior to 1880, moneys derived from the sale of sixteenth-section lands paid into the State treasury were used by the State and became a perpetual debt upon which the State pays interest for the benefit of the public schools. The principal of the debt thus accumulated is declared by the constitution of 1879 to be a perpetual State debt upon which the State shall pay annual interest at the rate of 4 per cent. This debt amounts to \$1,130,867 and the interest paid annually from the State bond and interest tax fund, to \$45,234.70.¹¹

Beginning with January 1, 1880, a new policy was adopted by the State, whereby the proceeds of the sales of sixteenth-section lands received by the State were invested in productive bonds. The principal of this productive portion of the free school fund was reported as amounting on January 1, 1926 to \$1,683,130 and the annual interest derived therefrom to \$79,742.85.¹² Included in the two totals just given, are Louisiana State bonds canceled by Article 324, constitution of 1913. The principal of these canceled bonds amounts to \$530,930 and the annual interest at 4½ per cent, to \$23,891.85.¹³ Since this interest is paid by an annual appropriation from the State bond and interest tax fund, derived from State taxes, these bonds can not be considered as productive sources of school revenue. It follows that the principal of such bonds must be deducted in order to determine the total productive part of the State free school fund. Deducting this amount, leaves as the active productive school fund, \$1,152,200. Similarly, deducting from the income of the free school fund the portion paid from the State bond and interest tax fund leaves as revenue derived from productive bonds the sum of \$55,851. The total income of the free school fund derived from the interest on the State debt to the free school fund, the interest on the State bonds canceled by article 324, constitution of 1913, and the productive portion of the fund amounts to \$124,977.55.

Apportionment of State School Funds

As explained in an earlier paragraph, the poll taxes levied and collected within the parishes of the State do not lie within the scope of the present chapter. Consequently these taxes will receive no consideration in the following treatment of methods of apportioning school revenues.

Current school fund.—The current school fund is apportioned in accordance with the constitutional provision which declares that "all school funds of the State, except the poll tax and the interest on the proceeds of lands granted by the United States for the support of

¹¹ Acts of La., 1922, p. 27; *ibid.*, 1924, p. 157; *ibid.*, 1926, p. 318.

¹² La. State Aud., *Bien. Rept.*, 1924-25, p. 68.

¹³ *Ibid.*, p. 68.

public schools, shall be distributed to each parish in proportion to the number of children therein between the ages of 6 and 18 years of age."¹⁴ A strict interpretation of the above constitutional provision would require that the entire current school fund be apportioned among the parishes of the State on the basis of school census—that is, the number of children between the ages of 6 and 18 years. In Louisiana, as in many other States, practical considerations have led to a slight variation from the method provided by the constitution and the laws. Before the current school fund is apportioned among the parishes of the State, there is deducted therefrom a sum to be expended for the payment of the salaries of the State superintendent of education, assistants, and the expenses of the State department of education as itemized in the appropriation act passed by the legislature.¹⁵

Free-school fund income.—In Louisiana the sixteenth-section school lands were made the property of the townships in which such lands were situated, and do not, as in many other States, belong to the State. Although certain townships still retain these lands, others gave their lands to the State, which has credited the proceeds of the sales of the same to the State free-school fund. As a consequence of regarding these lands as the property of the townships, the income of the free-school fund is distributed among the townships on the basis of their respective original ownership of the lands from which the free-school fund has been derived.¹⁶ It is left to each township to decide whether it shall use as a current school fund its portion of the income of the free-school fund, or whether such income shall be credited to the principal already belonging to the said township.¹⁷

¹⁴ Constitution, Art. XII, sec. 14; quoted from La. Pub. Sch. Laws, 1926, p. 10.

¹⁵ Acts of La., 1924, pp. 155-156; see also Table 2 in the present account.

¹⁶ La. Pub. Sch. Laws, 1926, pp. 67-68.

¹⁷ *Ibid.*, p. 65.

CHAPTER XVII

MAINE

Four State funds.—Maine maintains four State funds for the benefit of public schools: (1) The permanent school fund; (2) a land fund, known as the lands reserved for public uses fund; (3) the State school fund; (4) the State administration fund.

The State also holds in trust two school funds—namely, the Madawaska Territory school fund of \$5,000 and the school district No. 2 Madison fund of \$1,000. The Madawaska Territory school fund is a fund held in trust for the benefit of the inhabitants of the Madawaska Territory as their share of the United States surplus-revenue fund distributed to the inhabitants of the State of Maine in 1837. The State is required to pay annually on this fund 6 per cent interest for the support of schools in said territory.

By a resolve of March 25, 1863, the State treasury was directed to receive from Mahlan D. Spaulding, of Boston, a State bond of \$1,000, the coupons thereon to be paid to the legal agent of District No. 2, Madison, as they become due. At maturity of said bond the State shall pay 5 per cent annually for all time to come.¹

Owing to the fact that the funds just described, although held in trust by the State, are the property of certain local districts they can not be regarded as State funds and therefore will receive no further consideration in the present account.

Permanent school fund.—The permanent school fund was created in the year 1828 by an act of the legislature which authorized the State land agent, under the advice and direction of the governor and council, to sell any number of townships of lands, not exceeding 20 (commonly called "State lots") already surveyed and not otherwise appropriated. As a result of this act and subsequent legislation a total of 726,625 acres was reserved for the permanent school fund.

The proceeds of the sale of State lands, together with timber and lumber thereon, have been the sole original sources of the permanent school fund. The principal of this fund on June 30, 1926, was reported as \$547,527.86. The State uses the moneys accruing to the credit of the permanent school fund and creates a State account

¹ Me. State Treas. Bien. Rept., 1925-26, p. 74.

representing the same. On this account it pays annual interest at the rate of 6 per cent which is credited to the (current) State school fund.²

The sources provided at the present time for increasing the principal of the permanent school fund are (1) the proceeds of the sales of public lands; (2) legislative appropriations; (3) any unexpended balance of the State school fund or appropriation deducted therefrom remaining at the close of the year for which said fund or appropriation is available.³

Land fund.—“In accordance with the early regulations governing the public lands in the State of Maine, adopted in 1832, there has been reserved in each township a certain tract of land to be permanently held as a trust fund for school purposes. By the terms of such regulations the State is trustee of the fund in all unincorporated townships, and long-term permits to cut timber and grass have been sold and the proceeds of such sales credited to the several townships.

“All rights under such permits cease when the township is organized for plantation purposes. The care of these reserved lands is then placed with the land agent, who deposits with the treasurer of State the net proceeds of sales of timber and grass from such lands, to be added to the fund of the township, and the plantation receives each year 6 per cent interest on its trust fund.

“When the township is incorporated, however, the title to these lands passes directly to the town, together with the accumulated fund in the State treasury, to be held by the town as a trust fund and the income only used for school purposes.”⁴

On June 30, 1926, this fund amounted to \$658,640.04. Of this amount \$506,341 was invested in productive securities. The balance, \$152,299.04, was not invested but was “applicable” for investment.⁵

The income from this fund is credited to the State general revenue fund, from which an annual appropriation is made by the legislature equal to the amount of the income.⁶ The moneys from this appropriation are not credited to the State school fund as is the interest from the permanent school fund, but are returned to the plantations and unorganized townships of the State on the basis of the original ownership of each.⁷

State school fund.—It is difficult to determine from the laws and the official reports of the State of Maine exactly what constitutes the

² Me. State Treas., Bien. Rept., 1925-26, p. 14.

³ F. H. Swift, A History of Public Permanent Common School Funds in the United States, p. 295; Laws of Me. Relating to Pub. Sch., 1925, p. 97, sec. 15. For a more complete account of this fund see F. H. Swift, op. cit., pp. 283-295.

⁴ Me. State Treas., Bien. Rept., 1925-26, pp. 14-15.

⁵ Me. State Aud., Bien. Rept., 1925-26, pp. 291 and 312.

⁶ Laws of Me., 1925, p. 411, ch. 107.

⁷ Me. State Aud., Bien. Rept., 1925-26, p. 420.

State school fund. According to the laws the revenues to be credited to this fund are (1) the income from the permanent school fund; (2) the proceeds of a $3\frac{1}{3}$ -mill general property tax; (3) one-half the proceeds of a State tax on savings banks; (4) one-half the proceeds of a State tax on trust and banking companies.*

Administration of State school funds.—Maine in common with certain other States credits all State school revenues to the State general fund and then appropriates from the State general fund the moneys to which the State school fund and various departments or projects have claims according to the provisions of the law. The appropriations thus made from the State general fund include a long list of projects, among which may be mentioned the State department of education, superintendence for towns comprising school supervisory unions, pensions for retired teachers, interest on trust funds, vocational education, aid to academies, tuition of children in unorganized townships, and the State school fund.

The State school fund makes provision for eight subsidiary appropriations, including three grants for general relief, distributed respectively on the bases of school census, aggregate attendance, and teaching positions; stimulation grants for industrial education and physical education; high-school tuition grants; grants for teacher retirement fund; and finally a grant for the State equalization fund. The total State funds provided by Maine for the year 1925-26 are shown in Table 1.

TABLE 1.—Maine total State aid to public schools, 1925-26^a

Purpose	Amount	Per cent
Interest on lands reserved fund and other trust funds.....	\$33,590.00	1.4
State department of education.....	40,500.00	1.7
Pensions for retired teachers.....	60,450.00	2.6
Teachers' retirement fund.....	2,000.00	.1
Vocational education.....	20,000.00	.9
Aid to academies:		
Salaries of teachers.....	25,000.00	
Maintenance and improvements.....	62,200.00	
Total.....	87,200.00	3.7
Superintendence of towns comprising school unions.....	142,000.00	6.0
Schooling of children in unorganized townships.....	35,000.00	1.5
Industrial education.....	138,000.00	5.8
Physical education.....	31,000.00	1.3
High-school tuition.....	99,854.02	4.2
Teaching positions.....	675,458.59	24.3
Distribution on basis of school census.....	726,711.00	30.7
Equalization fund.....	100,000.00	4.2
Distribution on basis of aggregate attendance.....	274,727.95	11.6
Total.....	2,366,491.56	100.0

^a Compiled from Laws of Me., 1925, p. 411, ch. 107, and Me. State Com. of Ed., Bienn. Rept., 1926, pp. 156-157. The table does not include \$203,000 appropriated for the benefit of normal schools and teacher-training agencies.

^b Laws of Me. Relating to Pub. Sch., 1925, p. 90, sec. 1; p. 97, sec. 14.

The moneys paid from the general fund for the benefit of schools (including State normal schools and teacher-training agencies) are technically appropriations to the State commissioner of education. It has been impossible to determine from the documents available whether all appropriations to the State commissioner are paid from moneys originally collected for the State school fund. It has seemed safe, however, to assume that this is the case since the total appropriations for the State commissioner of education for the year 1925-26, amounting to \$2,661,313.49⁹ approximate very closely the total estimated State school fund, namely, \$2,690,257.41.¹⁰

For these reasons in attempting to determine the types of State taxes employed by Maine for providing public-school revenue and the extent to which such taxes contribute to the support of schools, it seems warrantable to limit the consideration to the State school fund and the taxes contributing thereto. Table 2 presents a source analysis of this fund for the year 1925-26.

TABLE 2.—Source analysis of Maine estimated State school fund for the year 1925¹

Source	Amount	Per cent
3½-mill State general property tax.....	\$2,452,621.58	91.2
One-half proceeds of State tax on savings banks.....	103,597.49	3.8
One-half proceeds of State tax on trust and banking companies.....	101,187.20	3.8
Income from permanent school fund.....	32,851.67	1.2
Total.....	2,690,257.94	100.0

¹ Estimated according to the items of income to be devoted to the support of public schools. (Laws of Me. Relating to Pub. Sch., 1925, p. 90, sec. 1. The amounts shown are for revenues collected in 1925 which became available for use of schools in 1926.

² State Treas., Bien. Rept., 1925-26, p. 28. The rate of the total State tax was 7 mills. The 3½-mill levy for schools would therefore be approximately one-half of the total State tax amounting to \$4,905,243.16.

³ Ibid., p. 32 (one-half of \$207,194.97).

⁴ Ibid., p. 32 (one-half of \$202,374.40).

⁵ Computed at 6 per cent of the permanent school fund (\$547,527.86).

Apportionment of State School Funds

The major purposes of the State public-school appropriations and the bases employed in the distribution of appropriations for the State school fund have been indicated. It remains now to consider in detail the method of apportioning the various State school funds.

Permanent school fund.—The income of the permanent school fund is credited to the State school fund and apportioned together with the revenues of this fund and will therefore be described in the paragraph relating to the distribution of the State school fund.¹¹

⁹ Total of appropriations provided by Laws of Me., 1925, p. 411, ch. 107. This amount includes \$303,000 for the benefit of normal schools and teacher-training agencies.

¹⁰ See Table 2.

¹¹ Laws of Me. Relating to Pub. Sch., 1925, p. 90, sec. 1.

Lands reserved for public uses fund.—As indicated in an earlier paragraph the income from this fund is not distributed throughout the State but is returned to the plantations and unorganized townships in proportion to their original ownership of the principal.¹²

State department, pension, and teacher-retirement fund.—These funds are paid out in flat quotas to meet the State's obligation to the various projects implied in the respective titles of these funds.

Vocational education.—Plans for distribution are in harmony with the principles and policies of the Federal act and with the Rules and Regulations of the Federal Board for Vocational Education.

Aid to academies.—Two types of State grants are given to academies in towns in which there is no public high school: (1) Salary grants; (2) maintenance and improvement grants. Annual grants for teacher salaries, varying in amount from \$500 to \$1,000 are paid to such academies, the exact amount depending upon the courses offered, the pupil attendance, and the income from other sources.¹³

Grants for improvements are made to each of 35 academies named in the appropriation act in the form of flat quotas varying from \$500 to \$6,000.¹⁴

State school fund.—The State school fund of Maine consists of a State $3\frac{1}{3}$ -mill general property tax, 6 per cent interest on the permanent school fund, and one-half the proceeds of State taxes on savings banks and on deposits of trust and banking companies. In describing the method of apportioning the State school fund we are describing also the method of apportioning the income from the permanent school fund.

From the State school fund are first made deductions for six projects, including tuition reimbursements for secondary school pupils physical education, industrial education, teacher grants, school-census grants, and \$100,000 for an equalization fund. After these six deductions have been made the remainder of the fund is apportioned among the towns on the basis of aggregate attendance.¹⁵

In Table 3 all data essential to an understanding of the method of apportioning the funds provided by deduction from the State school fund with the exception of the State equalization fund is presented. The complexity of the method employed in apportioning this fund, as well as the importance of the principles involved, seem to necessitate a somewhat more complete statement.

Equalization fund.—The equalization fund is apportioned among the towns of the State in the form of five types of quotas:

¹² Me. State Aud. Blen. Rept., 1925-26, p. 420.

¹³ Revised Statutes of Me., 1916, pp. 377-378, Ch. XVI, secs. 98-104.

¹⁴ Laws of Me., 1925, pp. 496-498; Resolves, ch. 89.

¹⁵ Laws of Me. Relating to Pub. Sch., 1925, pp. 90-94; secs. 1-8.

1. *Quotas to supplement aggregate attendance grant.*—Whenever any school maintained by a town for the number of weeks provided in said town fails to record at least 1,500 days aggregate attendance, there may be apportioned from the equalization fund to such town such amount as will supplement the ordinary aggregate attendance grant to an amount equal to the grant for 1,500 days aggregate attendance.

2. *Quotas to aid schools closed due to emergency.*—It is evident that if a school is closed the aggregate attendance record will be greatly reduced. There may be apportioned in such cases for a period not to exceed 15 days an amount equal to the sum which the town would have received as an aggregate attendance grant had the school remained open; provided further, that if the lost days are made up without added expenditure such aid will not be given.

3. *Quotas for pupil transportation when schools are closed.*—In towns where the schools are closed or suspended, if the pupils are transported to another school there may be apportioned to the town the same amount as would have been apportioned for a teaching position as long as these conditions exist, provided that such grant shall not exceed one-half the transportation costs.

4. *Quotas to aid worthy projects.*—A sum not to exceed \$500 a year may be granted to a town to encourage consolidation, pupil transportation, housing of teachers, standardization of schools, or any other worthy project; provided that the total amount available for aid under this provision shall not exceed 10 per cent of the equalization fund.

5. *Quotas to aid towns with high tax rates.*—If the claims due towns under the preceding sections have been paid, the remainder of the equalization fund may be apportioned among those towns whose municipal tax rate for all purposes shall be in excess of a rate which is 3 mills less than the average of such rates for all towns of the State.

Table 3 shows the State educational appropriations provided by Maine for the benefit of public schools for the year 1925-26 and paid directly to the towns. In this table the various appropriations are arranged in five groups. Grants for supervision, grants for general relief, stimulation grants, compensation grants, and equalization grants.

TABLE 3.—Apportionment of Maine State school funds distributed to towns, 1925-26¹

Grants	Amount	Per cent	Basis
GROUP I (6.5 per cent)			
Grants for supervision:			
Town supervisors.....			Per official grants. Amount equal to twice sum furnished by towns forming union, but not to exceed \$800.
Salary quotas ²	\$142,000.00	6.7	
GROUP II (74.2 per cent)			
Grants for general relief:			
School census grant ⁴	\$726,711.00	34.2	Per school-census child, \$3. Pupil basis, aggregate attendance.
Balance of State school fund remaining after paying all prior claims ⁵	274,727.95	12.9	
Salary grants ⁷	575,458.59	27.1	Per teacher—\$100 for each elementary and high-school teaching position.
GROUP III (8 per cent)			
Stimulation grants:			
Industrial education ⁸	\$138,000.00	6.5	Per school: \$6,000 for each normal school offering such training courses. ⁹
(1) Teacher-training courses in manual training and domestic science.			
(2) Teacher-salary quotas:			Per teacher: Two-thirds total salary; limit, \$800 per teacher. Per school, two-thirds total expenditure for industrial courses; limit, \$1,750. Per school, two-thirds instructional costs for trade and industrial courses. Per school, two-thirds instructional costs; limit, \$2,000.
(a) Elementary schools ¹⁰			
(b) High schools and academies.....			
(c) Evening schools ¹¹			
(d) Special industrial schools.....			Per teacher, one-half salary of director of physical education; limit \$800 per director; \$1,600 per town.
Physical-education salaries ¹²	\$31,000.00	1.5	
GROUP IV (6.4 per cent)			
Compensation grants:			
Tuition and transportation of pupils in unorganized townships. ¹³	\$35,000.00	1.7	Per school or per pupil, State supplementary grants for support of a school or transportation of pupils to another district. ¹⁴
High-school tuition. ¹⁵ Paid by non-high-school town for resident pupils attending high school elsewhere.	99,854.02	4.7	
GROUP V (4.7 per cent)			
Equalization grants:			
Equalization fund.....	100,000.00	4.7	Need, graduated grants. Composite basis of need. See text.
Total	2,122,751.56	100.00	

¹ See text for more complete account of these funds. Funds included under Group IV, stimulation grants, include funds given to towns which despite circumstances of more than usual difficulty, provide school facilities, the provision of which in some cases is optional, in others compulsory.

² All towns not specifically exempted are required to form school supervisory unions and to employ a union superintendent.

³ Laws of Me., 1925, p. 411, ch. 107.

⁴ Laws of Me. Relating to Pub. Schs., 1925, pp. 93-94, sec. 7. The school census includes the number of persons between 5 and 21 years of age; *ibid.*, p. 91.

⁵ State commissioner of educ., *Bien. Rept.*, 1925-26, p. 156-157.

⁶ All grants included in Table 4 except aggregates attendance grant.

⁷ Laws of Me. Relating to Pub. Schs., 1925, p. 93, sec. 6.

⁸ *Ibid.*, pp. 62-66, secs. 133-139.

⁹ The studies in the present volume have followed the general policy of excluding allotments to normal schools. This small item was included in the present table because it was found impossible to segregate it from the general appropriation.

¹⁰ For salaries of teachers of manual training and domestic science.

¹¹ Limited to evening schools in which 25 per cent of total average attendance is in attendance upon courses in commercial branches, domestic and manual arts, or elements of trade.

¹² Laws of Me. Relating to Pub. Schs., 1925, pp. 77-79.

¹³ *Rev. Statutes of Me.*, 1916, p. 382, Ch. XVI, secs. 113-118.

¹⁴ Unorganized townships funds consist of income from the lands reserved fund and a 40-cent per capita tax on the townships.

¹⁵ Laws of Me. Relating to Pub. Schs., 1925, p. 93, sec. 5.

Before closing the present account it will be interesting to attempt to answer the question: Does the Maine plan of distributing State school funds seek chiefly to grant general relief, to stimulate local communities, or to equalize school revenue burdens and educational opportunities? The answer to this question for the year 1925-26 can be gleaned from Table 3.

According to the data presented in Table 3, out of the total public-school funds provided by the State for the current year 1925-26, 74 per cent were devoted to general relief, 6 per cent to compensation grants, 8 per cent to stimulation grants, 7 per cent for local supervision, and 5 per cent for equalization. From this it will be seen that general relief ranks highest as the function for which State aid in Maine is provided, stimulation second, and equalization lowest.

CHAPTER XVIII

MARYLAND

Features of Maryland system.—Maryland enjoys the distinction of being one of the few States in the Union which has worked out a scheme of financing public schools which, in a sound and relatively satisfactory way, equalizes school burdens, revenues, and consequently educational opportunities. It will be helpful to summarize at the outset the outstanding features of the Maryland system of school support. These include the following: (1) The organization of the school system on the basis of the county unit; (2) requiring from every county the submission of a budget showing the cost of providing a minimum school program; (3) an assured fund from State and county sources sufficient to meet the costs submitted by the county and approved by State authorities; (4) a State minimum-salary scale graduated to professional qualifications of teachers; (5) liberal State appropriations available to all counties regardless of wealth; (6) the apportionment of the major portion of State funds upon the basis of school census and aggregate attendance; (7) provision of a State equalization fund available to every county which levies a county school tax of a minimum rate fixed by law (6.7 mills) and is unable to finance from all other State and county funds its minimum State-approved program; (8) the computation of the total county school budget on the theory that teachers' wages should constitute 76 per cent of the total current costs.

State School Funds

In 1926, the public elementary and secondary schools of Maryland derived 22.5 per cent of their revenues from State funds, including Federal subventions for vocational education provided under the terms of the Smith-Hughes Act, and 77.5 per cent from county funds and municipal funds provided by the City of Baltimore, and certain other miscellaneous sources of negligible importance.¹

Free school fund.—The laws of Maryland in force prior to 1927 provided for two State public-school funds: (1) The general State school fund, composed of the proceeds of the State school tax together with a long list of annual appropriations; and (2) the State

¹ Md. State Bd. of Ed., An. Rept., 1926, p. 187, Table 87.

free school fund, a permanent State endowment created for the benefit of free common schools in the year 1813.

By an act approved April 26, 1927, Maryland provided that the moneys belonging to the State free school fund shall be distributed among the counties of the State and the City of Baltimore in proportion to the credits to which each is entitled on the basis of original ownership.² The act indicates that the total credits to be thus distributed amounted to \$403,874.45. This fund, therefore, no longer exists.

General State school fund.—The general State school fund is composed of the proceeds of the State general property school tax and of appropriations provided for the State department of education, the State board of education, any departments or officials under the jurisdiction of the State board of education or the State department of education, appropriations for the four State normal schools, teachers' pensions, county school officials, and all appropriations from which moneys shall be expended directly for the benefit of public schools.

The total of the appropriations provided in 1926 for the State general school fund, exclusive of \$70,000 received from normal-school fees, amounted to \$3,742,600. This total includes \$4,000 appropriated for extension teaching and \$277,600 appropriated for the four State normal schools. Deducting the sum of these two items from the above total, there remains \$3,461,000 as the total amount appropriated for the benefit of public schools. Of this total of \$3,461,000, 68.2 per cent, or \$2,362,500, was derived from the proceeds of the State general property school tax, leaving 31.8 per cent of \$1,098,500, as the amount to be paid from the State general fund.³

State Taxes as Sources of School Revenue

General property tax.—The law provides for levying annually a State general property school tax of 15 cents on each \$100 of "taxable property."⁴ The proceeds of the State school tax as already indicated are credited to the general State school fund. In actual practice the rate provided by the law just cited is not levied. Each successive legislature enacts a law which first repeals the rates of State taxes to be levied for various projects in accordance with the provisions of the Annotated Code of Maryland, article 81, and amendments thereto, and then provides new rates for each State project to be financed, in part at least, from the proceeds of a State general property tax. The State tax rates provided by the legis-

² Laws of Md., 1927, pp. 864-866, ch. 453.

³ Amounts furnished to the authors by the State tax commissioner in communication dated Jan. 17, 1928. Cf. Laws of Md., 1924, pp. 466 and 484, ch. 176.

⁴ Md. Pub. Sch. Laws, 1927, p. 114, sec. 205.

lature to be levied for public schools (number of cents on each \$100 of assessable property) from 1923 to 1929 were as follows: 1923, 10.95; 1924, 8.9; 1925, 12.15; 1926, 12.105; 1927, 11.25; 1928, 10.64; 1929, 10.38.

Corporation, inheritance, and license taxes.—As indicated in a preceding paragraph, in 1926, 31.8 per cent of that portion of the general State school fund benefiting public elementary and secondary schools was derived from the State general fund. In this year 24.01 per cent of all the State funds not dedicated to any specific purpose and known as the State general fund was derived from the proceeds of corporation taxes, 9.46 per cent from the proceeds of inheritance taxes, and 9.15 per cent from the proceeds of miscellaneous license taxes and fees, making a total of 42.62 per cent derived from these three classes of taxes. Corporation taxes, inheritance taxes, and license taxes must be regarded, therefore, as providing through the channel of appropriations from the general fund, moneys for public schools and for all other educational projects for which the legislature makes appropriations payable from the general fund and added to the general State school fund.

The same statement, of course, applies to the proceeds of fees and other moneys received by State departments and boards for services and privileges extended through the same. From Table 1 it will be seen that such moneys in 1926 provided 42.75 per cent of the total State general fund.

TABLE 1.—Analysis of Maryland State general fund, 1926

Received from—	Amount ¹	Per cent
State departments, boards, etc.....	\$4, 076, 507. 35	42. 75
State hospitals, sanitariums, training schools, etc.....	587, 734. 44	6. 16
Taxes:		
Corporation.....	2, 289, 387. 17	24. 01
License.....	873, 041. 05	9. 15
Inheritance.....	902, 547. 29	9. 46
Fees, fines, forfeitures.....	334, 222. 40	3. 51
Interest and penalties.....	261, 208. 60	2. 74
Miscellaneous.....	211, 357. 13	2. 22
Total.....	9, 536, 005. 43	100. 00

¹ From Compt. of the Treas. of Md., Rept. fiscal year 1926, p. 11.

² Including fees from normal-school students estimated at approximately \$70,000.

Apportionment of State School Funds

General State School Fund

The composite nature of the general State school fund precludes the possibility of distributing it by any general method. Each of

¹ Laws of Md., 1922, pp. 1106 and 1108, ch. 489; *ibid.*, 1924, p. 1434, ch. 572; *ibid.*, 1927, p. 1555, ch. 688.

the laws providing the several legislative appropriations of which the fund is composed sets forth the method by which each such separate constituent appropriation is apportioned. Table 2 shows for the year 1926 the various appropriations constituting the general State school fund, the basis provided by law for apportioning each, the amount of each appropriation and the per cent which such amount constituted of the total general State school fund of that year. In Table 3 the various appropriations have been grouped according to the basis upon which they are apportioned. These two tables make unnecessary a detailed account of the method of apportionment employed in disbursing appropriations which are given as flat sums for specific objects. Other appropriations which seem to demand a further treatment are considered in the immediately following paragraphs.

Census and attendance appropriation.—As shown in Table 2, the census and attendance grant is the largest single public-school appropriation provided by Maryland and greatly exceeds in relative importance any other. In 1926 census and attendance grants constituted 56.92 per cent of the total general State school fund. The grant next in importance was that provided for high-school salaries which furnished only 12.69 per cent of the general State school fund. The title "census and attendance appropriation" would seem to suggest that Maryland, like Arizona, California, Washington, and Utah, has adopted the policy of requiring the State to guarantee a definite sum per school-census child or per child in average daily attendance. Contrariwise this fund represents merely "as much as the State superintendent of schools could persuade the governor and general assembly to include in the budget."⁶ Two-thirds of this fund is apportioned among the counties and city of Baltimore on the basis of the school census between 6 and 14 years of age and the remaining one-third is apportioned among the same units on the basis of the aggregate days of attendance in all elementary schools and high schools which do not receive aid from the State high-school fund.⁷

State high-school fund.—Every county board of education is empowered to establish high schools subject to the approval of the State superintendent of schools.⁸ High schools are classified into two groups "to be designated first group and second group." Group I high schools are 4-year high schools and Group II high schools are 2-year high schools. The grouping, however, depends not merely upon the number of years of instruction offered but also upon the

⁶ Quoted from letter to F. H. Swift from Bessie C. Stern, statistician Md. State Dept. of Educ., dated Jan. 23, 1928.

⁷ *Ibid.*, cf. Pub. Sch. Laws of Md., 1927, p. 115, sec. 208.

⁸ Md. Pub. Sch. Laws, 1927, p. 102, sec. 192.

enrollment, average daily attendance, and number of full-time academic teachers. Junior high schools when organized according to the regulations of the State Board of education "and satisfactorily administered may receive State aid on the basis of the amount of high-school instruction given."⁹

On the basis of annual inspection the State superintendent prepares a list of high schools eligible for State aid and indicates regarding each school whether it belongs to Group I or Group II, the amount of State aid to which each school is entitled, and to whom the same shall be paid.

Not more than one high school shall be granted State aid in the same village, town, or city, unless each additional high school has an average daily attendance in excess of 200 pupils, and provided that in case two high schools are maintained in the same city for white pupils neither shall receive more than \$2,500. If the amount due the high schools from the State exceeds the State appropriation, then the appropriation may be prorated among the high schools of the State.¹⁰

Flat quotas.—The following flat salary quotas are provided for high schools in Group I subject to the provisions already noted and to certain other provisions yet to be indicated: High-school principals, \$900; full-time assistants for academic work—first two assistants, \$600 each; third assistant, \$450; each additional assistant, \$150; special teachers (that is, teachers of commercial, vocational, and art subjects, etc.), first two, \$450 each; each additional special teacher, \$150.

Limitations.—The total amount granted to any one high school shall not exceed \$5,000. The total amount granted on account of any high-school principal or teacher shall not exceed one-half of the salary paid to such principal or teacher. For each senior high school in the city of Baltimore a flat sum of \$6,000 shall be allowed.

The law makes very definite provisions governing the number of teachers for whom State aid shall be allowed in Group I high schools. The basis in each case is the enrollment or the enrollment and attendance.

Each high school of the second group shall receive State aid on the basis of the cost of instruction and in the following manner: One-half the salary of the principal not exceeding \$650.¹¹ The basis of the small allowance provided for high schools in the second group can only be understood in the light of the standards of these schools. The second group includes any high school which offers a 2-year course, with an average enrollment of not fewer than 15 and an

⁹ Md. Pub. Sch. Laws, 1927, pp. 103, 104, sec. 193.

¹⁰ Ibid., p. 107, sec. 196.

¹¹ Ibid., pp. 107-108, sec. 197.

average daily attendance of at least 12 pupils, and which employs one full-time teacher of academic branches.¹²

Textbook and supply fund.—County boards of education and the board of school commissioners of the city of Baltimore are required to furnish free to pupils in the public schools textbooks, materials of instruction, and school supplies. The State makes two separate appropriations—one for free textbooks and one for free supplies and materials of instruction. The law providing the method of apportioning these funds treats these two appropriations as one and provides that the entire State appropriation for free textbooks and supplies shall be apportioned among the counties and the city of Baltimore on the basis of the average enrollment in the public schools of the same.¹³

County colored industrial schools.—The law provides that there may be paid to each county maintaining a colored industrial school \$750 for the support of such school and \$750 for the salary of a county colored supervisor of industrial work in the colored schools of the county subject to the following limitations. The employment of a colored supervisor of industrial work will not be approved unless there are at least 10 colored schools in the county and unless the colored industrial school shall have had during the preceding year an average daily attendance of at least 30 pupils.¹⁴

Pension grants.—“Prior to 1927 there was a State pension of \$200 to 400 retired teachers of at least 60 years of age who had taught 25 years in Maryland and were without adequate means of support.”

By chapter 344, Acts of 1927, Maryland provided for a contributory pension system “by which the teacher members pay in from 4 per cent to 8 per cent of their salary, depending on age. The State is to put up a certain percentage of the pay roll and will gradually make up the amounts which the teachers would have contributed had the new arrangement been in effect at the time of their entrance into the service.”¹⁵

County school official salary quotas.—The law provides for State salary grants for the following county school officials: Superintendent, attendance officer, supervising or helping teachers. In each case the law fixes a maximum salary which the State will share in paying, but allows the county to exceed this maximum provided the State shall not share in the part payment of the excess.

The law requires that there shall be appointed in every county at least one attendance officer whose appointment shall be subject to the written approval of the State superintendent of schools. The

¹² Md. Pub. Sch. Laws, 1927, p. 103, sec. 193.

¹³ *Ibid.*, pp. 88, 89, secs. 130 and 133.

¹⁴ *Ibid.*, p. 117, sec. 213.

¹⁵ Statement in letter dated Jan. 17, 1928, to F. H. Swift from Bessie C. Stern, statistician Md. State Dept. of Educ. Cf. Md. Pub. Sch. Laws, 1927, pp. 65-88, secs. 92 to 405.

minimum salary of such official shall be \$1,200 a year, and this amount shall be paid entirely from the general State-school fund. Of all other county officials the State pays two-thirds of the State approved salary.¹⁶

A definite salary scale for county superintendents is fixed by law and varies from \$2,500 to \$4,140 according to the number of teachers in the county and the number of years of experience of the county superintendent, provided that such salary shall not exceed \$2,940 unless the county superintendent is a graduate of a college or university and has had at least one year of additional professional training in school administration, supervision, and methods of teaching.¹⁷

The law provides that there shall be appointed in each county one or more supervising teachers or helping teachers, the number to be determined upon the basis of the number of teachers employed in white elementary schools. The salaries to be paid such teachers are fixed by law and vary from \$2,040 to \$2,640 depending upon the number of years of service as supervising teachers in the State of Maryland. Helping teachers may be employed at an annual salary of \$600 less than that paid to supervising teachers. The State shall pay two-thirds of the annual salaries of not more than 10 supervising teachers for the city of Baltimore.¹⁸

Vocational education.—Smith-Hughes subventions and State funds provided to match the same are distributed in accordance with methods and bases adopted by State authorities in harmony with the principles and policies of the Smith-Hughes Act and the Rules and Regulations of the Federal Board for Vocational Education.

Table 2 presents in summary form an analysis of the State appropriations for 1926 together with the bases in accordance with which the same were apportioned.

TABLE 2.—Classification and analysis of Maryland State appropriations for public schools, 1926

Purpose	Amount*	Per cent of total	Basis of apportionment*
GROUP 1—(89.74 per cent)			
For services and material furnished immediately to pupils and schools:			
1. Census and attendance grants.....	\$1,970,000	56.92	<i>Per pupil:</i> Two-thirds school census (ages 6-14); one-third aggregate attendance. <i>Per teacher</i> (including principal): Number of teachers allowed based on enrollment and average daily attendance.
2. High-school salaries (principals and teachers).	439,045	12.69	

* Amounts taken from statement furnished by State Sup. of Sch. \$4,000 appropriated for extension teaching and \$347,000 appropriated for four normal schools are not included in the present table.
* Based upon Md. Pub. Sch. Laws, 1927.

¹⁶ Md. Pub. Sch. Laws, 1927, pp. 84, 85, sec. 145.

¹⁷ Ibid., pp. 27-29, sec. 134.

¹⁸ Ibid., pp. 33, 34, sec. 145.

TABLE 2.—Classification and analysis of Maryland State appropriations for public schools, 1926—Continued

Purpose	Amount	Per cent of total	Basis of apportionment
GROUP I—Continued			
For services and material furnished immediately to pupils and schools—Con.			
3. Equalization fund.....	\$401,055	11.59	<i>Need:</i> Graduated grants to cover allowed cost not met by all other funds.
4. Free textbooks.....	200,000	5.78	<i>Per pupil:</i> Average enrollment.
5. Materials of instruction.....	49,000	1.44	Do.
6. County colored industrial schools (\$750 for school, \$750 for supervisor's salary).....	30,750	.89	<i>Per school:</i> One-half; <i>per supervisor:</i> One-half.
7. Vocational education.....	15,000	.43	Bases in harmony with policies and principles of Smith-Hughes Act and Rules of Federal Board for Vocational Education.
GROUP II			
Pensions for retired teachers.....	80,000	2.31	Grants graduated according to pension of individual teacher and State's obligation thereto. (Act of 1927.)
GROUP III			
County school officials (superintendent; attendance officer, supervisors, and helping teacher).	176,000	5.08	<i>Per officer:</i> Attendance officer, full salary up to \$1,200. All others two-thirds of State approved salary; graduated grants depending upon years of experience (and for superintendents, number of teachers in county).
GROUP IV			
State board of education, and departments, bureaus, and officials subject to State board:			
1. State board of education (hotel and travel).....	1,000	.03	Fixed grant.
2. State department of education.....	65,650	1.89	<i>Itemized budget,</i> for which separate appropriation is made.
3. Physical health and education.....	12,500	.36	Fixed grant.
4. Bureau of educational measurements.....	12,000	.35	Do.
5. Bureau of publications.....	4,000	.12	Do.
6. Printing annual report.....	2,000	.06	Do.
7. Consultant architect.....	1,500	.05	Do.
8. Teachers examination and certification.....	500	.01	<i>Per teacher:</i> Sufficient to meet State's obligation.
Total.....	3,461,000	100.00	

A study of the data presented in Table 2 will reveal that 64.14 per cent of the 1926 appropriations—constituting the general State school fund, was apportioned on some per-pupil basis—namely, school census, attendance, or enrollment.¹⁹ State appropriations for the salaries of high-school teachers and county colored teachers of industrial subjects are apportioned on a per-teacher basis, but no State grant will be made for the salary of a colored industrial teacher unless the school in which such teacher is employed maintained during the preceding year an average daily attendance of at least 30 pupils, and the number of high-school teachers for whom the State will pay salary reimbursements depends upon the enrollment and the average daily attendance of the school employing the same.

¹⁹ As follows: Census and attendance appropriation, 66.92 per cent; free textbooks, 5.78 per cent; materials of instruction, 1.44 per cent.

Table 3 shows to what extent each distinctive type of basis is employed in the apportionment of State school appropriations.

TABLE 3.—*Bases of Maryland State grants for public schools, 1927**

I. Pupil grants:

1. School census (6-14 years). Two-thirds of census and attendance appropriation.
2. Aggregate attendance. One-third of census and attendance appropriation.
3. Average daily attendance. Determines (together with enrollment) the number of teachers for whom State will allow salary grants: (1) High-school teachers, (2) county colored industrial-school teachers.
4. Enrollment.
 - (1) Together with average daily attendance, determines the number of high-school teachers for whom State will allow salary grants.
 - (2) Average enrollment, free-textbook appropriation.
 - (3) Average enrollment, materials-of-instruction appropriation.

II. School official grants for salaries (excluding State)

1. Flat quotas (not graduated).
 - (1) County attendance officer, full salary up to \$1,200.^c
 - (2) County colored supervisor of industrial work in colored schools, \$750.
 - (3) High-school principal, \$900.
2. Grants graduated.
 - (1) County school officials, two-thirds of salary.
 - (a) Superintendent. Grants graduated to salaries paid, which vary from \$2,500 to \$4,140, depending upon superintendent's years of service and amount of responsibility as measured by number of teachers in county.^c
 - (b) Supervising teachers. Grants graduated to salaries paid, which vary from \$2,040 to \$2,640, depending upon number of years of service in Maryland as supervisors.^c
 - (c) Helping teachers. Grants graduated as for supervising teachers, but corresponding salaries are \$600 less at each salary level.
 - (2) High-school teachers. Grants graduated from \$300 to \$150, depending upon number of teachers eligible. Number eligible depends upon enrollment and average daily attendance. State grant per teacher decreases as number increases.
 - (3) Vocational education. Fixed amount to match Federal Smith-Hughes subvention. For salaries and training of supervisors and teachers of vocational subjects in secondary schools.
 - (4) Retired teachers. Pension grants graduated according to pension of individual teacher and State's obligation thereto.^d

* Based upon Md. Pub. Sch. Laws, 1927.

^b Grants for salaries and expenses of State school officials are included under V.

^c Local school corporations may pay salaries in excess of this maximum, but no State reimbursement will be granted for such excess.

^d Prior to 1927 the State paid annual fixed grants of \$200 to each of 400 retired teachers who were without adequate means of support. An act of 1927 created a contributory pension system. Beginning with the fall of 1927, teachers will contribute from 4 to 8 per cent of their annual salary, depending upon their age, and the State will set aside annually a certain per cent of the pay roll. Statement to authors Jan. 23, 1928, from Bessie Stern, statistician, Md. State Dept. of Educ.)

III. School grants. Fixed grants per school.

1. County colored industrial school. \$750 for school, and \$750 for supervisor, if allowed.
2. Library grant. \$10 to any schoolhouse district which provides the same amount.^c

IV. County equalization grants. Graduated grants based upon county's economic need. Sufficient to cover all costs in approved budget not met by all other State and county funds.

V. Grants to State board of education, and departments, bureaus, and officials subject to it. Fixed amounts determined by the legislature.

1. State board of education (for hotel and travel expenses).
2. State department of education.
3. Physical and health education.
4. Bureau of educational measurements.
5. Bureau of publications.
6. Printing annual report.
7. Consultant architect.
8. Teachers' examination and certification.

Table 2 and Table 3 show that Maryland apportions the majority of her school appropriations among all local school corporations (counties) on bases which entirely disregard differences in wealth or in effort as represented by local tax rate. Every county in the State benefits by each appropriation included in the general State school fund, except the equalization fund, and this fund constitutes only 11.59 per cent of the total State appropriations for the public-school system.

A considerable portion of the moneys provided are apportioned in the form of flat quotas to aid in the payment of the salaries of high-school teachers and county-school officers. Other salary grants are graduated, but upon arbitrary bases. The major portion (two-thirds) of the largest single appropriation (for census and attendance) is apportioned among the counties upon school census.

Equalization Fund

*Origin.*²⁰—The State school program of 1922 was the result of a careful study of the local needs throughout the State. Most of the items which were found to need improvement called for additional funds, either State or local. School data from every county in the State revealed that the poorer counties had higher tax rates and fewer well-trained teachers than the wealthier counties. Again, the

^c The library grant of \$10 to a school which raises a like amount is required by State law but must be paid by the county from any funds available. The State does not give a county specific aid for this purpose. It could require that a county which refused to comply with this provision pay such amounts out of the said county's quota of the State census and attendance fund. (Ibid.)

²⁰ Condensed from mimeographed statement furnished to the authors, by the Md. State Supt. of Educ.

wealthier counties had three or four times as much wealth back of each child to be educated as the poorer, but in the distribution of the State school fund on the basis of school census and aggregate days of attendance, a wealthier county frequently received as much money for each school child as a poor county.

If the State appropriation were to be increased sufficiently to enable the poorer counties to carry out the new State program on a reasonable local tax rate, an increase of more than \$2,000,000 in the State appropriation would be required. It was recognized that this increase was more than could be obtained. Consequently, the equalization-fund plan was adopted as a means of aiding the poorer counties to carry out the new program.

The principle underlying this fund was thus stated to the people of the State:

Any county that can not carry the new minimum salary schedule for teachers on a county school tax levy of 67 cents on each \$100 of assessed valuation, shall have such an allotment from the equalization fund as will enable the county to carry out the program; provided, that not less than 24 per cent of the current expense budget must be spent for purposes other than teachers' salaries.

It was found that 15 of the 23 counties would share in the new equalization fund, in amounts ranging from \$1,000 to \$35,000 for the year 1923, and that the equalization fund required for the 15 counties would amount to \$234,000. Instead of increasing the State school fund by \$2,000,000 and distributing it on a pupil basis, an equalization fund of \$234,000 was provided with a view to helping the most needy communities, in direct proportion to their school needs. The equalization fund is calculated from data furnished by each county superintendent of schools, who is the secretary of the county board of education.

Calculation of fund.—The following facts are submitted by each county superintendent for every teacher employed in his county: (1) School, (2) name of teacher, (3) years of experience, (4) grade of certificate, (5) salary, and (6) change in salary due to (a) raising grade of certificate of teacher employed, or (b) replacing a teacher with another having additional training.

The facts presented by each county superintendent are reviewed by the State central authority. Additions to the budget are made for the salaries of new teachers to provide for cases where the number is insufficient or where there is an increasing population for which new buildings are provided. Deductions are made for teachers or salaries in excess of State maximum allowances.

The law provides the "counties sharing in the equalization fund shall expend no less than 24 per cent of the total budget, not including debt service and capital outlay, for purposes other than teachers' salaries." By implication, 76 per cent of the total budget

of such counties may be spent for teachers' salaries. In compliance with this implied provision, the total county school budget is determined by dividing the total State-approved county teachers' salary budget by 0.76.

The equalization fund to which any county is eligible is the difference between the quotient thus determined, which represents the estimated amount required to maintain the schools of the county, and the sum of the proceeds to be received by the county from all State appropriations other than the equalization fund.

Just how Maryland determines and apportions her equalization fund can be most clearly shown by presenting the steps involved in calculating the amount due to some one county from the equalization fund. Table 4 shows how the quota for Worcester County was calculated for the year 1924-25.

TABLE 4.—The Maryland method of determining a county's share of the State equalization fund estimate for Worcester County, 1924-25^a

I. Estimate of total current school costs for next year.

Rule: Divide total State approved salary costs by 0.76.

1. Estimates of next year's salary costs:

(1) Last year's total teachers ^b pay roll.....	\$149,340.00
(2) Total deductions for excess in number of teachers ^b or in salaries ^c	\$12,800.00
(3) Total increases for better-qualified or additional teachers ^b	9,460.00
(4) Net deductions.....	3,340.00

(5) Total State approved salary budget for next year, not including transportation costs.....	146,000.00
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2. Estimated State approved total current costs for next year (item (5) divided by 0.76).....

(6) One-half the cost of transportation of elementary pupils (arbitrarily added) ^d	3,046.46
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(7) Total State approved budget for all current costs for next year.....	195,146.46
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II. Estimate of amount due county from equalization fund.

Rule: From cost of total State approved budget, subtract sum of proceeds of county 6.7-mill tax and all State appropriations.^e

^a Based upon mimeographed statement furnished by Md. State Supt. of Educ.

^b All principals and teachers, elementary and high school, white and colored.

^c State provides definite salary schedule indicating maximum salary State will approve for school officials of specified qualifications. State law also indicates number of teachers allowed on basis of number of pupils.

^d Not provided in law.

^e Obviously not including the State equalization fund.

II. Estimate of amount due county from equalization fund—Continued.

1. State grants made to county prior to grant from equalization fund from appropriation for:

(8) Census and attendance.....	\$37, 226. 20
(9) High-school salary costs.....	17, 190. 00
(10) Textbooks.....	4, 171. 32
(11) Materials of instruction.....	1, 042. 00
(12) County colored industrial schools.....	1, 500. 00
(13) Two-thirds salary of county school superintendent.....	1, 960. 00
(14) Two-thirds salary of county school supervisor.....	1, 560. 00
(15) Salary of county attendance officer.....	1, 200. 00
(16) Total State grants *.....	\$65, 850. 86

2. Proceeds of county tax:

(17) 6.7-mill tax on county's assessed valuation.....	111, 000. 00
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3. (18) Total receipts available to county from all county and State funds except equalization fund..... \$176, 850. 86

4. (19) Amount due county from equalization fund..... 18, 296. 10

Effects of equalization fund.—Formerly the amount of the equalization fund each county would receive was calculated every two years and included in the State school budget, subject to approval by the State legislature.²¹ Under a new policy the equalization fund is not only estimated biennially but the conditions in each county will be checked annually and aid will be allowed on the basis of the need revealed. In order to provide moneys with which to carry out this new policy there was included in the equalization fund provided in the State budgets for 1928 and 1929 an amount equal to 10 per cent of the total calculated on the basis of the estimated needs of the individual counties. This additional 10 per cent will be distributed to counties showing needs greater than anticipated. If this 10 per cent is not needed for this purpose, it may be distributed to all counties sharing in the equalization fund as additional aid toward the transportation of elementary-school-pupils.²²

Benefits of equalization fund.—The benefits resulting from the equalization fund have been summarized by the State superintendent of education as follows:

- (1) The equalization fund enables every county to pay the State minimum salaries provided it levies a reasonable county school tax. It does this without

* Obviously not including the State equalization fund.

²¹ Based upon mimeographed statement furnished by the Md. State Supt. of Educ.

²² Based on statement to authors, dated Jan. 17, 1928, from Bessie C. Stern, statistician, Md. State Dept. of Educ.

forbidding a county to pay more than this minimum if it so desires by levying a tax above the required rate.

(2) Counties sharing in the equalization fund can secure as many trained teachers as are available, and need not increase the local county school tax rate in order to meet the increased cost of these better-qualified teachers.

(3) A poor county shares in the equalization fund in direct proportion to the increases in training and efficiency of the teachers employed, and the increase in the high-school facilities and other educational opportunities for the children, because the cost of teachers' salaries in all schools is the main factor in determining each county's share.

(4) The equalization fund has made it possible to secure a total salary increase for well trained teachers, ranging from \$150 to \$700 per teacher, and totaling almost half a million dollars. Salary increases for teachers were accompanied by salary increases for county superintendents, county supervisors, and helping teachers. A supervisory officer was provided in each county for every 40 teachers in the elementary schools, the State paying the entire salary of one county school attendance officer and two-thirds of the minimum salaries of county superintendents, supervisors, and helping teachers.

CHAPTER XIX

MASSACHUSETTS

State sources of school revenue.—State taxes provide revenue for public elementary and secondary schools in Massachusetts through the channels of two different funds: (1) The general school fund derived entirely from the proceeds of the State income tax; (2) the State general fund composed chiefly of tax proceeds, from which are paid annual legislative appropriations for special school purposes and projects. A study of State taxes for public schools in Massachusetts resolves itself, therefore, into a consideration of (1) the State income tax, (2) State taxes contributing to the general fund and which are, therefore, indirect sources of State school revenues, and (3) a comparison of the relative importance of the general school fund, State school appropriations, and the only remaining State source, namely, the income of the State permanent public-school fund, officially known as Massachusetts school fund. In order to prepare at the outset for an understanding and appreciation of the relative importance of these three major classes of revenue Table 1 is presented:

TABLE 1.—*Source analysis of Massachusetts State aid for public schools, 1926*

Source	Amount	Per cent
State income tax (general school fund) ¹	\$4,833,080.34	64.8
Appropriations from ordinary revenue or general fund.....	2,417,323.17	32.4
Massachusetts (permanent) school fund income.....	210,744.37	2.8
Total State aid.....	7,461,147.88	100.0

¹ Mass. Dept. of Educ. An. Rept. 1926, Pt. A, p. 66.

² See Table 2. 82.6 per cent of the ordinary receipts were composed of tax proceeds. (See Table 4.)

From Table 1 three things are evident: (1) That the income of the Massachusetts school fund is of relatively little importance as a source of State school aid; (2) that appropriations are sufficiently important as to necessitate a consideration of the taxes contributing to the State general fund from which such appropriations are paid; (3) that the State income tax is by far the most important of all sources of State aid, contributing, in 1926, only slightly less than two-thirds of the total State-provided school revenues. This, it will be observed, is the only State tax on which the schools have a legal claim without further legislative action.

Taxes on Which Schools Have Legal Claim Without Further Legislative Action

State income tax devoted to general school fund.—In 1916 Massachusetts passed her income tax law.¹ Three years later, namely, 1919, the State provided for setting aside a portion of the proceeds of this tax to constitute a new annual current school fund, officially known as the general school fund. The creation of the general school fund was the direct outgrowth of the recommendation of the special commission of education appointed by the governor under the authority of chapter 88 of the Resolves of 1918.

The commission prepared two bills. The general court, in 1919, combined these two bills into a single law.² This act, characterized as "the most important educational bill that has been before the legislature in 20 years," is divided into two parts. Part I, consisting of sections 1 to 7, provides for the creation and disbursement of the general school fund; Part II, consisting of sections 8 to 17, provides for the perpetuation of the Massachusetts school fund and a new method of disbursing its income, together with sufficient additional moneys from the proceeds of the State income tax (not to exceed \$250,000 annually) as may be necessary to pay in full the claims against the income of the Massachusetts school fund.

This act constitutes chapter 70 of the general laws. Certain sections of the act were amended in 1921 and subsequent years, including 1926.

State School Funds

The general school fund is not a fixed amount, but rather a sum to be set aside annually from the proceeds of the income tax, sufficient to provide for the purposes set forth in Part I of the act, and which shall be available without further legislative action.³

Massachusetts school fund.—This fund is a permanent State endowment for public schools, of which the income only may be used. It was created in 1834 by an act for setting aside certain moneys derived from (1) "claims on the National Government for military service; (2) proceeds of the sales of State lands in Maine."

The act creating the fund in 1834 limited its principal to \$1,000,000, but subsequent acts increased the limit until it was fixed, in 1894, at \$5,000,000, which limit continues in force. In view of these facts it

¹ Laws of Mass., 1916, ch. 269.

² Mass. Gen. Acts, 1919, ch. 363.

³ Mass. Gen. Sch. Laws Relating to Education, 1927, p. 11, ch. 70, sec. 1.

⁴ For an account of the origin and early growth of this fund see F. H. Swift, *Public Permanent Common School Funds in the United States*, pp. 302-307.

is not surprising that the law makes no provision for any important sources for increasing the principal of this fund. Section 8, chapter 70, of the General Laws of Massachusetts provides that—

the present school fund of the Commonwealth, with future additions, and all funds received by the Commonwealth from the Federal Government, the disposition of which is not otherwise provided for, shall constitute a permanent fund to be called "The Massachusetts School Fund." The principal thereof shall not be diminished, and the income shall be disbursed as hereinafter provided.⁸

On November 30, 1926, the principal of the fund consisted of a small cash balance and securities, the total par value of which amounted to \$4,990,950, but the market value of which was reported to be in excess of \$5,000,000.⁹ The income of the fund for 1926 amounted to \$214,515.58,⁷ of which \$210,744.37 was distributed among the towns of the State for the benefit of the schools.⁸

It has already been noted that the proceeds of the State income tax, in accordance with the provisions of the law, may be used not only to meet the claims against the general school fund, but to supplement the income of the Massachusetts school fund, should this be necessary. The total proceeds of the State income tax, in 1926, amounted to \$21,193,106.05.⁹

Twenty-two and eight-tenths per cent of this total, namely, \$4,838,080.34 was devoted to the general school fund.¹⁰ No portion of the proceeds were required to supplement the income of the Massachusetts school fund.¹¹

Any portion of the proceeds of the State income tax not required to meet the State's obligation to schools is returned to the cities and towns in proportion to the amount of the State general property tax imposed upon each of them respectively in each year. In 1921 no less than 64 per cent was returned,¹² and in 1926 no less than 77.4 per cent. The proceeds received by the cities and towns are paid into the general treasury of each, with the result that a considerable proportion of the proceeds thus returned eventually reaches the public schools through appropriations from the city or town treasury.¹³

Tax Revenues Devoted to Schools Through State Appropriations

Appropriations from State ordinary revenue.—The general court makes annual appropriations from the State ordinary revenue for

⁸ Mass. Gen. Laws Relat. to Educ., 1927, p. 13, ch. 70, sec. 8.

⁹ Mass. Treasurer and Receiver General, An. Rept., 1926, p. 25.

⁷ Mass. Commis. on Admin. and Finance, An. Rept., 1926, Pt. II, p. 63.

⁸ Mass. Dept. of Educ., An. Rept., 1926, Pt. I, p. 66.

⁹ Commissioner of Corporations and Taxation, An. Rept., 1926, p. 74.

¹⁰ Mass. Dept. Educ., An. Rept., 1926, Pt. I, p. 66.

¹¹ *Ibid.*

¹² Formerly the quotas returned to the towns were in direct proportion to the proceeds of the income tax collected within each.

¹³ See F. B. Swift, *Public-School Finance in Massachusetts*, Studies in Public-School Finance (the East), p. 29.

specific purposes benefiting the public schools. Table 2 presents an outline of such funds, provided for 1926, showing the amount provided for each such purpose, including the balance from the preceding year, the expenditures from each such amount, and the balance remaining at the close of the fiscal year.

TABLE 2.—*Massachusetts State school appropriations from the State general fund or revenue, 1926, expenditures and balance*¹

Item	Appropriation ²	Expenditure	Balance
For State department of education:			
Salaries and personal services.....	\$94,000.00	\$93,671.80	\$328.20
Travel.....	9,528.81	7,752.64	1,776.17
Incidentals.....	15,647.78	14,670.10	977.68
School registers and blanks.....	3,799.88	2,535.06	1,264.82
Sight and hearing tests.....	800.00	139.47	660.53
Local administration and supervision: Superintendency unions.....	105,788.67	103,389.06	2,399.61
Vocational education:			
Independent industrial schools.....	1,260,069.07	1,260,659.31	0.76
Teachers of vocational education.....	29,685.00	26,760.58	2,924.42
Tuition and transportation of high-school pupils:			
Tuition.....	186,773.30	184,048.52	2,724.87
Transportation.....	106,047.56	104,923.37	1,124.19
For sight-saving classes.....	14,000.00	14,000.00	0
For teachers' pensions:			
Teachers' retirement board: Personal services and contingent expense.....	10,800.00	10,790.51	9.49
Teachers' pension reimbursement to cities and towns.....	108,783.01	108,783.01	0
Pensions to teachers.....	411,000.00	409,219.60	1,780.40
Total.....	2,417,323.17	2,401,343.03	15,980.14

¹ Unless otherwise indicated, all data in present table are taken from Mass. Dept. of Educ. An. Rept., 1926, Pt. I, pp. 49 and 50. The following appropriations are not included: Normal schools, teachers' institutes, vocational rehabilitation, division of university extension, English speaking classes for adults, division of immigration and Americanization, division of public libraries, division of the blind (except for public-school sight-saving classes), Massachusetts Nautical School, State textile schools. Appropriations payable from the general school fund are also excluded from this table, the purpose of which is to show appropriations from the State general fund, whereas the general school fund is derived from the proceeds of the State income tax and from the income of the Massachusetts school fund.

² Amounts reported include balances from previous year. For detailed statement of these balances, see Mass. Dept. of Educ. An. Rept. 1926, pp. 49 and 50.

In Table 1 it was shown that 32.4 per cent of the total State aid for public schools for the year 1926 was provided by the appropriations from the State general fund. These have been presented in Table 2. In this same year, no less than 82.6 per cent of the State ordinary revenue, that is, the State general fund, was derived from the proceeds of three types of taxes, namely, general property taxes, corporation taxes, and inheritance taxes, each of which will now be considered.

Direct or general property tax.—In order to cover any deficit which cannot be met from moneys derived from all other State sources of revenue, Massachusetts provides for the imposition of a general property tax upon the towns and cities of the State. This general property tax is distributed or apportioned among the cities and towns of the State on the basis of their respective assessed valuation, in accordance with chapter 58 of the general laws.¹⁴

¹⁴ Mass. Com. of Corporations and Taxation, An. Rept., 1924, p. 35.

As will be seen from Table 4, in 1926 the general property tax furnished 35.5 per cent of the total ordinary revenue receipts.

Corporation taxes.—Corporation taxes furnished 27.9 per cent of the ordinary revenue receipts in Massachusetts during the year 1926. (See Table 4.)

Corporations are taxed on various bases. Table 3 presents, in outline form, the corporation taxes levied for 1926, showing the types of taxes levied upon the different corporations and the rate and basis of levy of each type of tax.

TABLE 3.—*Massachusetts corporation taxes, 1926*¹

Title of tax	Rate and basis of levy
BUSINESS CORPORATIONS	
Domestic business corporation tax.....	Excise based upon value of corporate excess and upon net income.
Foreign business corporation tax.....	Excise based upon the value of corporate excess and upon net income.
Special tax on income of corporations, domestic and foreign, 1920.	$\frac{1}{2}$ of 1 per cent, tax based upon net income.
Extra tax on income of corporations, domestic and foreign, 1921.	$\frac{1}{4}$ of 1 per cent, based upon net income.
INSURANCE COMPANIES	
Insurance premium tax.....	Based upon net premium income; 1 per cent domestic companies; 2 per cent foreign countries; retaliatory provisions apply.
Life insurance tax.....	$\frac{1}{4}$ of 1 per cent, based upon net value of policies; retaliatory provisions apply.
Savings bank life insurance tax.....	$\frac{1}{2}$ of 1 per cent, tax based upon all funds held as insurance reserve or surplus.
Massachusetts Hospital Life Insurance Co. tax....	$\frac{1}{4}$ of 1 per cent, tax based upon annuity reserve.
BANKS	
Savings bank deposit tax.....	$\frac{1}{2}$ of 1 per cent, based on average deposits.
Massachusetts Hospital Life Insurance Co. deposit tax.	$\frac{1}{2}$ of 1 per cent, based on deposits.
Savings departments of trust companies deposit tax.	$\frac{1}{2}$ of 1 per cent, based on average deposits.
National bank tax.....	Measured by net income; rate determined by commissioner.
Trust company tax.....	Do.
Public service corporations.....	Franchise taxes, based upon the value of the capital stock.
Stock transfer tax.....	Excise based at 2 cents upon each \$100 of the par value of shares of stock.

¹ Mass. Com. of Corporations and Taxation, An. Rept. 1926, pp. 40-41.

Inheritance taxes.—The State levies graduated inheritance taxes upon the property of deceased persons, the rates varying from 1 per cent to 12 per cent on all amounts in excess of exemptions allowed by law, depending on the amount of the inheritance and the relationship of the heir.¹⁵

Table 4 presents a source analysis of Massachusetts ordinary revenue receipts, showing the amount received from each source in 1926, and the per cent which each such amount was of the total ordinary revenue receipts for the same year.

¹⁵ Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 182.

TABLE 4.—Source analysis of Massachusetts ordinary revenue receipts, 1926¹

Source	Amount	Per cent
Direct or general property tax ²	\$12,000,073.89	35.5
Corporation taxes.....	9,436,071.07	27.9
Inheritance taxes.....	6,495,566.80	19.2
Total receipts from taxes.....	27,931,711.76	82.6
Departmental receipts.....	5,495,399.87	16.3
Interest.....	319,547.08	.9
Miscellaneous receipts.....	55,191.32	.2
Total ordinary revenue receipts.....	33,801,850.03	100.0

¹ Mass. Com. on Administration and Finance, An. Rept., 1926, Part II, pp. 3 and 62.

² Levied on cities and towns.

Apportionment of State School Funds¹⁶

The manner of apportioning the general school fund is provided in Part I of chapter 70 of the General Laws of Massachusetts, and the manner of apportioning the Massachusetts school fund in Part II of the same chapter. The law itself refers in a collective way to the provisions contained in Part I and Part II. Moreover, the general school fund is not a fixed amount, but a sum set aside annually from the proceeds of the State income tax sufficient to provide for the purposes and to pay the reimbursements set forth in Part I of chapter 70, and it becomes available without further legislative action.

General school fund.—The general school fund is distributed annually on or before November 30 among all the towns and cities of the Commonwealth in the form of reimbursements for moneys expended during the year ending on the preceding June 30, in paying the salaries of superintendents, assistant superintendents, principals, supervisors, and teachers. The quotas of the fund are paid by the State treasurer in two installments. From the first installment are paid what, for convenience, we may call ordinary reimbursements; and from the second installment what we may call supplementary reimbursements.

Ordinary reimbursements are paid in the form of definite quotas for each teacher or other school officer employed. The amount of the reimbursements paid for each such school officer is determined, first, upon the basis of whether he was employed for full time or part time; second, upon the basis of his training; third, upon his years of previous experience; and fourth, upon the salary received from the town or city. In general, it is the purpose of this fund to provide a salary reimbursement for every teaching, supervisory, and administrative position maintained in connection with the public schools. However, a limited number of positions are excluded from

¹⁶ The account of the apportionment of the fund is based on Mass. Gen. Laws Relat. to Educ., 1927, pp. 11-14, ch. 70, Part I, sec. 4-7, and Part II, sec. 8-18.

reimbursements from the general school fund but not from State aid, as they are reimbursed from State special appropriations. No town in a superintendency union shall receive a reimbursement for the part-time employment of a union superintendent if entitled to reimbursement therefor under section 65 of chapter 71 of the General Laws. In like manner no town is entitled to reimbursement from the general school fund for salaries paid to teachers in State-aided vocational schools or departments, continuation schools, or Americanization classes for which the town receives State reimbursements from other funds.

The salary reimbursements paid are the same whether the reimbursement be for a superintendent, a principal, a supervisor, or a teacher, provided the already mentioned factors of training, experience, and salary paid by the town are the same.

Table 5 which follows shows the method of distributing ordinary reimbursements, the objects for which the same are granted, and the amounts:

TABLE 5.—Method of apportioning ordinary reimbursements from general school fund¹

(Salary reimbursements to every town and city regardless of valuation)

I. FOR EACH FULL-TIME SUPERINTENDENT, ASSISTANT SUPERINTENDENT, PRINCIPAL, SUPERVISOR, AND TEACHER

Class	Amount of reimbursement	Minimum salary previously paid to school officer by town or city	Minimum qualifications of such school officers	
			Professional preparation	Years of teaching experience
A	\$200	\$950	Graduate of an approved normal school or college.	2
B	\$200	950	Satisfactory completion of one year of professional training in an approved normal school or teacher-training school, or two years in college.	3
C	\$150	850		
D	\$150	850	Graduate of an approved normal school or college.	1
E	\$150	850	Satisfactory completion of one year of professional training in an approved normal school or teacher-training school, or two years in college.	2
F	\$100	750		

II. SALARY REIMBURSEMENTS FOR EACH PART-TIME SCHOOL OFFICER BELONGING TO CLASSES A-F²

Class	Description of reimbursement	Qualifications
G	A sum proportional to the ratio of period of service on the basis of salary paid for full-time service in same office.	Town or city must have expended an amount not less than that fraction of the corresponding salary for full-time service.

¹ Compiled from Mass. Gen. Laws Relat. to Educ., 1927, ch. 70, Part I, secs. 1-3.

² For every such school officer not included in any class previously provided for.

³ "Or whose preparation and teaching experience are accepted as equivalent to those of the preceding group."

⁴ No town in a superintendency union shall receive a reimbursement for the part-time employment of a superintendent if entitled to reimbursement therefor under sec. 65 of ch. 71, Mass. Gen. Laws Relat. to Educ., 1927.

Supplementary reimbursements.—The proportion of the general school fund devoted to supplementary reimbursements is clearly designed to fulfill the function of an equalization fund. Such reimbursements are apportioned on the basis of the amount of State property tax paid by towns per pupil in net average membership.

The State levies annually on its constituent cities and towns a general property tax sufficient to cover all costs included in the approved State budget which can not be met from the aggregate of all other State revenues. The amount to be thus provided, is apportioned among the cities and towns of the State on a basis of their respective assessed valuations.

Supplementary reimbursements are limited to those towns in which the proportionate amount paid of every million dollars of State tax as established by the last preceding valuation made for the purpose of apportioning such tax when divided by the net average membership¹⁷ of its public day schools for the year ending on the next preceding June 30 yields a quotient of less than 95 cents. Towns in which said quotient is less than 95 cents are further divided into six classes and are reimbursed for each school official for whom the town is entitled to receive an ordinary reimbursement, according to the following schedule:

Schedule for supplementary reimbursement

Quotient less than 60 cents.....	\$250
Quotient less than 65 cents but not less than 60 cents.....	200
Quotient less than 70 cents but not less than 65 cents.....	150
Quotient less than 80 cents but not less than 70 cents.....	125
Quotient less than 85 cents but not less than 80 cents.....	100
Quotient less than 95 cents but not less than 85 cents.....	50

Massachusetts school fund.—The income of the Massachusetts school fund is apportioned annually on December 31 and paid to the towns on the following March 10. The quota granted to any town is determined on the basis of the following factors: (1) The town's valuation as determined by the last preceding valuation made for the purpose of apportioning the State general property tax; (2) the town's "assured minimum," which may be defined as the excess of the town's expenditures for certain school costs over the amount received by the town during said year from the general school fund and for tuition of nonresident pupils including State wards. In computing the "assured minimum" expenditures for State-aided vocational or continuation schools or Americanization

¹⁷Net average membership is defined as "the average membership of such year as shown by the school registers, increased by the number of pupils resident therein whose tuition in the public schools of another town, for not less than half such year, the town has paid, decreased by the number of nonresident pupils attending its schools for not less than half such year."

classes are not included, but the following expenditures are those to be added when determining the excess just referred to:

1. Salaries paid to full-time principals and teachers, any one such salary not to exceed \$1,100.
2. Two hundred and fifty dollars for each position held by a full-time principal or teacher.
3. Pupil transportation cost to local schools.
4. Costs of tuition and transportation of pupils to public elementary schools in adjoining towns.
5. Actual costs for high-school tuition of pupils attending high schools outside the town of their residence, in the case of towns having more than 500 families and exempted from maintaining a 4-year high school.

The reimbursements paid from the income of the Massachusetts school fund are based upon fractional amounts of the town's "assured minimum" in relation to the local tax rate required to pay the town's proportion of the State general property tax.

The method of determining and apportioning reimbursements payable from the income of the Massachusetts school fund is thus stated in sections 12, 13, 14, and 14a of Chapter 70 of the General Laws:

SEC. 12. A town in which the proportionate amount paid by such town of every thousand dollars of State tax as established by the last preceding valuation made for the purpose of apportioning such tax is 8 cents or less shall receive one-half of its "assured minimum" if said minimum exceeds the sum that would have accrued therein from a tax of \$10 per thousand dollars valuation. If said minimum is less than the proceeds of such a tax, but more than would have been the proceeds of a tax of \$5 per thousand, the town shall receive the amount by which said minimum exceeds the proceeds of such a \$5 tax.

SEC. 13. A town in which the proportionate amount paid by such town of every thousand dollars of State tax as established by the last preceding valuation made for the purpose of apportioning such tax is more than 8 cents but not more than 16 cents, shall be allotted one-third of its "assured minimum" if said minimum exceeds the sum that would have accrued therein from a tax of \$7.50 per thousand dollars valuation. If said minimum is less than the proceeds of such a tax, but more than would have been the proceeds of a tax of \$5 per thousand, the town shall be allotted the amount by which said minimum exceeds the proceeds of such a \$5 tax.

SEC. 14. A town in which the proportionate amount paid by such town of every thousand dollars of State tax as established by the last preceding valuation made for the purpose of apportioning such tax, is more than 16 cents but not more than 40 cents, shall be allotted one-half the amount by which its "assured minimum" exceeds the amount that would have accrued therein from a tax of \$5 per thousand dollars valuation.

SEC. 14a. Every town in which the proportionate amount paid by such town of every thousand dollars of State tax as established by the last preceding valuation made for the purpose of apportioning such tax is more than 40 cents but not more than 50 cents shall be allotted one-half the amount by which its "assured minimum" exceeds the amount that would have accrued therein from a tax of \$5 per thousand dollars valuation, provided its valuation as established

for the purpose of apportioning the State tax when divided by the net average membership of its public day schools (see footnote 15) for the year ending on the next preceding June 30, yields a quotient which does not exceed 75 per cent of the quotient so obtained for the Commonwealth as a whole, and provided its expenditures per \$1,000 of valuation for support of public day schools from funds raised by local taxation for its last preceding fiscal year exceeds by at least 25 per cent the average of such expenditures for the Commonwealth as a whole for the same year.

The laws provide that the allotments made under each section of the law just quoted shall be paid in full in the order given, and in case the funds, including the supplement from the proceeds of the income tax, are insufficient to meet the allotments in full under any section, after paying the allotments under preceding sections, such allotments under this section shall be proportionately reduced and paid. No allotments would be paid under succeeding sections. It is assumed that allotments have been paid in full, however, since no supplement was required from the income tax for 1926.

Appropriations from State Ordinary Revenues and General Fund

State department of education.—Moneys appropriated to the State department of education from the State ordinary revenues are expended in the form of flat salary and expense quotas as provided in the appropriation act.¹⁸

Superintendency unions.—The State reimburses superintendency unions two-thirds of the salaries and expenses paid to superintendents, not including any amount in excess of \$2,500 for the salary and \$400 for the expenses of any superintendent. This reimbursement is apportioned among the towns forming the union in proportion to the amounts expended by them for the salary and expenses of the superintendent.¹⁹

Vocational education.—The State reimburses towns one-half the net maintenance cost of local or district independent, industrial, agricultural, or household arts schools, except agricultural departments in high schools, which receive two-thirds of the salaries of instructors therein. The State reimbursement for tuition in such departments in high schools is to the same extent and under the same conditions as is provided for regular tuition in public high schools.²⁰ (See succeeding paragraph.) The State reimburses towns maintaining continuation schools one-half the sum raised by local taxation and expended for their maintenance.²¹

¹⁸ Mass. Acts and Resolves, 1926, pp. 70-80, ch. 79; Mass. Dept. of Educ., An. Rept., 1926, Part I, p. 49.

¹⁹ Mass. Gen. Laws Relat. to Educ., 1927, p. 25, ch. 71, sec. 65.

²⁰ Ibid., pp. 31-32; ch. 74, secs. 9, 10, and 12.

²¹ Ibid., p. 19, ch. 71, sec. 24.

State aid for high schools.—A town of fewer than 500 families maintaining a high school is reimbursed by the State \$250 for a principal and for each teacher devoting full time to said school, with proportionate amounts for those devoting only part time, not to exceed \$1,250 for any one school.²²

High-school tuition.—A town of fewer than 500 families is reimbursed by the State a fractional part of the whole amount paid by it for tuition of high-school pupils according to valuation as follows:²³

Valuation of town	Fractional part of tuition cost reimbursed by State
\$500,000 or less	All
More than \$500,000, but not more than \$1,000,000	Three-fourths
More than \$1,000,000	One-half

The laws further provide that no town shall receive any reimbursement under the two sections just described—

if its valuation for its fiscal year preceding said school year, divided by the net average membership of its public schools (see footnote 17) for the school year preceding the year for which reimbursement is claimed, exceeds the corresponding quotient for the Commonwealth.²⁴

High-school transportation.—A town of fewer than 500 families is reimbursed a fractional part of the amount spent for transportation or board of high-school pupils according to the average amount for three years expended per \$1,000 from local taxation for the support of public schools as follows:²⁵

Average amount expended per \$1,000	Fractional part of transportation cost reimbursed by State
More than \$4, but not more than \$5	One-half
More than \$5, but not more than \$6	Three-fourths
More than \$6	All

Wards of the State.—The State pays the tuition in the public schools and transportation costs of any child over 5 years of age placed elsewhere than in his home town by the department of public welfare.²⁶

Sight-saving classes.—The director of the division of the blind is authorized to expend the amount appropriated (\$14,000 for 1926) to provide sight-saving classes for children certified by any reputable oculist as fit subjects for instruction therein.²⁷

Teachers' pensions.—Funds provided for teachers' pensions are not apportioned on any general basis, but are expended to meet the State's obligations as the title implies.

²² Mass. Gen. Laws Relat. to Educ., 1927, p. 16, ch. 71, sec. 5.

²³ Ibid., p. 17, ch. 71, sec. 8.

²⁴ Ibid., p. 17, ch. 71, sec. 9.

²⁵ Ibid., pp. 16-17, ch. 71, sec. 7.

²⁶ Ibid., pp. 41-42, ch. 76, sec. 7-9.

²⁷ Ibid., p. 9, ch. 69, sec. 10.

Underlying Principles of Massachusetts Plan

Massachusetts is definitely committed to certain principles which may be summarized as follows: (1) State aid should be given in the form of reimbursements for moneys previously expended and should not be paid in advance; (2) the State should distribute a certain part of its State aid to all communities regardless of wealth; obviously such a policy tends to avoid the charge that the wealthier communities are being unduly taxed for the benefit of the poorer. The "ordinary reimbursements" granted from the general school fund fulfill this purpose and may be designated as reimbursements to afford general relief; (3) a large part of the aid given in Massachusetts is based upon the belief that an important function of State aid is the stimulation of local effort; (4) Massachusetts recognizes that with the State rests the responsibility of equalizing the school burdens, revenues, and thereby educational opportunities. It is her recognition of these principles that has led Massachusetts to disburse the income of the Massachusetts school fund and supplementary reimbursements from the general fund in accordance with methods which attempt to give recognition to the principles commonly involved in plans for apportioning what have come to be known as State equalization funds.

CHAPTER XX

MICHIGAN

Michigan maintains three State school funds for the benefit of public schools: Two "accounts" of permanent common-school funds, known respectively as the primary-school fund and the swamp-land fund,¹ and a third fund, known as the primary-school interest fund, composed in part of the interest paid by the State on the primary-school fund and the swamp-land fund, but chiefly of the proceeds of State taxes credited to the specific-tax fund and transferred therefrom to the primary-school interest fund. *The primary-school fund* is the account of proceeds derived chiefly from the sale of 1,067,397 acres of school lands, the same being the aggregate area of the section numbered 16 in each congressional township granted to Michigan upon her admission as a State into the Union. The constitution provides that this fund shall be kept as a permanent fund. Nevertheless, the primary-school fund does not to-day represent a productive endowment. All moneys received by the State for the credit of this fund are used for general State purposes, and the amount thus used is added to the State account. The State is pledged to pay 7 per cent interest upon this account, whence the fund is often called the "7 per cent fund."

In the year 1926, according to the report of the auditor general, the account of the primary-school fund (including the primary escheats fund) amounted to \$4,532,927.54.² The annual income on this account at 7 per cent would be \$317,304.93.

The swamp-land fund is the account of proceeds derived from the sales of swamp lands granted to the State of Michigan in the year 1850 and in subsequent years. On this account the State pays 5 per cent annual interest, whence the fund is commonly called the "5 per cent fund." In 1926, the account of the swamp land or 5 per cent fund amounted to \$986,121.61,³ and the interest thereon \$49,306.08.

In official reports, the distinction between these two funds is frequently ignored and their combined interest is reported simply as the primary-school interest fund. The interest on the primary-school interest fund, as well as the interest on the State debt to the agricul-

¹ For a more complete account of the origin of these funds and of the sources provided for their increase see F. H. Swift, *A History of Public Permanent Common School Funds in the United States*, pp. 312-316.

² Mich. Aud. Gen. Rept., 1926, p. 24, Table 7.

³ *Ibid.*

tural college fund, the normal-school fund and the university fund, is paid from a fund known as the specific tax fund, and derived from the proceeds of four types of State taxes: (1) Taxes on public utilities, (2) taxes on insurance companies, (3) organization and franchise fees, and (4) inheritance taxes, each of which will be considered in turn.

State Taxes for Public Schools

Michigan levies no State general property tax nor any other type of State tax specifically for public schools. Nevertheless, as will appear later, the specific tax fund is used so largely for providing State revenue for public schools that the taxes contributing to this fund may well be regarded as State taxes levied for public schools.

State taxes devoted to public-school funds.—By a constitutional amendment adopted in 1909, it was provided that all subjects of taxation now contributing to the primary-school interest fund under the present laws shall continue to contribute to this fund, and all taxes from such subjects shall be first applied in paying the interest upon the primary school fund, university fund, and other educational funds in the order herein named, after which the surplus of such moneys shall be added to and become a part of the primary-school interest fund.⁴

The effect of this constitutional amendment was to make the specific tax fund, to which the proceeds of the above taxes are credited, the source of the State educational funds. The entire proceeds of the specific tax fund are credited to the various educational funds of the State. Table 1, which follows, shows a percentage analysis of (1) the receipts credited to the specific tax fund, and (2) the disbursements made from the specific tax fund to the various State educational funds.

TABLE 1.—Percentage analysis of receipts and disbursements of the Michigan specific tax fund, 1925-26

Receipts*		Disbursements*	
Source	Per cent	Transferred to interest funds	Per cent
Public utilities tax.....	68.7	Primary school.....	99.0
Insurance companies tax.....	16.2	Agricultural college.....	.6
Inheritance tax.....	13.0	University.....	.3
Organization and franchise fees.....	2.1	Normal school.....	.1
Total.....	100.0	Total.....	100.0

* Mich. Aud. Gen. Rept., fiscal year 1926, p. 26, Table 46.

* Ibid., p. 23.

* State of Mich. Gen. Sch. Laws, 1911, p. 5.

Public utilities tax.—Taxes are levied annually on public utilities by the State board of assessors. Such taxes are based upon the true cash value of the corporation, and the rate is "the average rate of taxation paid by the general properties of the State."⁵

As shown in Table 1, the tax on public utilities constitutes the greatest source of revenue of the specific tax fund, and consequently of State funds for educational purposes. The types of public-utility corporations contributing to the specific tax fund in the year 1926, and the amount received from each class, are shown in Table 2.

TABLE 2.—Receipts from taxes on public utility corporations credited to the Michigan State specific tax fund, 1925-26¹

Corporations	Receipts
Railroad companies.....	\$8,891,980.49
Telephone and telegraph companies.....	2,065,587.23
Car-loading companies.....	137,830.40
Express companies.....	44,096.13
Total.....	11,139,494.25

¹ Mich. Aud. Gen. Rept., 1926, p. 26, Table 16.

Insurance taxes.—A State tax is imposed upon the gross premiums of casualty and guaranty companies, and fire and life insurance companies. Table 3 shows the receipts from the proceeds of insurance taxes credited to the specific tax fund for the year 1926.

TABLE 3.—Specific tax fund receipts derived from insurance taxes, 1926¹

Corporations	Receipts
Life-insurance company taxes.....	\$1,408,868.41
Fire-insurance company taxes.....	797,950.35
Casualty and guaranty company taxes.....	421,190.45
Total.....	2,628,009.21

¹ Mich. Aud. Gen., Rept. 1926, p. 236, Table 81.

Organization and franchise fees.—To the specific tax fund are credited organization and franchise fees paid by corporations to the secretary of state for such services as filing, examining, and certifying articles of incorporation, filing and examining annual or special reports, certifying to an amendment, franchise privileges, etc. The receipts from such fees credited to the specific tax fund in 1926 amounted to \$341,577.86.²

Inheritance taxes.—Upon all inherited property not exempted by law, the State imposes an inheritance tax. The proceeds of inheri-

² State Board of Tax Commissioners and State Board of Assessors, Report, 1919-20, pp. 11-12.

³ Mich. Aud. Gen. Rept., 1926, p. 26.

tance taxes are credited to the State specific tax fund, and in the year 1926 added to this fund \$2,112,707.83.⁷

State taxes as sources of public-school revenue.—In the year 1925-26, the total receipts credited to the specific tax fund amounted to \$16,295,779.28. The relative importance of the various classes or types of taxes contributing to the specific tax fund was presented in the per cent analysis of receipts shown in Table 1. Of this total fund, \$125,865.60 was disbursed to meet payments due the agricultural college interest fund, the normal-school interest fund, the university fund, a refund to the inheritance-tax fund, and a transfer to the general fund; the balance amounting to \$16,169,913.68 was credited to the primary-school interest fund. Of the sum credited to the primary-school interest fund, \$365,528.67 was for the purpose of paying the interest due on the primary school or 7 per cent fund, and the interest due on the swamp land or 5 per cent fund. The importance, as State sources of public-school revenue, of the taxes contributing to the specific tax fund, can be summed up in the statement that this fund is the only source of State revenues for public schools.

Apportionment of State School Funds

School-census quotas.—Ninety-five per cent of the primary-school interest fund is apportioned annually by the State superintendent of public instruction among the several townships and cities of the State on the basis of the school census for the preceding school year; that is, the number of children between the ages of 5 and 20 years.⁸

Constitutional limit to district quotas.—In order to prevent any district from receiving an undue amount of aid from the primary-school interest fund, the constitution provides that—

If any school district shall, on the second Monday in July of any year, have on hand a sufficient amount of money in the primary-school interest fund to pay its teachers for the next ensuing two years as determined from the pay roll of said district for the last school year, and in case of a primary district, all tuition for the next ensuing two years, based upon the then enrollment in the seventh and eighth grades in said school district, the children in said district shall not be counted in making the next apportionment of primary-school money by the superintendent of public instruction * * *⁹

Equalization quotas.—The remaining 5 per cent of the primary-school interest fund is apportioned among the school districts of the State as an equalization fund, in such a manner that the amount apportioned to each school district or each school-census child shall be

⁷ Mich. Aud. Gen. Rept., 1926, p. 26, Table 16.

⁸ Pub. Acts of Mich., 1927, p. 673, No. 319, sec. 10.

⁹ Constitution, Art. XI, sec. 9, Mich. Gen. Sch. Laws, 1923, p. 9.

in direct proportion to the number by which the average school membership of the district exceeds the average school membership for the whole State for each \$100,000 of equalized valuation. Apportionments from the equalization fund are limited to districts whose valuation per child in average school membership is less than the State average.¹⁰

In order to understand the foregoing provisions, it is necessary to define membership and average membership. The average membership of any school district is determined by dividing the total number of days' membership in the entire school year of all school members resident within the school district by the number of days actually taught.

Any child between the ages of 5 and 20, resident of the district shall be considered a member of said district . . . from the day he enters a day school, as provided by law, whether public, private, denominational, or parochial, until the close of the school year, unless he has died, attained the age of 20 years or has left such school.¹¹

The superiority of membership over average daily attendance as a pupil measure of the school burden of a district or of its ability to provide school revenues is well presented in the following statement recently received from the Michigan State Department of Public Instruction—

In the term "membership" . . . we find . . . a much more accurate and satisfactory number to use than average attendance or daily attendance, as a child may be absent from a school several days and therefore not counted in average daily attendance. Such a child still remains a member of the school and the district is responsible for a school.¹²

There is a limitation attached to the apportionment of the equalization fund. No district shall receive aid from this fund to such an extent that the total of the quotas which the district receives from the 95 per cent of the primary-school interest fund and from the equalization fund, will exceed the district's total cost for teachers' wages plus tuition paid to other school districts.¹³

Apportionment by townships among districts.—Certain States apportion school funds among counties and townships by one method, and then provide a somewhat different method to be employed by the county superintendent or other county official in apportioning the quotas intrusted to the county for distribution among school districts or other constituent political corporations. Michigan be-

¹⁰ Pub. Acts of Mich., 1927, p. 673, No. 319, sec. 10.

¹¹ *Ibid.*, p. 673, sec. 11.

¹² Statement contained in letter to F. H. Swift, Feb. 6, 1928. From Mich. State Administrator of Child Accounting, Grace B. Wallace.

¹³ Pub. Acts of Mich., 1927, pp. 673-674, No. 319, sec. 15.

longs to that larger group of States in which the State school funds are apportioned by the same method throughout.

The clerk of each township or city upon receiving notice from the county treasurer of the amount of moneys apportioned to the school district of his township or city, shall apportion to each the amount to which it shall be entitled, in accordance with the statement furnished by the State superintendent of public instruction.¹⁴

¹⁴ Pub. Acts of Mich., 1927, p. 700, No. 319, sec. 5.

CHAPTER XXI

MINNESOTA

Types of taxes levied.—The public elementary and secondary schools of Minnesota receive aid from State taxes through three different channels: (1) A State 1-mill general property tax levied and collected specifically for the benefit of public schools since 1890;¹ (2) 40 per cent of the proceeds of an annual occupation tax of 6 per cent upon the net value of all ores mined or produced, and of a 6 per cent royalty ore tax; (3) taxes contributing to the State revenue fund from which appropriations are made for the benefit of elementary and secondary schools. To the taxes already listed must be added a State general property tax of one-twentieth (0.05) of a mill levied annually for the benefit of the teachers' insurance and retirement fund.

Taxes Benefiting Public Schools Through Appropriations From State Revenue Fund

Appropriations from State revenue fund.—One of the outstanding features of the Minnesota systems of State support is the extent to which has been carried the policy of providing appropriations for specific educational projects. In the year 1925-26 not less than 58.4 per cent of the total moneys provided by the State for elementary and secondary schools was devoted to appropriations for specified projects (see Table 2). Since a large proportion of the total State aid is provided by the State revenue fund, it becomes necessary in making a study of State taxes for public schools to analyze the State revenue fund and to describe the taxes contributing thereto. By far the major portion of the State revenue fund (in 1925-26 more than 76 per cent, see Table 1) was derived from the five types of taxes, each of which will be considered in turn, namely: (1) Corporation taxes, (2) general property taxes, (3) occupation tax on iron ore, (4) royalty tax on iron ore, and (5) inheritance tax.

Corporation taxes.—Corporations, including railroad, insurance, telephone, express, freight and sleeping car companies, are taxed

¹ F. H. Swift and F. K. del Plaine, *Public-School Finance in Minnesota, Studies in Public-School Finance—The Middle West*, p. 164.

upon their gross receipts from business done within the State, the rates varying from 5 to 8 per cent depending on the type of corporation. Telegraph companies are taxed on the value of their tangible and intangible property at a rate determined by the tax commission, said rate not to exceed the average rate of taxes levied throughout the State.²

General property taxes.—The State levies general property taxes for no less than 11 separate funds, the total rate for all funds for 1925 being 7.7 mills. The general property tax rates for the three funds which have already been described as contributing directly or indirectly to the support of public schools are: (1) State revenue fund, 3.5 mills; (2) current State school fund, 1 mill; and (3) teachers' insurance and retirement fund, one twentieth (0.05) mill.³

Occupation tax on iron ore.—As already stated, the laws provide for a tax of 6 per cent upon the net value of all ores mined or produced.⁴

Although the laws provide for this tax upon all ores, practically all receipts are derived from the application of the tax to iron ores and in practice all receipts from taxes on ores are credited to the different accounts under the heading "Occupation tax on iron ore."⁵ The proceeds of this tax are distributed among three funds on a percentage basis as follows: (1) State revenue fund, 50 per cent; (2) permanent school fund, 40 per cent; and (3) permanent university fund, 10 per cent.⁶

Iron ore royalty tax.—The State levies a tax of 6 per cent upon all royalty received for permission to explore, mine, take out, and remove ore from land in the State. This tax supplements the occupation tax just described since in computing the net value of ore for the occupation tax levy, the amount of royalty paid on the ore is deducted with the other expenses of production.⁷

Inheritance taxes.—The State levies a graduated inheritance tax, the rates varying from 1 to 20 per cent, depending on the amount of the transfer and the relationship of the heir, on all amounts in excess of exemptions allowed by law.⁸

A source analysis of the Minnesota State revenue fund for the year 1925-26 is presented in Table 1.

² Minn. Tax. Com., Bienn. Rept., 1926, pp. 130-142.

³ Minn. State Aud., Bienn. Rept., 1924-1926, p. vii.

⁴ Minn. Tax Com., Bienn. Rept., 1926, p. 148.

⁵ Minn. State Aud., Bienn. Rept., 1924-1926, p. 38.

⁶ Minn. Tax Com., Bienn. Rept., 1926, p. 149.

⁷ Ibid., pp. 148-149.

⁸ Ibid., p. 144.

TABLE 1.—Source analysis of Minnesota State revenue fund, 1925-26¹

Source	Amount	Per cent
State taxes:		
Corporation taxes.....	\$10,480,022.15	86.1
General property taxes.....	4,203,594.00	18.6
Occupation tax on iron ore (50 per cent).....	1,288,378.81	5.6
Royalty tax on iron ore.....	326,536.61	1.4
Inheritance tax.....	1,022,112.09	4.3
Other taxes.....	83,380.32	.4
Total receipts from taxes.....	17,369,023.98	77.0
Other receipts:		
Departmental.....	2,006,120.58	8.9
Institutional.....	1,655,413.24	7.3
Miscellaneous.....	710,607.89	3.2
Transfers.....	534,842.71	2.4
Interest.....	253,409.81	1.1
Grand total State revenue fund.....	22,539,418.21	100.0

¹ Minn. State Aud. Bien. Rept., 1924-1926, pp. 34-35.

State School Funds

Minnesota maintains two permanent and four current State funds for the benefit of the public elementary and secondary schools. The two permanent school funds are the permanent school fund and the swamp-land fund. One half of the annual income from this latter fund is by law added to the income from the permanent school fund and thus devoted to public schools.

The laws name and define the four current school funds as follows: (1) The endowment fund, consisting of the annual revenue from the permanent school fund (to which is added half the income from the swamp-land fund); (2) the current school fund, consisting of the amount derived from a State 1-mill tax; (3) the special State-aid fund, consisting of the sums appropriated by the legislature for special aid to public schools or departments in the schools; (4) the State teachers' insurance and retirement fund, derived from assessments on members, gifts, interest, and the proceeds of a State general property tax of one-twentieth of 1 mill.¹⁰

In actual practice, the first two of the four current funds just enumerated; i. e., the endowment fund and the current school fund, do not appear in the reports of the auditor or treasurer, but the revenues derived from these two funds are all credited to a fund called the "general school fund."¹¹

State permanent school fund.—In 1857, the enabling act of Minnesota provided that "the sections numbered 16 and 36 in every township of public land in said State, and where either of said sec-

⁹ F. H. Swift and F. K. del Plaine, *Public-School Finance in Minnesota*, Studies in Public-School Finance (The Middle West), p. 155.

¹⁰ Minn. Sch. Laws, 1927, pp. 109-110, sec. 413.

¹¹ Minn. State Aud., Bien. Rept., 1924-1926, p. 36; Minn. State Treas. Bien. Rept. 1924-1926, p. 9.

tions, or any part thereof, has been sold or otherwise disposed of, other lands, equivalent thereto and as contiguous as may be, shall be granted to said State for the use of schools." The land thus granted to the State amounted to 2,969,990 acres.

The constitution of 1857, which became effective upon the admission of the State, accepted this grant and provided that "the income arising from the lease or sale of said school land shall be distributed to the different townships throughout the State, in proportion to the number of scholars in each township between the ages of 5 and 21 years, and shall be faithfully applied to the specific objects of the original grants or appropriations."¹¹

Until 1922, the revenues from these school lands provided practically the entire principal of the permanent school fund. By a constitutional amendment adopted November 7, 1922, the State provided for an occupation tax on the business of mining ore in the State, the revenues derived therefrom to be distributed as follows: Fifty per cent to the State general fund, 40 per cent to the State permanent school fund, and 10 per cent to the permanent university fund.¹² The present rate of this tax is 6 per cent of the value of all ores mined or produced. The State also levies and distributes in the same manner a 6 per cent tax on all ore royalties.¹⁴

Table 2 shows the sources contributing to the principal of the State permanent school fund, the amount contributed by each source to June 30, 1926, and the per cent which each such amount was of the total permanent school fund of the same date.

TABLE 2.—Accumulations of Minnesota State permanent school fund, June 30, 1926^b

Source	Amount	Per cent
Sales of land, right of way, etc.	\$15,733,855.51	35.2
Royalty on iron ore	15,197,967.54	34.0
Sales of timber	8,858,380.04	19.8
Mineral permits and leases	334,250.77	.7
Occupation tax on iron ore	4,252,663.82	9.5
Profit on sale of bonds	365,672.64	.8
Total principal	44,743,793.32	100.0

¹¹ Minn. State Aud., Bien. Rep., 1924-1926, p. v

The income credited to the general school fund from the income of the permanent school fund for the year 1925-26, amounted to \$1,926,715.15.¹³

Swamp-land fund.—The swamp-land fund has been derived from lands received under the Federal grant of 1860. This act extended to Minnesota the benefit of a Federal act of 1850 which had granted

¹² F. H. Swift and F. K. del Plaine, *op. cit.*, pp. 158-159.

¹³ Minn. Tax Commission, Bien. Rep., 1922, p. 5.

¹⁴ *Ibid.*, 1926, p. 148-149.

¹⁵ Minn. State Aud., Bien. Rept., 1924-1926, p. 36.

to certain other States "all swamp and overflowed lands, made unfit thereby for cultivation, and remaining unsold." The constitutional amendment of 1881, provided that the principal of the swamp-land fund shall be preserved undiminished and inviolate, and that one-half of the income shall be appropriated to the common-school fund and one-half to the educational and charitable institutions of the State. No action was taken in the matter, however, until 16 years later, when in 1907 a statute was passed directing that the provision of the amendment be carried out. Accordingly, since 1907 one-half of the swamp-land fund has been a second permanent school fund, and its income has been devoted to the public schools.¹⁶

The total accumulated principal of the swamp-land fund amounted to \$10,331,355.85 on June 30, 1926, and the one-half of the revenue credited to the general school fund for the year 1925-26 was \$201,391.63.¹⁷

*General school fund (endowment fund and current school fund).—*As explained in an earlier paragraph, the revenues which according to the laws are pledged to the endowment fund and the current school fund are in practice credited to the general school fund. The three principal sources contributing to this fund are the income of the State permanent school fund, one-half the income of the swamp-land fund and the proceeds of the State 1-mill general property school tax.¹⁸ (See Table 3.)

Special State-aid fund.—This fund consists of the sums appropriated by the legislature from the State revenue fund for special aid to public schools or departments in the schools. The laws further provide that should the amount appropriated for special State aids be insufficient to meet the State's obligations, the State auditor shall transfer from the current school fund¹⁹ an amount (not to exceed \$500,000) sufficient to pay said special State aids in full.²⁰

A further provision limits the amount of certain items to be received by the districts to 90 per cent of what they would be entitled to receive under the State special aid law.²¹

State teachers' insurance and retirement fund.—This fund consists of assessments on members, gifts, interest, and the proceeds of a State general property tax of one-twentieth (0.05) of 1 mill.²² This latter tax, contributing \$68,121.41 for the year 1925-26,²³ is the

¹⁶ F. H. Swift and F. K. del Plaine, *op. cit.*, pp. 159-160.

¹⁷ Minn. State Aud., *Bien. Rept.*, 1924-1926, pp. vi and 36.

¹⁸ Minn. Sch. Laws, 1927, p. 70; Minn. State Aud., *Bien. Rept.* 1924-1926, p. 36.

¹⁹ On the books of the State auditor such transfer of \$300,000 for the year 1925-26 was made from the general school fund. (Minn. State Aud. *Bien. Rept.* 1924-1926, p. 196.)

²⁰ Minn. Sch. Laws, 1927, p. 70, sec. 245.

²¹ Minn. Session Laws, 1927, ch. 396.

²² Minn. Sch. Laws, 1927, p. 110.

²³ Minn. State Aud., *Bien. Rept.* 1924-1926, p. 37.

only part of this fund which is provided by the State, and consequently is the only amount included in the analysis of State aid given in Table 3.

TABLE 3.—Source analysis of Minnesota current State aid benefiting elementary and secondary schools, 1925-26

Source	Amount ¹	Per cent
General property taxes specifically for schools:		
State 1-mill school tax.....	\$1,883,683.03	
One-twentieth (0.05) mill tax for teachers' retirement fund.....	68,121.41	
Total from specific taxes.....	1,951,804.44	19.5
Appropriations from State revenue fund:		
State department of education.....	96,500.00	
Teachers' employment bureau.....	7,200.00	
Indian reservation school.....	15,000.00	
Teachers' institute and training schools.....	30,000.00	
Public-school and traveling libraries.....	36,000.00	
Aid to common schools ²	40,000.00	
Special aid to school districts.....	120,000.00	
High, graded, semigraded, and rural schools.....	5,500,000.00	
Total from appropriations.....	5,844,700.00	58.4
Income from permanent funds:		
Permanent school fund interest.....	1,926,715.15	
Swamp-land fund interest (one-half).....	201,391.63	
Total from permanent funds.....	2,128,106.78	21.3
Miscellaneous receipts.....	80,890.83	.8
Grand total State aid.....	10,005,502.05	100.0

¹ Minn. State Aud. Bien. Rept., 1924-1926, p. 36, 37, and 106. Only the items benefiting the public elementary and secondary schools have been included.

² Proceeds of tax on State lands.

State taxes as sources of school revenue.—From Table 2 it will be seen that 19.5 per cent of the total State aid provided for elementary and secondary schools in 1925-26 was derived from the proceeds of State general property taxes and 58.4 per cent from appropriations paid from the State revenue fund. Table 1 has shown that 77 per cent of this fund in the year under consideration consisted of the proceeds of State taxes. It is evident, therefore, that the major source of all moneys provided by the State for public schools is to be found in some form of taxation. Despite the fact that Minnesota has one of the largest permanent school funds in the United States, this fund furnished only slightly more than one-fifth of the moneys provided by the State.

Apportionment of State School Funds

Endowment fund.—The endowment fund is distributed semiannually by the State board of education to school districts whose schools have been in session at least seven months, in proportion to

the number of scholars of school age who have attended school at least 40 days during the preceding year.²⁴

Current school fund.—The current school fund is distributed on the same basis and at the same time as the endowment fund except such part as the State auditor, on the recommendation of the State board of education, shall set aside from the current school fund each year for distribution with the special State-aid fund.²⁵ The amount so set aside for the year 1925-26 was \$300,000.²⁶

As already explained the revenues pledged to these two accounts appear on the books of the treasurer and auditor under the title of "general school fund." This is no doubt a matter of expediency in accounting, since these two funds are distributed in the same manner after making the deduction from the current school fund for the benefit of the special State-aid fund.

State teachers' insurance and retirement fund.—This fund is not distributed on any general basis but is expended to meet the State's obligations for the purposes which the title of the fund indicates.

Special State-aid fund.—Appropriations from the State revenue fund to the special State-aid fund are made for specific educational purposes and the moneys so appropriated are expended for these purposes under the laws governing the distribution of the special State-aid fund.

The purposes provided by law for which the moneys of the special State-aid fund can be expended are as follows: (1) To assist in providing equal educational opportunities for all the school children of the State; (2) to assist in maintaining certain generally accepted minimum standards for all the public schools of the State; (3) to assist school districts whose tax levies for maintenance are exceptionally high; (4) to stimulate educational progress by grants of State aid for superior efficiency and high standards and for desirable educational undertakings not yet generally established; and (5) to provide for the maintenance of teacher-training departments in high schools.²⁷

Table 4 presents in outline form the details of the distribution of the special State-aid fund showing the educational projects aided under each of the purposes enumerated in the preceding paragraph and the basis of apportionment of the moneys provided for each project.

²⁴ Minn. Sch. Laws, 1927, p. 70, sec. 242.

²⁵ Ibid., p. 70, sec. 243.

²⁶ Minn. State Auditor, Bienn. Rept., 1924-26, p. 196.

²⁷ Minn. Sch. Laws, 1927, p. 71, sec. 246.

TABLE 4.—Apportionment of Minnesota special State aid fund¹

Educational project	Basis of apportionment
I. Transportation in consolidated districts.	Reimbursement grants: Amounts are determined by State board of education not to exceed \$4,000 for each school.
Consolidated school building.....	40 per cent of cost of construction not to exceed \$3,000 for each building. ²
Tuition of nonresident high-school pupils.	\$7 per pupil per school month or major fraction thereof, not to exceed 10 months.
School libraries.....	\$20 per teacher maximum of \$40 per building, provided district appropriates like amount.
Transportation or board of isolated pupils.	Maximum grant of \$50 per year per pupil.
II. 8-year graded elementary school.	\$500 provided school is maintained 9 months.
6-year graded elementary school.	\$400 provided school is maintained 9 months.
Ungraded elementary schools.....	8-month school: For each first-grade teacher, \$150; for each second-grade teacher, \$100.
	7-month school: ($\frac{3}{4}$ amounts granted to 8-month school as above.) Maximum of \$300 to each school.
4-year high school.....	\$900 provided school is maintained 9 months.
High-school department.....	\$200 for each high-school teacher with maximum of 3 teachers, provided school is maintained 9 months.
Junior high school.....	\$400 provided school is maintained 9 months.
Senior high school.....	\$600 provided school is maintained 9 months.
III. Graded schools.....	If 20-mill district levy does not yield amount equivalent to \$40 for each pupil who has attended school at least 40 days, State supplements amount produced by 20-mill tax by an amount sufficient to assure equivalent of \$40 for each such pupil.
Ungraded schools.....	If 20-mill district levy does not yield amount equivalent to \$600 per teacher, State supplements amount produced by such tax, by an amount sufficient to assure equivalent of \$600 per teacher. Maximum State aid, \$200 per teacher.
IV. Agriculture.....	Flat grants on the basis of type of work and number of special teachers employed.
Industrial training.	
Home training.	
Commercial training.	

¹ Minn. Sch. Laws, 1927, pp. 71-74, sec. 247-257.² Session Laws, 1927, ch. 442, sec. 6.

Educational project	Basis of apportionment
Special classes for defectives, deaf, blind, crippled, and sub-normal children, and children with defective speech.	
Superior ungraded schools.....	Maximum grant of \$125 for each school meeting standards adopted by State board of education.
V. Teacher-training departments in high schools.	Flat grants on the basis of the number of teachers employed, amounts to be determined by the State board of education.

Limitation of amount of State aid.—Because of the lack of sufficient funds to pay the above outlined aid in full, a law was passed providing that only 90 per cent of the amounts prescribed should be paid, except that grants for tuition and teacher training²⁸ shall be paid in full.²⁹

State Reimbursements for Nontaxable Property

District losses through gross earnings tax.—It is provided that a district having at least 20 per cent of its property exempt from local taxation because taxes thereon are paid into the State treasury under the provisions of the gross earnings tax law, shall be reimbursed an amount not to exceed that which would be produced by a tax of one-third of the current rate for local school purposes upon the valuation of the property in the district so exempt. In case the valuation of the property so exempt is \$4,000,000 or more, the district shall receive an amount not to exceed that which would be produced by a tax of one-sixth of the rate for local school purposes.

Limits.—The maximum amount under the provisions of the above law that shall be received by any district maintaining a high school, high-school department, or graded elementary school shall not exceed an amount that would be produced by a 14-mill levy upon the true value of the property so exempted and such aid when added to all other sources of income shall not exceed \$100 for each pupil. The limits for ungraded schools shall be an amount produced by a 7-mill levy, the total income not to exceed \$75 per pupil, under the same conditions as above.

Conditions.—Districts maintaining only an ungraded elementary school of not fewer than two nor more than four rooms, must levy a current local tax levy of at least 20 mills to share in the above aid. Other districts must levy a local school tax of 40 mills.³⁰

²⁸ Minn. Session Laws, 1927, ch. 396.

²⁹ Minn. Sch. Laws, 1927, p. 70, sec. 245.

³⁰ *Ibid.*, p. 77, sec. 272.

CHAPTER XXII

MISSISSIPPI

Recent educational progress in Mississippi.—Writing in the Journal of the National Education Association five years ago H. M. Ivy, State supervisor of secondary schools, called attention to the important legislation of 1920 and its immediately beneficial effects:

The legislature of 1920 passed a compulsory education law which could be enforced. It resulted during the past session in bringing into our schools more than 60,000 boys and girls who would not have been there otherwise. The appropriation for common schools was increased 60 per cent and provision was made for an equalization fund to provide equal school terms and equally well-trained teachers throughout the State. Bonds were issued to the extent of \$4,000,000 for new buildings and equipment at the University, the Agricultural and Mechanical College, the State College for Women, the Normal College, and the Agricultural and Mechanical College for Negroes. * * *

Consolidation in Mississippi began in 1911. There are now 634 consolidated school districts, 117 of which have teachers' homes. * * * Approximately \$5,000,000 has been spent in the past four years in the construction of these (rural consolidated) schools.

Mississippi has in operation 49 county agricultural schools * * * supported jointly by the county and the State. Each has one or more dormitories and maintains a standard 4-year high-school program of study, with vocational training in both agriculture and home economics.

From this brief summary of the results of the legislation of 1920 we may now consider the types of State taxes upon which Mississippi depends for school revenue.

Unique features.—The majority of our States maintain one or several specific State school funds. In contrast to this general practice, Mississippi provides all State school moneys by appropriations from the State general revenue fund. The general fund for the fiscal year ending September 30, 1927, amounted to \$9,397,186.25. Forty-one and eight-tenths per cent of this total fund, or \$3,926,461.57, was expended in appropriations for public schools (cf. Tables 2 and 3). An analysis of this fund is presented in Table 1; but prior to entering upon this analysis it has seemed advisable to consider the types of State taxes from which the general revenue fund is derived and which therefore, through the school appropriations paid from this fund, contribute to the support of public schools.

Types of State Taxes Levied

County poll taxes.—The State constitution provides for a poll tax of \$2 (which may be increased to \$3 by the county board of supervisors) for aid to the common schools of the county. Although this tax is levied and collected under the authority of the State, it is considered in the present account a county tax, since the proceeds are retained and distributed in each county wherein collected.¹

No State school tax.—Mississippi levies no State school tax of any sort, but as already indicated, the proceeds of various State taxes are credited to the general fund from which State school appropriations are paid.

Mississippi levies and collects the following six types of taxes, the proceeds of which are credited to the State general revenue fund and thus become sources of public-school revenue: (1) General property tax; (2) corporation taxes; (3) income taxes; (4) inheritance taxes; (5) privilege taxes; (6) miscellaneous taxes and fees, including fees paid to State departments.

General property taxes.—All real and personal property, except that specifically exempted by law, is subject to taxation for State, county, and municipal purposes.²

The general property tax is the most important of all sources of the general revenue fund, furnishing in the year 1927, 46 per cent of the general revenue fund receipts. The rate of the general property tax is fixed by the legislature on the estimated needs of the State and the estimated revenues from available sources. Between 1880 and 1927 the rate varied from 3 mills in 1880 to 9 mills in 1920. For 1922 to 1925, inclusive, the rate was 8 mills. By an act, approved February 15, 1926, the rate for 1926 and 1927 was fixed at 6 mills on the dollar.³

Corporation taxes.—Corporations pay a general property or ad valorem tax upon real estate which is assessed and taxed like the real estate owned by individuals. In addition to this, corporations are assessed and taxed on their capital stock at market value, an allowance being made for lands taxed except in the case of banks and railroads. Corporations also pay privilege taxes, a discussion of which will be presented in a later paragraph.

Insurance companies.—Foreign insurance companies pay an annual tax of 2 per cent of gross premiums on life insurance and 2¾ per

¹ U. S. Census, Digest of State Laws Relating to Taxation and Revenue, 1922, pp. 213-216, 222.

² Ibid., p. 213.

³ Rep. of the Tax Com. of the State of Miss. on Assessments for the Tax Year 1925, p. 3. Gen. Laws of Miss., 1926, p. 123, ch. 117, sec. 1.

cent of gross premiums on all other types of insurance.⁴ Taxes on insurance companies and fees from insurance agents are collected by the insurance department.⁵

Income taxes.—Mississippi had from 1912 to 1924 an unsatisfactory income tax which yielded approximately \$35,000 per annum. In 1924 she revised this law with the result that in 1925 there was collected for the nine calendar months ending December 31, 1924, \$1,067,000, and in 1926 for the calendar year 1925, \$2,200,000. Although the present income tax, like all other State taxes in Mississippi, is not levied specifically for school purposes, nevertheless, that it was adopted distinctly as a device for providing State school revenue is evident from the following significant statement quoted from a letter received by the author from the secretary of the State tax commission: "The needs of the common school fund of the State, or to use another name, the general school fund of the State, is the most important factor in causing the adoption of our present income-tax law."⁶ For the year 1926-27 the State income tax yielded \$1,864,127.17, which was approximately one-fifth (19.8 per cent) of the total general revenue receipts for that year. (See Table 2.) The law in force prior to 1924 provided for an income tax of 5 mills on the dollar on all annual incomes which exceeded \$2,500.⁷ The rates provided by the act of 1924⁸ are: On the first \$1,000, 1 per cent; on the second \$1,000, 1.5 per cent; on the next \$3,000, 2 per cent; on the next \$5,000, 3 per cent; on the next \$15,000, 4 per cent; in excess of \$25,000, 5 per cent.

Inheritance taxes.—The State levies inheritance taxes graduated from 1 to 10 per cent according to the value of the estate on which levied.⁹

Privilege taxes.—An annual State tax for the privilege of operation is levied and collected on all types of business. The list of such taxes is too long to permit any detailed discussion. The proceeds of most privilege taxes are paid to the tax collector of the county in which the privilege is to be exercised and forwarded by him to the State treasurer. There are, however, a number of exceptions to the practice. Insurance company privilege taxes are paid directly to the State insurance commissioner and from him pass to the credit of the general revenue fund. Telegraph, express, sleeping-car, and railroad companies, foreign building and loan associations,

⁴ U. S. Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 217.

⁵ Miss. Aud. of Pub. Accts., Biën. Rep., 1925-1927, p. 138.

⁶ Statements by Cecil E. Inman, State tax commissioner, in letters to authors dated Jan. 29, 1927, and Feb. 10, 1927.

⁷ U. S. Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 222.

⁸ Gen. Laws of Miss., 1924, pp. 136-160, ch. 182.

⁹ *Ibid.*, pp. 161-177, ch. 340.

commercial agencies, and news companies pay their respective privilege taxes directly to the State auditor.¹⁰

Department and miscellaneous license taxes and fees.—A considerable number of license taxes and fees are required by the State to be paid for the pursuit of specific occupations and for certain State services. Such licenses and fees are collected by the various State departments.¹¹

TABLE 1.—Analysis of Mississippi general revenue fund receipts, fiscal year ending September 30, 1927¹

Source	Amount	Per cent
Ad valorem taxes (general property).....	\$4,322,772.84	48.0
Income taxes.....	1,864,127.17	19.8
Inheritance taxes.....	127,770.30	1.4
Privilege taxes collected by counties for State treasurer.....	1,208,499.10	12.9
Privilege taxes paid direct to auditor.....	156,430.88	1.6
Insurance department taxes.....	726,399.38	7.7
Receipts from departments.....	936,107.08	10.0
Receipts from miscellaneous sources.....	55,079.50	.6
Total.....	9,397,186.25	100.0

¹ Based upon Miss. Aud. of Pub. Accts., Bien. Rep., 1925-1927, pp. 168-169.

State Taxes as Sources of State School Revenue

As noted in an earlier paragraph, all State school aid in Mississippi is provided by appropriations paid from the State general revenue fund. Consequently the taxes described in the preceding paragraphs and included in Table 1 constitute the sole sources of State school funds.

State appropriations from the general revenue fund are provided for the following six public elementary and secondary school funds and related educational projects:¹² (1) Common school fund; (2) equalization fund; (3) vocational education fund; (4) aid to agricultural high schools; (5) State department of education;¹³ (6) interest on State debt to Chickasaw school fund.

State School Funds

Common school fund.—This fund is the general State current distributive school fund. It is provided by an annual appropriation payable from the State general fund for the support and maintenance of the public schools of the State.¹⁴ The amounts thus appropriated for each of the years 1926 and 1927 were \$2,302,035, a sum

¹⁰ Gen. Laws of Miss., 1926, pp. 124-185, ch. 118.

¹¹ U. S. Census Bur., Digest of State Laws Relating to Taxation and Revenue, 1922, pp. 220-221.

¹² Gen. Laws of Miss., 1926, pp. 46-51, ch. 36-44.

¹³ Ibid., p. 2, ch. 1.

¹⁴ Ibid., p. 46, ch. 36, sec. 1.

which constitutes 58.6 per cent of the total State provided revenues for these years:

Equalizing school fund.—The legislature appropriated for each of the years 1926 and 1927 the sum of \$1,268,721, to constitute an equalizing fund to be disbursed by the State board of education "in such a manner as to equalize public-school terms as nearly as possible throughout the State."¹⁵ Table 2 shows that the equalizing school fund constituted approximately one-third of the State moneys expended for public schools during the year 1926-27.

Vocational education fund.—The legislature of 1926 appropriated \$155,000 for the biennium 1926-27 for the support of vocational education.¹⁶

State aid to agricultural high schools.—State aid to agricultural high schools is provided by an appropriation of \$430,000 for the biennium 1926-27. The act making this appropriation provides further that part of the amount appropriated shall be used to pay off a deficit and the unexpended balance shall be used for the benefit of agricultural high schools for the two years specified.¹⁷

State department of education.—The legislature of 1926 provided an appropriation of \$30,600 for the biennium 1926-27 to pay the salaries of the State superintendent and his deputies and to defray the expenses of the department.¹⁸

The Chickasaw school fund is an account or State debt representing what was originally designed to constitute a State permanent school fund.

When the land in the northern part of the State was bought from the Chickasaw Indians, section 16 in each congressional township was sold by the Federal Government and the proceeds amounting to \$1,036,515.94 were turned over to the State. The State used this money for its own purposes and pays on the debt thus contracted, interest at the rate of 6 per cent, such interest being returned to the counties on the basis of their original ownership of the Chickasaw school lands.¹⁹

¹⁵ Gen. Laws of Miss., 1926, ch. 36, sec. 2.

¹⁶ Ibid., 1926, p. 47, ch. 38.

¹⁷ Ibid., p. 50, ch. 42.

¹⁸ Ibid., p. 2, ch. 1.

¹⁹ Pub. Ed. in Miss.; report of a commission appointed to make a study of the entire public education system and suggest improvements, p. 322. For an excellent account of the origin and early history of permanent State and county funds in Mississippi, see William Henington Weathersby, *A History of Educational Legislation in Mississippi from 1798 to 1860*.

TABLE 2.—Expenditures from Mississippi State general revenue fund benefiting public schools, year ended September 30, 1927¹

Purpose	Amount	Per cent
Common school fund.....	\$2,302,035.01	58.6
Equalizing school fund:		
General distribution.....	1,268,488.30	
Aid to consolidated districts.....	53,250.00	
Incidental expenses.....	2,253.54	
Textbook commission.....	2,539.46	
Total.....	4,326,531.30	33.7
Vocational education fund.....	93,436.36	2.4
Aid to agricultural high schools.....	125,964.28	3.3
State department of education.....	16,303.67	.5
Chickasaw school fund interest.....	62,190.95	1.6
Grand total.....	3,926,461.57	100.0

¹ Miss. Aud. Pub. Accts., Bien. Rept., 1925-1927, pp. 179-190.

Apportionment of State School Funds

Common-school fund.—The common-school fund is distributed by the auditor of public accounts among the counties and separate districts of the State on the basis of data provided by the superintendent of education as follows: One-third on the first Monday in October, and the balance on the second Monday in February.²⁰ The basis employed in making this apportionment is the number of educable children (that is, children between the ages of 5 and 21)²¹ in each county or district.²²

Equalizing school fund.—This fund owes its origin to a constitutional amendment adopted in 1919 and the laws passed in the year 1919 and subsequent years to carry out the provisions of the constitutional amendment. The act which makes the appropriation for the equalizing school fund sets forth the general principles in accordance with which the fund shall be distributed, but leaves to the State board of education the responsibility of formulating a detailed plan of apportionment. The appropriation act of the year 1926 provides that the equalizing fund "shall be disbursed by the State board of education, consisting of the State superintendent of education, the secretary of state, and the attorney general, in such a manner as to equalize public-school terms as nearly as possible throughout the State in accordance with the following conditions:

In equalizing school terms teachers' salaries shall also be equalized, grade of license held, competency of the teacher, and living conditions being taken into consideration.²³

²⁰ Miss. Sch. Laws, 1924, p. 70, sec. 200.

²¹ State Supt. of Educ., Bien. Rept., 1921-1923, p. 10, sec. 13.

²² Miss. Sch. Laws, 1924, pp. 71-73, ch. 28.

²³ Gen Laws of Miss., 1926, § 46, ch. 36, sec. 2.

Deductions from equalizing school fund.—The report of the auditor of public accounts shows three payments deducted from the equalizing school fund, as follows: (1) Equalizing school fund disbursed to consolidated schools under the authority of Chapter 326, Laws of 1926, \$53,250; (2) incidental expenses paid from the equalizing fund, \$2,253.54; (3) textbook commission, \$2,539.46.²⁴ Of the above three items the second and third are not distributed in any general manner throughout the State but are expended by the State department and by the textbook commission.

Consolidated school equalizing fund.—Chapter 326, Laws of 1926, provides that any consolidated school offering four years of accredited high-school work and doing work in vocational agriculture and vocational home economics shall receive aid from the State appropriation provided for this purpose. The aid is given in the form of grants graduated according to the number of all-day pupils enrolled in these classes, that is, enrollment in classes in vocational agriculture and vocational home economics. Thus it will be seen that the grants are on a per school basis, combined with enrollment in certain special types of classes, namely, vocational agriculture and vocational home economics. Schools having an enrollment in these classes of not fewer than 20 all-day pupils shall receive \$250 annually; to such schools having a similar enrollment of not fewer than 30 all-day pupils shall be granted \$500 annually; and to schools with an enrollment in such classes of not fewer than 40 pupils there shall be granted \$750 annually.²⁵

Aid to agricultural high schools.—The county board of education in any county is authorized to establish an agricultural high school with suitable buildings, grounds, dormitories, and dining-room facilities for not fewer than 40 students. When such a school has been inspected by the State superintendent of education and approved by the State board of education, the county is entitled to receive for the benefit of this school \$1,000.

The steps followed in apportioning the State appropriation for aid to agricultural high schools may be summarized as follows: (1) \$12,500 is set aside as an equalizing fund to be distributed by the State board of education where the need is greatest; (2) \$1,000 shall be set aside for each agricultural high school that has had an average of 60 or more boarding students for the previous session; (3) the remainder of the fund shall be disbursed on a per capita basis of the average boarding attendance of the previous session, provided that no school shall receive more than \$4,250 and provided further that all schools failing to make an average of 60 or more

²⁴ Miss. Aud. of Pub. Accts., Bienn. Rept., 1925-1927, pp. 194-196.

²⁵ Gen. Laws of Miss., 1926, p. 452, ch. 326.

boarding students for the previous session shall receive only the \$1,000 provided under (2).

Summary.—From the preceding paragraphs it is evident that by far the major portion of State-provided school revenues in Mississippi is apportioned on what is commonly known as the school-census basis.

Chickasaw school-fund interest.—For the year 1926 the interest paid by the State on its nonpayable debt to the Chickasaw school fund amounted to \$62,190.95. The negligible importance of the interest on this debt is evident from Table 2, which shows that the revenue from this source constituted only 1.6 per cent of the total State appropriations for the year 1926-27. Owing to the origin of this fund, already explained, the interest is not distributed throughout the State on any general basis but is restricted to 24 counties entitled to share in the interest because of their original ownership of the Chickasaw sixteenth-section school lands. It follows that the interest is disbursed among these counties in proportion to their respective original ownership.²⁶

²⁶ Miss. Sch. Laws, 1924, p. 70; sec. 202.

CHAPTER XXIII

MISSOURI

All State aid for the public elementary and secondary schools of Missouri is provided by revenue derived from State taxes through the following four channels:

(1) The interest on certificates of indebtedness belonging to the (State permanent) public-school fund and to the seminary (State university) fund is paid from a fund known as the State interest fund. This fund is derived from the proceeds of a "State interest tax of 1 cent on the \$100 valuation on real and personal property; property and assets of corporate companies; stock and undivided profits of banks and local insurance companies; merchants' and manufacturers' statements; railroad, private-car companies, bridge, telegraph and telephone property; steamboats and other vessels; and liquors purchased by dram shopkeepers."

(2) One-half the proceeds of a State tax on foreign insurance companies is credited to a fund known as the county foreign insurance tax fund and distributed on a school census basis among the counties of the State for the benefit of public schools, and thence to the districts on the same basis, provided the various districts have voted free textbooks.

(3) One-third of all revenues credited to the State general revenue fund with certain minor exceptions, is devoted to the support of public schools.

(4) The legislature from time to time makes special appropriations from the general revenue fund for the benefit of the public school system. These special appropriations are in addition to the appropriations originating in the policy already referred to under (3) of devoting one-third of the general revenue fund to the support of public schools. The only special appropriations for 1926 were those provided for the salaries and expenses of the State department of education and totaling \$25,000. For each biennium the general assembly appropriates varying amounts. The total of school appropriations is usually much larger than in 1925-26.

In view of the fact that the major portion of State school support is derived from the State general revenue fund, we must consider the

¹ Mo. Aud., Bienn. Rept., 1925-26, p. 11.

types of the various State taxes which contribute to the State general fund and their relative importance as sources of this fund.

Types of State taxes.—Missouri levies the following five types of State taxes which constitute the State general revenue fund: (1) General property taxes; (2) income taxes; (3) inheritance taxes; (4) corporation taxes; (5) miscellaneous taxes and fees.

General property tax.—The State levies general property taxes upon all real and personal property in the State not specifically exempted by law. The total rate levied for all State purposes for the year 1925-26 amounted to 11 cents on each \$100 of assessed valuation distributed as follows:² 5 cents for the general revenue fund; 1 cent for the State interest fund; 1 cent for the capitol tax fund; 2 cents for the blind pension fund; 2 cents for the soldiers' bonus bond interest and sinking fund. Of the above five rates the first two provide moneys which are credited to funds that contribute directly to the public schools of the State.

Income taxes.—An annual tax of 1 per cent is levied by the State upon all net income, not specifically exempted by law, received from all sources by residents of the State and upon the net income received from sources within the State by nonresidents.³

Inheritance taxes.—The State levies a graduated inheritance tax, the rates varying from 1 to 30 per cent depending upon the degree of relationship of the heir to the decedent and the value of the transfer.⁴

Corporation taxes.—Corporations are taxed upon their real and personal property, subject to certain specific exceptions, at the same rate as individuals. Corporations are subject also to five additional general or specific taxes. (1) An annual franchise tax is levied on all corporations, with certain exceptions specified by law, equal to one-twentieth of 1 per cent of the value of their capital stock.⁵ (2) All corporations organized under the laws of the State are required to pay an incorporation tax or fee of \$50 for the first \$50,000 or less of capital stock and a further sum of \$5 for each additional \$10,000 of capital stock.⁶ (3) Foreign insurance companies pay in lieu of all other State taxes a tax of 2 per cent of all premiums received in the State.⁷ One-half the proceeds of this tax is credited to the State general revenue fund and the remaining half to the county foreign insurance tax fund to be apportioned among the counties of the State on the basis of school census for the benefit of

² Mo. State Aud., Blen. Rept., 1925-26, pp. 8, 11, 21, 29, and 32.

³ *Ibid.*, p. 9.

⁴ Bur. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 231.

⁵ *Ibid.*, p. 231.

⁶ *Ibid.*, p. 226.

⁷ Mo. State Aud., Blen. Rept., 1925-26, p. 9.

public schools, provided the various districts have voted free textbooks.⁸ (4) Express companies pay a tax of 1.25 per cent upon receipts from business within the State. This tax is in addition to the regular taxes upon their tangible property.⁹

Miscellaneous taxes and fees.—The State requires the payment of license taxes and fees for many privileges and services granted or extended by various State departments and commissions.¹⁰

TABLE 1.—Source analysis of Missouri State General Revenue Fund for the year 1925-26¹

Source	Amount	Per cent
Income taxes.....	\$4,136,332.21	35.2
Corporation taxes:		
Corporation franchise taxes.....	1,590,155.72	
Incorporation taxes.....	351,689.75	
County foreign insurance taxes.....	1,096,839.10	
Express company taxes.....	69,561.80	
Total.....	3,108,346.37	26.5
General property taxes ²	2,346,556.72	20.0
Inheritance taxes.....	1,556,093.31	13.3
Miscellaneous license taxes and fees.....	475,009.64	4.0
Interest on deposits.....	113,408.49	1.0
Miscellaneous receipts.....	1,287.00	(³)
Grand total.....	\$11,737,033.74	100.0

¹ State Supt. of Pub. Instr., An. Rept., 1926, pp. 126-127.

² Collected by counties for State. Amount here given includes current and delinquent taxes.

³ This total does not include items aggregating \$285,033.24, which are excluded because they do not benefit public school moneys. State Supt. of Pub. Instr., An. Rept., 1926, pp. 126-127.

⁴ Negligible.

State School Funds

Missouri maintains four major State funds for the benefit of public elementary and secondary schools of the State: (1) The (permanent) public-school fund; (2) "State school moneys" (fund) and funds provided by appropriations therefrom; (3) county foreign insurance tax fund; (4) appropriations from the State revenue fund.

Public-school fund.—The permanent State school fund, officially known as the public-school fund, was established by a legislative act in 1837. The original capital devoted to this fund consisted of the proceeds of 72 sections (46,080 acres) of saline lands granted to the State by the Federal Government and \$382,355, Missouri's share of the surplus revenue distributed as a loan among the States by the United States Government in 1837.¹¹

⁸ Mo. State Aud., Gen. Rept., 1925-26, pp. 10 and 21.

⁹ Ibid., p. 8.

¹⁰ Ibid., pp. 8-9.

¹¹ F. H. Swift, A History of Public Permanent Common School Funds in the United States, p. 332.

The following sources are provided by law for increasing the principal of this fund: (1) The proceeds of the sale of all Federal lands that have been or may hereafter be granted to the State not otherwise appropriated; (2) all moneys, stocks, bonds and rents on other property belonging to any fund for the purpose of education, except wherein the vested rights of local political corporations would be infringed; (3) escheats and other property which may accrue to the State; (4) grants, gifts, or devises made to the State and not otherwise appropriated by the terms of the grant, gift, or devise.¹²

The entire fund, with the exception of a few hundred dollars, is a State debt, amounting to \$3,159,000, and consisting of one 6 per cent State school fund certificate of indebtedness of \$2,909,000 and six 5 per cent State school fund certificates of indebtedness, amounting to \$250,000.¹³ The interest on these certificates of indebtedness, amounting to \$187,040, is credited to the fund commonly called "State school moneys."¹⁴

A constitutional amendment, adopted in 1902, requires that moneys accruing to the principal of the public-school fund shall be invested in registered bonds. Up to January, 1927, only \$281.14 had been credited to this productive portion of the principal.¹⁵ The author has found no record indicating any income from this productive portion of the fund.

State school moneys (fund).—Moneys derived from the interest on the State debt to the public-school fund and one-third of the receipts of the general revenue fund, together constitute an account or fund commonly designated in official documents by the title "State school moneys." It will be understood that where this term is used in the paragraphs which follow, it commonly refers to the fund just described.

Appropriations from "State school moneys" (fund) and general revenue fund.—Many special funds are provided by legislative acts

TABLE 2.—Source analysis of Missouri fund known as State school moneys for the year 1925-26^a

Source	Amount	Per cent
One-third ordinary receipts of the revenue fund.....	\$3,912,344.58	95.1
Interest on school fund certificates.....	187,040.00	4.6
Balance of 1925 distribution.....	11,091.00	0.3
Refunded amounts.....	3,000.00	(*)
Total	4,113,475.64	100.0

^a Mo. State Supt. of Pub. Instr., An. Rept., 1926, p. 127.

^b One-third of \$11,737,033.24. (See Table 1.)

^c Negligible.

^d Mo. Rev. Sch. Laws, 1927, pp. 208-209, sec. 11, 584.

^e Mo. State Aud., Bien. Rept., 1925-26, p. 35.

^f State Supt. of Pub. Instr., An. Rept., 1926, p. 127.

^g Mo. State Aud., Bien. Rept., 1925-26, p. 12.

which make appropriations for "special school projects or undertakings to be paid either from the "State school moneys fund" or the general revenue fund. For the year 1925-26 appropriations for the State vocational educational fund, rural high-school fund, funds for high-school teacher-training courses as well as a number of other funds were provided by acts which directed that such appropriations shall be chargeable to "the one-third part of the ordinary revenue fund paid into the State treasury for the fiscal year, etc." Such special funds are, however, frequently appropriated out of the general revenue fund. "The general assembly in 1927 for this biennium appropriated more out of the general revenue fund than it did out of the one-third part set aside for the public schools."¹⁶ Special funds provided by appropriations whether from the "State school moneys" (fund) or from the general revenue fund do not represent the proceeds of any taxes or other sources of public moneys not already described.

County foreign insurance tax fund.—This fund consists of one-half the proceeds of the State tax of 2 per cent on the gross premiums collected in Missouri by insurance companies not organized under the laws of the State. The moneys credited to this fund are not combined with other State school moneys but are apportioned annually by the State auditor among the counties of the State on the basis of school census. The receipts credited to this fund for the year 1925-26 and available for school use amounted to \$1,096,586.27.¹⁷ In order to be eligible for grants from this fund districts must provide free textbooks. If districts have not voted free textbooks the moneys are granted to the different municipalities in the county for the benefit of roads. No data are available which show what proportion of the insurance tax fund is devoted to schools and the State department of public schools has not included this fund in its statement of school moneys.¹⁸

Appropriations from general revenue fund.—From the State general revenue fund the legislature makes biennial appropriations for paying the salaries and expenses of the State department or for financing any other projects which it may determine shall be financed in this manner. Appropriations of this class are in addition to appropriations "chargeable to the one-third part of the ordinary revenue" pledged to the schools and credited to the fund known as the State school moneys.

¹⁶ Statement dated June 19, 1928 to authors from Missouri State superintendent of public schools, Charles A. Lee.

¹⁷ Mo. State Aud., Bienn. Rept., 1925-26, pp. 20-21.

In 1926 the legislature appropriated from the general revenue fund special appropriations of the type under consideration for the benefit of the State department of education amounting to \$25,000.¹⁸

The whole amount appropriated for the State department of education for the biennium 1927-1929 was almost \$750,000.

State taxes as sources of school revenue.—The preceding paragraphs have indicated that all State revenues provided by Missouri for the benefit of elementary and secondary schools are derived from the proceeds of taxes whether these revenues constitute the interest on the (State permanent) public-school fund or appropriations from various State funds. In Missouri, then, 100 per cent of State provided school revenues are derived from State taxes levied either specifically for the benefit of schools or taxes upon which the schools have a one-third claim.

TABLE 3.—*Analysis of Missouri State school receipts for the year 1925-26*¹

Fund	Types of taxes contributing thereto	Amount	Per cent
One-third of State revenue fund ²	Income, corporation, general property, and inheritance.	\$3,912,344.58	74.9
State revenue fund appropriations.....	do.....	25,000.00	.5
Public-school fund interest.....	General property and corporation ³	187,040.00	3.6
County foreign insurance tax ⁴	Insurance companies taxes.....	1,096,588.27	21.0
Total.....		5,220,972.85	100.0

¹ Compiled from data presented in preceding paragraphs.

² All except a negligible part of the State revenue fund is derived from the taxes here named. (See Table 1.)

³ For the various types of corporations taxed for the benefit of this fund, see definition of State interest fund given in text.

⁴ The paragraph describing the county foreign insurance tax fund has indicated that not all the moneys credited to this fund are devoted to schools and that the State department of public schools has not attempted to include this insurance tax fund in its statements of receipts. (Statement to authors, dated June 19, 1928, from Missouri State superintendent of public schools, Charles A. Lee.)

Apportionment of State School Funds

Public-school fund.—The income from the public-school (permanent) fund is credited to the fund known as the public-school moneys and is apportioned together with the other revenues credited to this fund. An account of the method of apportioning the public-school moneys fund will be presented in a later paragraph.

County foreign insurance tax fund.—This fund is apportioned by the State auditor among the counties of the State and the city of St. Louis on the basis of school census, i. e., the number of children over 6 and under 20 years of age.¹⁹ If districts do not provide free

¹⁸ Laws of Mo., 1925, p. 11, sec. 8; p. 30, sec. 63; \$25,000 is one-half of the total amount appropriated for the biennium.

¹⁹ Mo. Rev. Sch. Laws, 1927, p. 228, sec. 6390, and p. 28, sec. 11,140. For further information see above paragraph defining this fund.

textbooks this fund is apportioned to towns and municipalities and used for roads.

Appropriations from the State general revenue fund.—As explained in an earlier paragraph, in addition to the appropriations chargeable “to the one-third part of the ordinary revenue” (general revenue fund), pledged to the schools, the State makes certain other appropriations from the general revenue fund. These appropriations, totaling in the year 1925–26, \$25,000 are not apportioned among the counties of the State but are used to meet the costs of the expenses of the State department of education, and to pay the salaries of State educational officials as fixed by the provisions of the appropriation act.

State school moneys (fund).—The fund commonly referred to by this title is, as already explained, derived from the interest on the certificates of indebtedness belonging to the public-school (permanent) fund and from the one-third part of the ordinary State revenue pledged to the schools. This is the State general distributive school fund. Nearly one-half of this fund is paid out in the form of grants to rural schools, consolidated districts, high schools, special classes for handicapped children, and other similar purposes which may be termed special projects. After making deductions to meet claims of no fewer than 15 special types of projects, the balance of the fund is apportioned among the subordinate school corporations of the State, first in the form of teacher quotas and then in pupil grants. From this general introduction we may now proceed to a more detailed account of the apportionment of this fund.

Table 4 presents an analysis of the distribution of the State school moneys fund (see Table 2) for the year 1925–26. In Table 4 are shown (1) the purpose and (2) the amount of each expenditure from this fund and the per cent which each such expenditure was of the total expenditures paid from the State school moneys fund for the year under discussion.

It should be noted that the deductions constituting the first 15 items presented in Table 4 are continuing appropriations. The various acts providing for these appropriations state specifically that the said appropriation shall be “chargeable to the one-third part of the ordinary revenue paid into the State treasury * * * and set apart for the support of the public schools of the State.”

TABLE 4.—*Expenditure analysis of Missouri fund known as "State school moneys" for the year 1925-26*¹

Purpose	Amount	Per cent
Supervision and training (not distributed to districts):		
(1) School inspectors, salaries, and expenses ²	\$40, 128. 77	.....
(2) County superintendents' salaries ³	44, 800. 00	.....
(3) Teacher training for negro schools ⁴	7, 645. 60	.....
Total.....	92, 574. 37	2. 2
Back payments and claims:		
(4) Rural high-school deficiency claims ⁵	37, 250. 00	.....
(5) Claims on account of errors in former apportionments.....	13, 577. 48	.....
(6) Claim of Willard, C. D., Greene County.....	2, 079. 00	.....
(7) Claim of District No. 20, Dallas County.....	300. 00	.....
Total.....	53, 206. 48	1. 3
Distributed for specific projects:		
(8) Vocational education ⁶	180, 481. 74	4. 4
(9) Aid to rural schools.....	316, 189. 00	7. 7
(10) Aid to consolidated districts.....	551, 438. 00	13. 4
(11) Aid to high schools.....	89, 170. 00	2. 2
(12) Aid in maintaining ninth and tenth grades.....	159, 914. 00	3. 9
(13) Aid to districts educating orphans supported by philanthropic organizations.....	21, 178. 66	. 5
(14) Aid to districts maintaining special classes for defectives.....	87, 000. 00	2. 1
(15) Aid in maintaining teacher-training courses in high schools ⁷	312, 625. 42	7. 6
General apportionment:		
(16) Teachers' quotas.....	1, 683, 575. 00	40. 9
(17) Pupil-days apportionment.....	566, 122. 97	13. 8
Grand total.....	4, 113, 475. 64	.....

¹ Mo. State Supt. of Pub. Instr., An. Rep., 1926, pp. 127-128.

² The appropriations for this item are not always taken from the State school moneys fund. In the year 1925-26 this was the policy followed, owing to a shortage of revenue. In other years these items have been financed by appropriations from the State general fund.

The purposes for which the 15 deductions are made from the "State school moneys" prior to apportioning any part of its receipts as teachers' quotas or as pupil grants are made sufficiently clear in Table 4. It remains, therefore, merely to describe the method or bases employed in apportioning these grants.

Salary grants—State school inspectors and county superintendents.—The Laws of Missouri provide for 5 high-school inspectors, 5 rural-school inspectors, and 1 negro inspector of colored schools.²⁰ The appropriation to meet the salaries fixed by law and the traveling expenses of these officials is necessarily paid out in the form of flat salary quotas. In like manner the appropriation for the salaries of county superintendents is paid out in flat salary quotas of \$400 to each of Missouri's 112 counties.²¹

Negro school teacher-training fund.—This fund is administered by the State superintendent of public schools for maintaining teacher-training classes for negro teachers. The laws fail to make any detailed provisions regarding the disbursement or uses of this fund. The responsibility for administering these matters is evidently left to the discretion of the State superintendent of schools.²²

²⁰ Laws of Mo., 1925, p. 49, sec. 45a.

²¹ *Ibid.*, p. 48, sec. 44.

²² *Ibid.*, p. 49, sec. 45.

Back payments and claims.—Items 4, 5, 6, and 7 of Table 4 represent payments for specific claims and call for no further consideration here.

Vocational education.—Missouri, by legislative act, accepted the terms of the Federal Smith-Hughes Act providing Federal subventions for vocational education. The Laws of Missouri provide for annual State appropriations to match the moneys received from the Federal Government. Schools are entitled to receive from the State, an allotment for the salaries of vocational teachers and directors equal to the amount received from the Federal Government. The State board of education is required to recommend to each session of the general assembly the amount which should be appropriated by the State.²³

Aid to rural schools.—The method to be employed in distributing this fund to rural schools as set forth in the law, is complex and somewhat difficult to understand.²⁴ It has seemed best, therefore, to quote in full at this point an outline or digest of the law inserted by the editor of the Missouri Revised School Laws of 1927.

Every district in the State must maintain an 8-months' term of school, provided the maintenance levy, together with the public funds and cash on hand are adequate. If the money from the above sources is not adequate to maintain an 8-months' term, the school must be continued until the teachers' fund is expended.

Districts which levy for school purposes (teacher and incidental expenses) the maximum levy provided by law, and (in which) the funds so derived, together with the public funds and money on hand are not sufficient to maintain an 8-months' term, may receive aid from the State on meeting the following conditions:

CONDITIONS IN DISTRICTS EMPLOYING ONE TEACHER

1. The district must have an assessed valuation of \$75,000 or less.
2. The district must levy 65 cents on the \$100 for school purposes.
3. Not more than 25 cents of said levy are to be used for incidental purposes.
4. The district must have maintained an average daily attendance of 15 or more pupils during the past school term, or, in lieu of an average daily attendance of 15 or more pupils, the district must have maintained an average daily attendance of 65 per cent of the last enumeration in the district.

GRANT

5. The maximum amount of aid is \$300, or so much thereof as may be necessary to maintain an 8-months' term of school, at the following salaries: (a) \$60 per month for a teacher who holds a third-grade certificate; (b) \$70 per month for a teacher who holds a second-grade certificate; (c) \$80 per month for a teacher who holds a first-grade certificate or its equivalent.

²³ Mo. Rev. Statutes, 1919, sec. 11293; Mo. Rev. Sch. Laws, 1927, p. 112, sec. 11293.

²⁴ Mo. Rev. Sch. Laws, 1927, pp. 68-70, sec. 11211.

CONDITIONS IN DISTRICTS EMPLOYING TWO OR MORE TEACHERS

The conditions for receiving State aid are the same as for districts employing one teacher with the following exceptions:

1. The assessed valuation must be \$125,000 or less.
2. The average daily attendance during the last school term must have been 40 or more pupils.

GRANT

3. The maximum amount of aid is \$500.

Any district that receives State aid can not pay salaries in excess of those prescribed above. If necessary, the board of directors may call a special meeting to vote the increase of levy necessary for State aid.

No district organized after January 1, 1913, and having an area of less than 6 square miles, can receive State aid.

Formal application must be made to the county clerk on or before June 30 and by him to the State superintendent on or before July 15. A careful reading of section 11179, especially the two provisos, is recommended before sending in estimates required by section 11142.

The year here spoken of is the school year beginning July 1 and ending June 30.

If the assessed valuation of a school district does not exceed \$50,000 and the average daily attendance during the year has been less than 15, the board of directors may send pupils resident in the said district to another district, paying for such pupils a reasonable charge for transportation and tuition based upon the pro rata cost for maintenance of the school which the pupils attend. In case the revenues from the maximum district school tax (65 cents per \$100) together with money on hand and the amount received from public funds, is insufficient to meet the above cost, the State supplies the deficiency necessary to keep all pupils in the district in school for a period of at least eight months.²⁵

Aid to consolidated districts, building grants.—The laws provide that the State may grant aid to consolidated districts for building purposes. If such aid be granted the State shall pay one-fourth the cost of the school building and its equipment: *Provided*, The amount paid by the State shall not exceed \$2,000 for any one district. In order to receive a building grant a district must have (1) provided a school site of at least 5 acres; (2) constructed a school building suitable for a central school and containing an assembly room for community meetings; and (3) must have installed a modern heating and ventilating system. Building grants shall be paid from the State general revenue fund.²⁶ The building grants for the year 1925-26 amounted to approximately \$80,000.²⁷

²⁵ Mo. Rev. Sch. Laws, 1927, p. 70, sec. 11212. The State superintendent of public instruction, under date of June 19, 1928, wrote to authors: "I know of no case where any district has availed itself of the provisions in this section. It is possible, however, that some do."

²⁶ *Ibid.*, pp. 101-102, sec. 11263.

²⁷ Based on statement to authors, June 19, 1928, from Mo. State Supt. of Pub. Sch., Charles A. Lee.

Maintenance grants to consolidated districts.—The State guarantees a definite amount per pupil to any consolidated district which levies a minimum district tax and fulfills certain other conditions fixed by law. If the district levies a school tax of 100 cents for each \$100 assessed valuation for teachers' salaries and incidental purposes, and the proceeds from this tax, together with the county, township, and State funds and cash on hand amount to less than \$50 per pupil in average daily attendance for the preceding school year, the State pays the district the difference between the actual revenues and the amount estimated at \$50 per pupil in average daily attendance.

If the district levies a tax of 65 cents per \$100 under the same conditions as those set forth in the preceding paragraph the State supplies the difference between the revenues realized and the estimated amount at \$40 per pupil in average daily attendance.

Aid to high schools is granted to towns, cities, or township districts to assist in meeting the costs of maintaining high schools. Grants for this purpose are graduated according to the following schedule which shows the basis and the amount of the grant. It will be observed that the grants are given in the form of fixed quotas graduated inversely to the total assessed valuation of the receiving political corporation.

Basis—Assessed valuation:	Grant—amount per year
Less than \$300,000.....	\$800
\$300,000 to \$400,000.....	600
\$400,000 to \$600,000.....	400
More than \$600,000.....	200

Limits.—A district may not receive State aid equal to more than one-half the amount expended for high-school teachers' salaries in the previous year.²⁸

Requirements.—The following conditions must be fulfilled by a district in order to receive a State high-school aid grant: (1) Levy of the maximum tax (100 cents per \$100 assessed valuation); (2) maintenance of an approved high school; (3) payment of salaries of at least \$40 per month; (4) admission of nonresident pupils on payment of a reasonable fee; (5) maintain an average daily attendance of at least 15; (6) offer an approved course in agriculture.

Aid in maintaining ninth and tenth grades.—Any district so situated that high-school facilities are inaccessible and containing three or more elementary eighth-grade graduates may arrange for teaching the ninth and tenth grades by employing at least one teacher holding a first-grade certificate. In case the county, township, and State funds, including the maximum district levy of 65 cents per

²⁸ Mo. Rev. Sch. Laws, 1927, pp. 113, 114, sec. 11295.

\$100 assessed valuation, are insufficient to employ a first-grade teacher the State supplies the deficiency.²⁹ The law as passed was found indefinite. The State department of public schools terms such schools third-class high schools and has formulated detailed standards which must be met in order to receive State aid. These standards include standards as to curriculum, equipment, building, teachers' salaries, and professional preparation.

Orphan tuition grants.—To a town or rural district educating 15 or more orphan children supported by a philanthropic organization, the State grants \$2.75 per month for each such orphan child in regular attendance, provided that the allotment per pupil does not exceed two-thirds of the average annual instruction cost per pupil in said school.³⁰

Tuition grants for physically handicapped children.—Any district in which reside 10 or more blind, deaf, or crippled children may establish a special class for their instruction. State aid amounting to \$750 per year for each teacher wholly employed in teaching such classes is granted by the State, provided that this amount does not exceed two-thirds of the amount paid said teacher by the local board.³¹

Aid in maintaining high-school teacher-training courses.—The State superintendent of public schools is authorized by law to designate certain first-class high schools in which teacher-training courses may be given in the eleventh and twelfth years. To each such school the State grants annually \$1,500. In case two or more such schools are established in any one county a total of \$2,400 is divided equally among these districts.³²

City normal schools.—Cities having a population of 75,000 or more may offer a teachers' training course two years in advance of the regular high-school course. The complex method employed in determining State grants to these schools may be most simply expressed by means of a formula.³³

Let Cng = The city normal school grant to be determined.

X = The total State grant to all regular State normal schools.

Y = Total number of public-school teachers in entire State.

Z = Total number of public-school teachers in city to be aided.

$$\text{Then } Cng = \frac{Z}{2} \left(\frac{X}{Y} \right).$$

Teacher quotas.—Most of the grants thus far described have been given for one of several purposes, such as stimulation, compensation, equalization, or administration. The grants to be described in the present paragraph and the paragraph following belong to that major

²⁹ Laws of Mo., 1923, pp. 177-178, sec. 15.

³⁰ Ibid., 1925, p. 333, sec. 1.

³¹ Mo. Rev. Sch. Laws, 1927, pp. 28-29, secs. 11147-11149.

³² Ibid., pp. 115-116, secs. 11298-11300.

³³ Ibid., pp. 118-119, secs. 11300-11310.

class of grants found in nearly every State in the Union which are provided for general relief. The State apportions to the counties definite amounts on the basis of the number of teachers employed according to the following schedule: For each regular full-time principal, supervisor, and teacher \$50 per year, provided that no teacher employed less than one-half day and no teacher employed for less than one-half of the school term, shall be counted; for each teacher employed less than nine-tenths of the school term but more than one-half, \$25; provided that only \$25 shall be apportioned for a teacher in any district in which the average daily attendance during the preceding year has been fewer than 15 pupils; for each teacher whose salary is \$1,000 or more per year \$100; for each teacher in a district that employs only 2 teachers, 1 of whom is colored and 1 white, \$50 per teacher. No teacher, principal, or supervisor who is not paid by the school board from public funds of the district shall be counted.⁵⁴

Pupil-attendance quotas.—After the teacher apportionments have been deducted as explained in the preceding paragraph, the remainder of the State fund shall be apportioned among the districts of the State on the basis of pupil daily attendance or aggregate attendance. The amount due to any district is computed as follows: The total amount available for apportionment on the basis of pupil attendance is divided by the total number of days' attendance of all pupils of the public schools of the State; the quotient thus obtained is called a pupil daily apportionment. The amount to be apportioned to each district is determined by multiplying this pupil daily apportionment by the total number of days' attendance of all pupils of the district. The law provides for taking care of days' attendance which are lost on account of school being dismissed by the order of the board of education.⁵⁵

TABLE 5.—Missouri State school funds, classification, contributions, and bases of apportionment, 1925-26

Fund or grant	Amount *	Per cent *	Basis of apportionment *
I. Administration grants:			
State department.....	\$25,000.00	0.5	Flat salary and expense appropriations. Do. Flat salary quota; \$400 to each superintendent.
School inspectors.....	40,128.77	.8	
County superintendents' salaries.	44,800.00	.9	

* Amounts in this column, unless otherwise stated, are from the fund known as State school moneys.

† Computed.

‡ For details of apportionment see preceding text.

§ From State general revenue fund.

⁵⁴ Mo. Rev. Sch. Laws, 1927, pp. 43-44, sec. 11179.

⁵⁵ *Ibid.*

TABLE 5.—Missouri State school funds, classification, contributions, and bases of apportionment, 1925-26—Continued

Fund or grant	Amount	Per cent	Basis of apportionment
II. Stimulation grants:			
Teacher training in high schools.....	\$312,625.42	6.0	Flat grant per school. \$1,500 if only 1 school in county, \$2,400 divided equally among schools if more than 1, approved in 1 county.
City normal schools.....	(/)		In cities of more than 75,000 population, special schools may be established. Aid based on aid to State normals.
Teacher training for negro schools.....	7,645.60	.1	Not specified by law, left to discretion of State superintendent of schools.
Vocational education.....	180,481.74	3.5	State matches Federal grants per teacher.
III. Compensation grants:			
Orphan tuition.....	21,178.66	.4	\$2.75 per month per child.
Physically handicapped children.....	87,000.00	1.7	\$750 per teacher employed.
IV. Equalization grants:			
Aid to rural schools.....	316,189.00	6.1	Fixed grants \$300-\$500 per district. Deficiency paid by State if certain conditions met.
Aid to consolidated districts.....	551,438.00	10.6	District guaranteed \$50 or \$40 per pupil depending on tax rate.
Aid to high schools.....	89,170.00	1.7	Fixed grants per district graduated inversely to total assessed valuation.
Aid in maintaining ninth and tenth grades.....	159,914.00	2.1	Grants per teacher sufficient to cover deficiency in salary.
V. General relief grants:			
County foreign insurance tax fund.....	1,096,588.27	21.2	Census basis (6 to 20 years), providing the county has voted free textbooks.
Teacher-quota fund.....	1,583,575.00	32.5	Flat teacher grants (\$25 to \$100).
Balance of State school moneys.....	566,122.97	10.9	Aggregate attendance.
Total.....	\$,181,857.43	100.0	

* Includes grants for teacher training in high schools and in-city normal schools.
/ See footnote / and item to which affixed.

CHAPTER XXIV

MONTANA

Schools' legal claim on tax proceeds.—Montana levies no State poll tax, no income tax, and no tax which can be regarded in the strict sense of the term as a State school tax. The nearest approach to such a tax is the annual 6-mill general property school tax which every county is required by State law to levy and collect, but the proceeds of this tax in each county are used for the support of schools within the county wherein collected, and it must be regarded as a county and not as a State tax.

Although Montana levies no State tax specifically for schools, she has for a number of years followed the policy of giving the public schools of the State claims to a definite per cent of three State taxes, namely, inheritance taxes, oil taxes, and taxes on metaliferous mines. The legislature of 1927 passed an act which provides that in the future the proceeds of that portion of these three taxes to which the public schools are entitled, together with certain other revenues, shall be credited to and constitute a State common school equalization fund; but under the laws in force in the year 1925-26, about which the present account centers, the school's share of the proceeds of the State inheritance tax were credited to and constituted a school fund known as the inheritance tax fund, and the schools' share of the proceeds of State oil license taxes and taxes on metal mines were credited to the common school interest and income fund to be defined in a later paragraph.

Coal mine operators, oil producers, cement manufacturers, plaster manufacturers, and metal mine operators pay annual license taxes, as indicated in Table 1. In addition to such taxes coal mines, oil properties, lime rock, gypsum, other quarries and mines are all taxed on the basis of three assessments: (1) A land tax on the price paid to the United States Government for the lands, varying from \$2.50 to \$20 per acre; (2) 30 per cent of the full and true value of machinery, structures, and appurtenances; (3) 100 per cent of the full and true value of the net proceeds. The aggregate value determined on these three bases constitutes the assessment upon which are levied general property taxes.¹

¹ Mont. State Bd. of Equalization, *Bien. Rept., 1924-1926*, pp. 40-41; Bur. of Census, *Digest of State Laws Relating to Taxation and Revenue, 1922*, p. 241.

Taxes devoted to equalization fund.—The act passed by Montana in 1927 devoting to a newly created State common school equalization fund the schools' portion of the proceeds of inheritance taxes, oil license taxes, and taxes on mines will be considered in a later paragraph. The most recent year for which data are available at the present writing (June, 1928) is the year 1925-26. The taxes to be described in the present and the immediately following paragraphs must, therefore, be those in force in the year 1925-26 under the provisions of the laws effective prior to the State common school equalization fund act. However, it should be noted that the act of 1927 made no change with respect to the types of taxes to be levied, merely creating a new fund (the equalization fund) to which certain of these taxes will in the future be credited.

Types of Taxes Levied

Montana levies the following types of State taxes: A general property or ad valorem tax, license taxes, corporation taxes, and inheritance taxes.

TABLE 1.—Montana State taxes and funds to which credited, 1926¹

Type of tax	Rate	General fund	Distribution of proceeds to—	
			Educational funds	Other funds
General property or ad valorem tax.	2 mills 1½ mills ½ mill	All	State university fund. Educational bond interest and sinking fund.	
License taxes: Oil production	2 per cent of gross value	50 per cent	Common school interest and income fund, 23.75 per cent. ² High-school fund, 25 per cent. Principal of permanent public-school fund, 1.25 per cent. ⁴	
Cement	4 cents per barrel	All		
Plaster	5 cents per ton	do		
Coal (mined or imported and sold).	do	do		
Metal mines	(?)	50 per cent	47.5 per cent to common school interest and income fund. ³ 2.5 per cent to permanent public-school fund principal. ⁴	
Motor vehicles	\$1.50 to \$200			County road funds.
Corporation taxes: General	1 per cent of net income over \$2,500.	All		
Special taxes in lieu of ad valorem taxes— Express companies	4 per cent of gross earnings in State.	do		

¹ Compiled from Mont. State Bd. of Equalization, Bien. Rept., 1924-1926, pp. 32-33.

² \$1 annually and gross production taxes at following rates: First \$400,000 gross value exempt; next \$150,000 taxable at one-fourth of 1 per cent; next \$150,000 taxable at one-half of 1 per cent; next \$100,000 taxable at three-fourths of 1 per cent; all over \$500,000 taxable at 1 per cent.

³ Act passed in 1927, Mont. Session, Laws, 1927, ch. 119) devotes this proportion of the proceeds of this tax to the State common school equalization fund.

⁴ Mont. Reg. of State Lands, Bien. Rept., 1924-1926, p. 37.

TABLE 1.—Montana State taxes and funds to which credited, 1926—Continued

Type of tax	Rate	General fund	Distribution of proceeds to—	
			Educational funds	Other funds
Corporation taxes—Con.				
Special taxes—Con.				
Freight-car lines	5 per cent of taxable valuation.	All		
Sleeping car	One-half of 1 per cent of assessed valuation.	do.		
Insurance companies.	Fees	do.		
Fire-insurance companies.	One-fourth of 1 per cent of premiums.			
Inheritance tax	Graduated rates ²	50 per cent	Inheritance tax (school) fund distributed among counties. ¹	Fire marshal fund.

¹ Act passed in 1927 (Mont. Session Laws, 1927, ch. 119) devotes this proportion of the proceeds of this tax to the State common school equalization fund.

² Graduated rates are levied on portion of inheritance or transfer not exempted, and vary from 1 to 16 per cent, dependent upon value of estate and relationship of beneficiary.

From Table 1 it is evident that the only taxes devoted specifically to the support of common schools are, as noted in an earlier paragraph, oil production taxes, taxes on mines, and inheritance taxes. The general property taxes levied for the support of education are limited to the State university and the educational bond interest and sinking fund created and maintained for paying the interest and principal of \$5,000,000 of educational bonds authorized by a general election held in November, 1920, and the proceeds of which have been devoted to the State university, orphans' home, deaf and blind school, industrial school, and vocational school.²

The appropriations payable from the State general fund constitute not only a relatively negligible per cent of the total school receipts from all sources but a negligible per cent of the moneys provided by the State.

State Taxes and State School Funds

State permanent school fund.—At a general election in 1924 a new article was added to the State constitution and designated as Article XXI. This article provides for the creation of three permanent funds to be derived from gifts, donations, grants, and legacies to the State for the benefit of the funds specified in the article, and the establishment of which is made possible by the new article. The funds provided for in the article are a revenue fund and two educational funds, the names, purposes, and prospective principal of which are as follows: (1) A State permanent revenue fund for the support of the State government itself, \$100,000,000; (2) a State permanent school fund for the benefit of public elementary and secondary schools, \$500,000,000; (3) a permanent revenue fund for the Univer-

² Mont. State Bd. of Equalization, *Blen. Rept., 1924-1925*, pp. 32 and 125; *Mont. State Aud., Blen. Rept., 1925-26*, p. 121.

sity of Montana, \$100,000,000.³ The only sources provided for by the constitution and the laws of Montana to be devoted to these funds are gifts, legacies, etc. No official report indicates that any principal has accrued to these funds.

Public-school fund.—The public-school fund is a State permanent endowment fund created by Article XI, section 2, of the constitution, which provides that there shall be established for the benefit of common schools an inviolable fund to be derived from the following sources: (1) The proceeds of all school lands or lands in lieu thereof granted by the United States Government or by any person or corporation for the benefit of public schools; (2) all other grants of land or money made to the State by the Federal Government for general education purposes where no special purpose is indicated in the grant; (3) proceeds of estates escheating to the State; (4) unclaimed shares and dividends of any corporation incorporated under the laws of the State; (5) all other grants, gifts, or bequests to the State for general educational purposes; (6) 5 per cent of all interest on the school funds of the State; and (7) 5 per cent of the rents received from leasing school lands and of all other income from public-school funds.⁴ As the result of the last provisions 5 per cent of that portion of the annual proceeds of oil license taxes and taxes on metal mines credited to schools are added to the principal of the public-school fund, together with 5 per cent of the income from the lands and investments belonging to this fund. The chief source from which the fund has been derived is the Federal grant of sections 16 and 36 in each congressional township and lands selected in lieu thereof, amounting to 5,188,000 acres.⁵ The condition of the fund on June 30, 1926, is shown in Table 2.

TABLE 2.—*Montana public school fund, June 30, 1926*^a

Investments, cash, and balances due on sold school lands.....	\$17,437,704.30
Estimated value at \$10 per acre of 4,229,500.19 acres of unsold school lands.....	42,295,001.90
Total estimated value.....	59,732,706.20

Sources of increase.—During the year 1925–26 school lands were sold aggregating over 53,088 acres, and 28 city lots in Missoula. “We have lands enough left, all included, to sell that many acres each year through 90 years to come.”⁶

^a Mont. Reg. of State Lands, Bien. Rept., 1924–1926, p. 16; and Bur. of Ed., Bul., 1927, No. 39, p. 23.

^b Constitution, Art. XXI, sec. 1; Laws of Mont., 1925, pp. 482–488, ch. 134; Mont. Reg. of State Lands, Bien. Rept., 1924–1926, pp. 51–52.

^c Constitution, Art. XI, secs. 2 and 5; Mont. Sch. Laws, 1927, p. 7.

^d Mont. Reg. of State Lands, Bien. Rept., 1924–1926, p. 8.

^e Mont. Reg. of State Lands, Bien. Rept., 1924–1926, pp. 23 and 26.

The aggregate sum derived from the public permanent school fund for the year 1925-26, 25 per cent of the proceeds of the State oil-license tax, 50 per cent of the tax on metal mines, and income from investments and lands belonging to the fund, amounted to \$1,252,595.83. Five per cent of this amount, namely, \$62,629.79,¹ in accordance with the requirements of the law, was deducted to be added to the principal of the public-school fund, leaving as a balance to be apportioned among the schools of the State \$1,189,966.04.²

TABLE 3.—Moneys added to the principal of the Montana public-school fund, 1925-26¹

Source	Amount
Proceeds of land sales.....	\$753,628.88
Timber sales.....	135,374.92
Royalties:	
Oil and gas.....	185,189.46
Coal.....	1,533.18
Sand and gravel.....	721.46
5 per cent of net proceeds of Federal public lands.....	1,554.34
Penalties and fines.....	481.00
Total.....	324,854.38
5 per cent of public-school fund income and of schools' share of oil license and metal mine taxes.....	53,275.11
Total.....	1,131,758.37

¹ Compiled from Mont. Reg. of State Lands, Bien. Rept., 1924-1926, pp. 24 and 26.

² Estimated. Moneys derived from proceeds of sales of school land represent not a real increase in the value of the total assets of the fund, but merely a transformation of land capital into money. Such moneys are in common practice reported as additions to principal. The land sales and proceeds as reported by the register of State lands were as follows: 28 city lots in Missoula, \$3,500; 53,146.98 acres (including 58.84 acres belonging to the Soldiers' Home grant), \$750,960.29. The proceeds of the sales of these 58.84 acres estimated at the average sale price of the year, \$14.31, amounted to \$831.41, leaving as the estimated proceeds of school lands, \$750,128.88 (estimated); total, \$753,628.88.

Common school interest and income fund is the title applied to the fund composed of 95 per cent of the moneys derived from the following sources: (1) Income of investments belonging to the public-school fund; (2) rents from public-school fund lands; (3) 25 per cent of the proceeds of the State oil license taxes; and (4) 50 per cent of taxes on metal mines. The composition of this fund for the year 1925-26 is shown in Table 4.

TABLE 4.—Source analysis of common school interest and income fund, 1925-26

Source	Amount *	Per cent
95 per cent of income from permanent school fund, investments, and land rents ¹	\$986,692.99	82.9
25 per cent of proceeds of oil license tax.....	25,534.18	2.3
50 per cent of metal mines tax.....	177,738.96	14.9
Total.....	1,189,966.04	100.0

* The amounts in this column are 95 per cent of the total proceeds credited to the three sources indicated in this table by the Mont. Reg. of State Lands, Bien. Rept., 1924-1926, p. 37. The amounts given in the table represent receipts.

¹ As noted previously, 5 per cent of these revenues are added to the principal of the public-school fund.

² Mont. Reg. of State Lands, Bien. Rept., 1924-26, p. 24. The amount actually added was \$53,275.11.

³ *Ibid.*, p. 37.

Appropriations from State general revenue fund.—Montana appropriates funds from the State general revenue fund for three classes of educational projects, the superintendent of public instruction and staff, high-school normal-training departments, and vocational education provided in accordance with the terms of the Federal Smith-Hughes Act. In the year 1925-26 the total appropriated from the general fund for these three purposes amounted to \$60,050, distributed as follows: For the State superintendent of public instruction and staff, salaries, expenses, publications, and capital outlay, \$26,650; for high-school normal-training departments, \$19,000; and for vocational education, salaries, and expenses, \$14,400.⁹

The total receipts of the State general fund for the same year amounted to \$3,625,439.38.¹⁰ The proportion of the State general fund devoted to the above three appropriations is such a negligible per cent both of the general fund itself and of the total sums provided for schools that no analysis will be made of the sources of the State general fund.

High-school fund.—Twenty-five per cent of the proceeds of State oil license taxes are apportioned by the State treasurer among the county and district high schools of the State on the basis of the aggregate number of days' attendance during the preceding school year in each high school.¹¹

Inheritance tax fund consists of 50 per cent of the annual proceeds of State inheritance taxes distributed among the several counties according to the number of teaching positions in each. During the year 1925-26 the total inheritance tax fund disbursed among the counties amounted to \$41,229.¹²

Teacher permanent fund.—The law provides that the public-school teacher permanent fund shall be composed of all moneys derived from the following sources: (1) Teacher contributions; (2) income and interest from investments belonging to said fund; (3) gifts and bequests to said fund; (4) legislative appropriations provided from time to time to carry out the provisions of the act creating the fund.¹³

The law creating the fund further provides that there shall be deducted from the salary of every teacher subject to the provisions of the teacher retirement act \$1 per month from the monthly compensation paid to such teachers not to exceed nine months in any one calendar year. Such deductions shall be deposited in the State treasury to the credit of the public-school teachers permanent fund

⁹ Mont. State Aud., Bien. Rept., 1925-26, pp. 80-89.

¹⁰ Mont. State Treas., Bien. Rept., 1924-1926, p. 22.

¹¹ Mont. Session Laws, 1923, pp. 175-176, ch. 67, sec. 2.

¹² Mont. Supt. of Pub. Instr., Bien. Rept., 1926, p. 10.

¹³ Sch. Laws of Mont., 1927, p. 66, sec. 1113.

and shall constitute a part thereof.¹⁴ The amount paid in by teachers during the year 1925 totaled \$41,041.42.¹⁵

Teachers' retirement salary fund.—The State treasurer is required by law when notified by the State superintendent of public instruction or by the public-school teachers' retirement salary fund board to transfer from the public-school teachers permanent fund to the public-school teachers' retirement salary fund such amounts as will be sufficient to meet the legal claims drawn against the public-school teachers' retirement salary fund.¹⁶

On June 30, 1926, the value of the investments belonging to the public-school teachers' permanent fund was reported as amounting to \$137,009.46. During the year 1925 there was transferred from this fund to the teachers' retirement salary fund \$85,000, which together with a balance from the previous year of \$2,671.98 produced a total teachers' retirement salary fund of \$87,671.98. After the transfer had been made there "was still money in the permanent fund and in the investment fund."¹⁷ The disbursement from the teachers' retirement salary fund for the year amounted to \$67,014.18, leaving an unexpended balance at the close of the year of \$20,657.80 in the salary fund. One hundred and thirty teachers were reported to be drawing pensions from the retirement salary fund.¹⁸

State Taxes as Sources of State School Funds

State common school equalization fund.—The legislature of 1927 passed an act creating a new fund to be known as the State common school equalization fund. To this fund shall be credited the proceeds of a number of State taxes heretofore credited to various funds as described in preceding paragraphs. The law provides that to the State common school equalization fund shall be credited (1) the State inheritance tax fund (50 per cent of the annual proceeds of the State inheritance tax), (2) the proceeds of all license taxes (oil license taxes) heretofore credited to the common school interest and income fund, (3) the proceeds of that portion of the tax on metal mines heretofore credited to the common school interest and income fund.¹⁹

The new law in nowise modifies the disposal of the 25 per cent of the proceeds of the State oil license taxes formerly apportioned among the counties for the benefit of high schools.

¹⁴ Sch. Laws of Mont., 1927, p. 66, sec. 1116.

¹⁵ Data furnished to authors, July 21, 1928, by State Supt. of Pub. Instr., May Trumper.

¹⁶ Sch. Laws of Mont., 1927, p. 66, sec. 1115.

¹⁷ Statement furnished authors July 21, 1928, by State Supt. of Pub. Instr., May Trumper.

¹⁸ Mont. State Treasurer, Blen. Rept., 1924-1926, p. 4.

¹⁹ Session Laws of Mont., 1927, ch. 119, sec. 1; Mont. School Laws, 1927, p. 90.

TABLE 5.—Montana State taxes as sources of State public-school funds, 1925-26

Type of State tax	Per cent devoted to a State school fund	State fund to which devoted
Oil license.....	23.75	Common school interest and income fund.
	1.25	Public-school fund (principal).
	23.00	High-school fund.
Metal mines.....	47.50	Common school interest and income fund.
	2.50	Public-school fund (principal).
Inheritance tax.....	50.00	Inheritance tax (school) fund.

Table 6 presents the source analysis of all Montana school revenues for the year 1925-26. The total revenues derived from State sources constituted only 10.26 per cent of Montana's total school receipts and of this 10.26 per cent the income of the permanent public school fund furnished 76.4 per cent.

"Since 1920 Montana has been seeking new sources of revenue for her schools. In 1920 a special county tax levy was provided for high schools and in 1922 a gasoline tax was given to the schools. Two years later a gasoline tax was taken for road building, and an inheritance tax, oil tax, and oil royalties were shared with the schools. * * * In 1925 a metal mines tax, a somewhat larger fund, was provided, one-half of which is allotted to the schools."²⁰ Despite these efforts to provide increasing school revenues, in Montana the State still plays a relatively minor part in the support of public schools, and State taxes, including appropriations, are of relatively small importance.

TABLE 6.—Source analysis of Montana's school revenues, 1925-26

Source	Amount *	Per cent *
District:		
General property taxes.....	\$6,371,085	80.70
County:		
General property taxes—		
Compulsory 6-mill tax.....	2,717,016	21.67
Special high-school tax.....	1,717,274	13.69
State:		
(Permanent) public-school fund.....	983,572	7.84
Taxes—One-half proceeds of—		
Metal mines tax.....	176,951	1.41
Oil license tax.....	52,754	.42
Inheritance tax.....	41,229	.33
General fund appropriations—		
High-school teacher-training courses.....	19,000	.15
Smith-Hughes vocational courses.....	14,400	.11

* Data taken from Mont. Supt. of Pub. Instr. Blen. Rept., 1926, p. 10.

* Ibid., p. 11.

* Composed largely of the proceeds of State taxes.

* Mont. Supt. of Pub. Instr., Blen. Rept., 1926, p. 13.

TABLE 6.—Source analysis of Montana's school revenues, 1925-26—Continued

Source	Amount	Per cent
Federal grants and subventions:		
One-half oil royalties.....	42,093	.84
Forest reserve grants (to counties).....	469,456	7.56
Smith-Hughes subventions.....	431,955	7.25
Miscellaneous:		
Fines, proceeds of sales of school property, etc.....	4305,947	72.44
Total.....	12,543,512	100.00

¹ Mont. State Treas. Bien. Rept., 1924-1926, p. 9.

² The amount credited to miscellaneous by the State Supt. of Pub. Instr., Bien. Rept., 1926, is \$407,358. The amount \$305,947 was obtained by subtracting from \$407,358 the sum of the Federal forest reserve grants and Smith-Hughes subventions, which together total \$101,411.

³ Computed.

Apportionment of State School Funds

Public-school fund.—As noted in a previous paragraph, 5 per cent of the interest on investments and 5 per cent of the money received as rentals from lands belonging to the public-school fund are added annually to the principal of this fund. The remaining 95 per cent of the moneys derived from these sources is credited to the common school interest and income fund and apportioned therewith.²¹

Common school interest and income fund.—This fund, in accordance with the provisions of the constitution, is apportioned annually among the school districts of the State on the basis of school census, i. e., in proportion to the number of children residing therein, between the ages of 6 and 21.²² The income apportioned in the year 1925-26 amounted to \$1,189,966.04, a sum which provided \$7.61 per school-census child.²³

Requirements.—No district shall be entitled to receive any share from the interest and income fund which does not maintain a public free school for at least six months during the year for which the distribution is made.²⁴

Uses.—Neither the law nor constitution specifies the uses to which districts shall apply their respective quotas of income of the common school interest and income fund. The only provisions are negative, namely, that no public-school funds or any other public property shall ever be directly or indirectly appropriated for any educational or scientific institution controlled in whole or in part by any church, sect, or denomination.²⁵

High-school fund.—The State high-school fund is apportioned by the State treasurer among the county and district high schools of the

²¹ Constitution, Art. XI, sec. 5; Mont. Sch. Laws, 1927, p. 7, and *ibid.*, p. 87, sec. 1201.

²² Constitution, Art. XI, sec. 5; Mont. Sch. Laws, 1927, p. 7.

²³ Mont. Register of State Lands, Bien. Rept., 1924-1926, p. 87.

²⁴ Constitution, Art. XI, sec. 5; Mont. Sch. Laws, 1927, p. 7.

²⁵ *Ibid.*, sec. 9; Mont. Sch. Laws, 1927, p. 8.

State on the basis of the aggregate number of days attendance during the preceding school year in every high school.²⁶

Inheritance-tax fund.—The inheritance-tax fund is a fund maintained to provide general relief and is distributed by the State treasurer among the several counties of the State in proportion "to the total number of teaching positions in which teachers were employed for a period of at least four months in each county during the preceding year."

Apportionment by county superintendent.—Within 10 days after receiving from the State treasurer notice of the apportionment due his county from the inheritance-tax fund, the county superintendent of schools shall apportion his county's quota in the following manner: 60 per cent he shall apportion among the several school districts, district high schools and county high schools in proportion to the total number of teaching positions in which teachers were employed for at least four months during the last preceding school year; 35 per cent among the same three classes of school corporations on the basis of the aggregate attendance of all eligible pupils in attendance for not less than six weeks; 5 per cent in proportion to the number of years of accredited high-school work during the aforesaid school year in each such district high school and county high school.²⁷

The apportionment for the year 1925-26 was in accordance with the provisions just described. By section 1, chapter 119, Session Laws of Montana, 1927, the inheritance-tax fund was made a part of the State common-school equalization fund and consequently in the future will be apportioned as a part of this fund and not in accordance with the method just described.²⁸

State common-school equalization fund.—The act creating the equalization fund did not provide in any detailed or specific manner the method to be employed in the distribution of this fund, but on the contrary placed upon the State board of education the responsibility for formulating the details of a plan of distribution.

The most important provisions contained in the act creating the fund may be summarized as follows: The State board of education at its meetings in the months of July and December each year shall determine the minimum educational program which shall be equalized, and in determining such educational program shall consider the following factors: (1) The minimum length of school term; (2) the minimum school tax levy; (3) the assessed maximum valuation per child in average daily attendance; (4) the minimum enrollment; (5) "such other factors as said board may determine to

²⁶ Mont. Session Laws, 1923, pp. 175-176, ch. 67, sec. 2.

²⁷ Laws of Mont., 1923, pp. 165-166, ch. 65, sec. 23.

²⁸ Mont. Session Laws, 1927, ch. 119, sec. 3; Mont. Sch. Laws, 1927, p. 91.

be necessary for the purpose of carrying out the provisions of this act."

Provided, That aid from such State common school equalization fund may be given to school districts with low enrollment in case children resident therein are placed in school in other districts, and in case such districts meet all other requirements fixed and determined by the State board as conditions for such State aid.²⁹

Requirements.—The submission of such reports as shall be required by the common school equalization board (State board of education), and fulfillment of rules and regulations prescribed by this board, "for the purpose of carrying out the provisions of this act, and providing as nearly as possible and as far as the said fund will allow nine months' schooling each year for every child in the common schools of the State."³⁰

The State board of education, acting as such common school equalization board, shall certify to the State auditor and State treasurer the distribution of the funds available for the State common school equalization fund, and the State auditor shall thereupon draw his warrant and the State treasurer shall pay the same to the several school districts so certified by said board.³¹

State permanent school fund.—Statutory legislation has not yet been provided to set in operation the article providing for the creation of the State permanent school fund.³²

The act creating the fund provides that the income of the fund shall be distributed on the basis of attendance.³³

Appropriations from the State general fund.—Appropriations for the superintendent of public instruction include appropriations to pay the cost of salaries, departmental expenses, publications, and capital outlay. Such moneys are provided on the basis of a budget and may be classified as appropriations distributed in the form of fixed grants.

Vocational education fund.—Montana by legislative act accepted the terms and provisions of the Federal Smith-Hughes Act, granting subventions for vocational education and provided that the State board of education shall have authority to adopt rules and regulations covering vocational courses and the qualifications of teachers of vocational subjects.³⁴

The law fails to provide for any State appropriation. However, it designates the State treasurer as custodian "for vocational education" and requires him under the direction of the State board of

²⁹ Mont. Session Laws, 1927, ch. 119, sec. 3; Mont. Sch. Laws, 1927, p. 91.

³⁰ Ibid.

³¹ Ibid., sec. 4, Mont. Sch. Laws, 1927, p. 91.

³² Statement to authors, July 21, 1928, by State Supt. of Pub. Instr., May Trumper.

³³ Constitution, Art. XXI; Laws of Mont., 1925, pp. 482-488, ch. 134, sec. 13.

³⁴ Mont. Sch. Laws, 1927, pp. 125-126, ch. 103, secs. 1311-1317.

education to disburse all moneys appropriated by the State board of Montana and received from the Federal Government under this act.³⁵

Apportionment.—

The State board of education shall apportion the money received for vocational education from the Federal Government under the act of 1917 to the public elementary and public high schools of the State in which have been established and maintained vocational training courses as provided in section 1312 of this code: *Provided, however,* That no apportionment shall be made to any school unless the work of such school and the instructors employed shall have been approved by the State board of education.

Teacher-training institutions.—The law provides that for the years 1920 and 1921 not less than \$5,000 shall be appropriated for the several institutions training vocational teachers under the direction of the State board of education.³⁶

High-school normal-training courses.—Any accredited and properly approved high school of the State may establish normal-training courses for rural teachers or junior-college courses or both.³⁷ No tuition shall be charged to students resident in the county in which such school is maintained.³⁸

Appropriation.—The law provides for an annual appropriation "out of any money in the State treasury not otherwise appropriated to be paid to accredited high schools for establishing normal-training courses in such high schools." Such payments shall be made to only one high school in each county, the same to be designated by the State superintendent of public instruction. In designating such school the State superintendent shall select a high school having the largest enrollment and best equipment in the county.³⁹

Conditions.—No payments shall be made to any high school which does not comply with all provisions of Senate bill No. 189 of the Acts of the Fifteenth Legislative Assembly. (See Montana School Laws, 1927, pp. 123, 124, secs. 1302-1309.) The provisions referred to have to do with securing the approval of the State superintendent of public instruction, the proper accrediting of the high school, the maintenance of a normal-training library, free tuition, and certain other details.

In order to be eligible for grants for high-school normal-training courses, the high school must be an accredited high school; the normal-training courses in such high school must be established with the approval of the State superintendent of public instruction and the

³⁵ Mont. Sch. Laws, 1927, p. 126, sec. 1317.

³⁶ Ibid., p. 126, sec. 1316.

³⁷ Ibid., p. 123, sec. 1302.

³⁸ Ibid., p. 124, sec. 1308.

³⁹ Ibid., p. 124, sec. 1310 A.

chancellor; such course or courses shall have been maintained for at least six months.⁴⁰

Method.—After the above conditions have been met the State superintendent of public instruction is authorized to apportion to such high school out of the fund appropriated from the State treasury one-half the amount paid by such high school for normal-training teachers, provided, however, that allowances shall be made only for the time actually devoted to instruction in such courses by the teachers engaged therein and that, after the first half year, no allowance shall be made to any high school for salary paid to any instructor unless one-half or more of the time of such instructor shall have been expended in normal-training work.⁴¹

The present account may well close with Table 7 which shows each of the current State school funds apportioned by Montana for the benefit of public schools:

It will be noted that from the standpoint of major purpose the State school funds fall into four groups as follows: (1) Funds granted for State administration; (2) general relief funds; (3) stimulation funds; (4) equalization funds.

TABLE 7.—*Montana State current public-school funds and bases of their apportionment, 1925-26*

Fund	Amount	Per cent (computed)	Major purpose	Bases of apportionment
Common-school interest (65 per cent) and income fund (5 per cent)	\$1,189,966.04 • 62,629.79	86.2 4.5	General relief..	School census 6 to 21 years of age. Added to principal of public permanent school fund.
High-school fund.....	• 26,878.08	2.0	do.....	High-school aggregate attendance.
Inheritance-tax fund c.....	• 41,229.00	3.0	do.....	Among school districts and high schools proportioned as follows: 60 per cent to number of teaching positions; 35 per cent aggregate attendance; 5 per cent number of years of high school in each high school.*
State common-school equalization fund.	(f)	.....	Equalization..	Need: Graduated grants proportioned to needs and ability of districts.
Appropriations from general fund:				
State superintendent of public instruction.	• 26,650.00	11.9	State administration.	Fixed grants.
Vocational education...	14,000.00	1.4	Stimulation...	Per teacher.
High-school normal training.	19,000.00	1.0	do.....	Per teacher; one-half salary costs for teachers actually engaged in conducting such courses. Limit: One school per county.
Total.....	1,380,352.91	100.0	.....	.....

* Mont. Register of State Lands, Bien. Rept., 1924-1926, p. 37.

† This amount is reported by the register of State lands as credited to the common-school interest and income fund. Obviously these funds should be identical in amount.

• By act of 1927, hereafter to be credited to equalization fund.

• Mont. Supt. of Pub. Instr., Bien. Rept., 1926, p. 10.

• The fund is apportioned among the counties on the basis of the number of teaching positions; the method summarized here is the more complex method employed by the county superintendents.

† Created in 1927, consequently no apportionment for year 1925-26.

• Mont. State Auditor, Bien. Rept., 1925-26, pp. 88-89.

• Mont. Sch. Laws, 1927, p. 124, sec. 1310 B. • Ibid.

CHAPTER XXV

NEBRASKA

Formerly Nebraska levied a State general property tax for¹ the benefit of public schools, but 1906 was the last year in which this tax was levied, when the rate was one-half of a mil.² At the present time Nebraska levies no major tax specifically for schools, but provides State aid for public elementary and secondary schools from the following three classes of sources: (1) The proceeds of five types of minor State license taxes and fees; (2) appropriations from the State general revenue fund, largely composed of tax proceeds; (3) the income from the permanent school fund.

License taxes and fees.—To the State temporary school fund are devoted moneys derived from warehouse receipts and the proceeds of the four following classes of license taxes and fees; (1) Commission merchants' and cold storage fees; (2) insurance licenses; (3) liquor licenses; (4) employment agents' licenses. The total receipts from these five sources credited to the temporary school fund for the biennium 1924-1926 amounted to \$122,669.60, or an average per year of \$61,334.80.³ In the account which follows it will be assumed that the amount \$61,334.80 may be taken as the receipts credited to the temporary school fund for the year 1925-26.

General revenue fund appropriations.—From the State general revenue fund appropriations benefiting, directly or indirectly, public schools, are made for five specific purposes. These purposes and the amounts appropriated for the year 1925-26 were as follows: (1) State department of education, \$52,040; (2) special State aid to rural high schools, consolidated schools, and weak districts, \$55,000; (3) aid to normal-training courses or departments in high schools, \$102,500; (4) for instruction of deaf children, \$3,250; (5) vocational education, \$88,500; total, \$301,290.⁴

An analysis of the sources of Nebraska's general revenue fund is neither necessary nor warranted, because the appropriations just de-

¹ Nebr. State Aud., Bien. Rept., 1926, p. 43.

² Nebr. State Treas., Bien. Rept., 1924-26, p. 8.

³ Session Laws of Nebr., 1925, pp. 91, 95, and 101.

scribed constituted only 1.725 per cent of \$17,363,618.89, the total revenue receipts credited to the State general fund for the year 1925-26.

Permanent school fund.—No less than three different titles are employed in the laws and in the State official documents to designate the State permanent public school endowment fund, namely, (1) Perpetual school fund, (2) common school fund, and (3) permanent school fund.⁴ Permanent school fund appears to be the title most commonly employed.

Origin and sources of increase.—The permanent school fund of Nebraska owes its origin to the lands included in sections 16 and 36 in each congressional township granted to Nebraska upon its admission as a State in the year 1867.⁵ The major source from which the principal of this fund has been derived has been the proceeds of the sales of these school lands. The present sources for increasing the principal provided by law are: (1) Such per cent as has been or may hereafter be granted by Congress on the sales of Federal lands within the State of Nebraska; (2) all moneys arising from the sale or leasing of sections 16 and 36 in each congressional township or lands selected in lieu thereof; (3) the proceeds of all lands that have been or may hereafter be granted to the State not otherwise appropriated; (4) the net proceeds of property, escheating or forfeited to the State, including unclaimed dividends and distributive shares of intestate estates; and (5) all moneys, stocks, bonds, lands, and other property belonging to the common school fund.⁶

Present condition.—The principal of the fund on June 30, 1926, was reported as consisting of two parts, namely, bonds and securities valued at \$10,662,707.19, and unsold lands estimated at \$21,789,940.30, making a total prospective fund of (estimated) \$32,452,647.49.⁷ The total income for the year 1925-26 amounted to \$937,751.59, derived as follows: Bond interest, \$474,493.33; interest on land contracts, \$111,557.04; rents and leases of school lands, \$351,701.22.⁸ The total income is credited to the temporary school fund.

⁴ See Constitution, Art. VII, sec. 3, Nebr. Sch. Laws, 1925, p. 7; Nebr. State Aud., Bien. Rept., 1924-1926, p. 31; Nebr. State Treas., Bien. Rept., 1924-1926, p. 9.

⁵ For a more complete account of these lands and this fund see F. H. Swift, *A History of Public Permanent Common School Funds in the United States*, pp. 332-334.

⁶ Constitution, Art. VII, sec. 3, see Nebr. Sch. Laws, 1925-1926, pp. 7-8.

⁷ Nebr. State Aud., Bien. Rept., 1924-1926, pp. 16 and 17.

⁸ *Ibid.*, p. 31.

TABLE 1.—Source analysis of Nebraska State aid for public elementary and secondary schools for the year, 1925-26

Source	Amount	Per cent
License taxes and fees ¹	\$61,334.80	4.7
Permanent school fund ²	937,751.59	74.1
Total	999,086.39	76.8
Appropriations from State general revenue: ³		
State department of education.....	52,040.00	.....
Special State aid.....	55,000.00	.....
Normal trafficking in high schools.....	102,500.00	.....
Instruction of deaf children.....	3,250.00	.....
Vocational education.....	88,500.00	.....
Total	301,290.00	23.2
Grand total	1,300,376.39	100.0

¹ Nebr. State Treas., Bien. Rept., 1924-1926, p. 8.

² Includes moneys derived from leases of school lands and interest on bonds and land contracts. Nebr. State Aud., Bien. Rept., 1924-1926, p. 31.

³ Session Laws of Nebr., 1925, pp. 91, 95, and 101.

Apportionment of State School Funds

Permanent school fund.—The income from this fund is credited to the temporary school fund and apportioned therewith.

Temporary school fund.—In apportioning the temporary school fund there is first deducted for the benefit of counties containing non-taxable school lands an amount estimated to equal that which such lands would produce if taxed at the same rate as the remainder of the district in which such lands are situated. The balance of the temporary school fund is then apportioned as follows: One-fourth is apportioned in the form of district quotas; this portion of the fund is distributed among the counties which in turn distribute the shares thus received among the districts within the county; the remaining three-fourths is prorated among the counties on the basis of the number of children of school-census age (5 to 21 years)⁹ included in each, according to the county superintendent's latest report.¹⁰

Uses.—State moneys apportioned to school districts can be used lawfully only for the payment of the salaries of certificated teachers.¹¹

General revenue fund appropriations.—Appropriations from the State general revenue fund are made for specific purposes, and the method of distributing each appropriation is provided in the act making the appropriation or in the law inaugurating the project for which the appropriation is made.

⁹ Nebr. Sch. Laws, 1925-26, p. 50, sec. 6315.

¹⁰ *Ibid.*, p. 99, sec. 6513.

¹¹ *Ibid.*, pp. 54-55, sec. 6329.

State department.—The appropriation for the State department is a sum fixed by the legislature on the basis of approved departmental needs. This appropriation is paid out in the form of flat allotments for various approved projects, e. g., salaries, etc.

Special State aid.—The State provides an appropriation for special State aid for rural high schools, consolidated schools, and weak districts (equalization aid).

Aid to rural high schools.—Rural high schools providing approved courses in agriculture, home economics, and other vocational subjects, receive State aid in the form of equipment and maintenance grants graduated according to the number of rooms, as shown by the following schedule:¹²

Schedule of State aid to rural high schools

Type of school :	State grants for—	
	Equipment	Maintenance
2-room.....	\$100	\$150
3-room.....	150	200
4-room or more.....	250	300

Consolidated schools.—Consolidated schools receive special State aid subject to the same conditions and according to the same schedule as provided for grants to rural high schools.¹³

Equalization aid to weak districts.—Weak districts in which revenues derived from the proceeds of a 40-mill district school tax and from county apportionments and all other State apportionments do not provide sufficient funds for meeting the costs of maintaining satisfactory schools, are provided with State grants to cover the deficiency. The law sets forth with some detail the conditions under which such equalization grants shall be made.

Districts containing 10 or more children between the ages of 7 and 16 shall maintain a school term of nine months, provided that the total cost of maintenance shall not exceed \$1,000. Districts in which there are 5, but fewer than 10 children between 7 and 16 years of age, shall maintain six months of school, provided that the total cost of maintenance shall not exceed \$700. Districts in which there are fewer than five children of the above ages shall be allowed maintenance cost not to exceed \$120 for each school child.¹⁴ Other minute requirements, conditions, and specifications govern the equalization grants.

Normal training in high schools.—The State superintendent of public instruction is empowered to authorize high schools which meet certain requirements to give normal-training courses. Each high

¹² Nebr. Sch. Laws, 1925-26, p. 67, sec. 6882.

¹³ *Ibid.*, pp. 114-115, sec. 6577.

¹⁴ *Ibid.*, pp. 42-43, secs. 6290-6292.

school so designated by the State superintendent of public instruction shall receive a biennial grant of \$1,000, provided there is organized therein and instructed in accordance with the provisions of the act a class of not fewer than 10 students. The money granted by the State shall be devoted exclusively to the payment of the salary of a special instructor or supervisor of normal-training subjects.¹⁵

Aid for instruction of deaf children.—Any city or district in which there are five or more deaf children over 5 years of age may, with the permission of the State superintendent of public instruction, establish special day schools for the deaf. The State reimburses any such city or district an amount equal to the actual expense incurred for teachers' salaries and for the purchase of necessary school appliances, provided, that the total amount paid by the State to any one school district shall not exceed annually \$150 for each deaf pupil, provided the instruction continues through a period of at least nine months. For each deaf pupil instructed for less than nine months during each year the State shall pay a sum proportionate to the actual period during which any such pupil is instructed.¹⁶

Vocational education.—Nebraska, by legislative act, accepted the terms of the Federal Smith-Hughes Act providing Federal subventions for vocational education. The State makes annual appropriations to fulfill her obligations. The method of apportioning such grants is largely determined by the Smith-Hughes Act and in the Rules and Regulations of the Federal Board for Vocational Education.

The funds in this section may be classified on the basis of their dominant purpose into five major groups: (1) Funds provided for State administration; (2) general relief; (3) compensation grants for schools and districts undertaking to provide facilities not offered by the majority of schools; (4) stimulation grants; and (5) equalization grants.

Table 2 shows the funds provided during 1925-26, the amount and per cent contributed by each fund, and the basis employed in apportioning the same. From this table it will be seen that the major portion of State funds in Nebraska, 76.8 per cent, is provided for general relief, practically 8 per cent for compensation grants, 7.5 per cent for stimulation grants, and only 3.6 per cent for equalization grants. Again it will be noted that the major portion of State aid is distributed on the basis of school census, a considerable portion in the form of district quotas, and the remaining funds either in the form of flat quotas or in the form of graduated grants (paid for

¹⁵ Neb. Sch. Laws, 1925-26, pp. 74-75, secs. 6408-6411.

¹⁶ Ibid., pp. 106-106, secs. 6548-6550.

equalization purposes), proportioned inversely to the ability of the district aided.

TABLE 2.—*Nebraska State school funds, classification, contributions, and basis of apportionment, 1925-26*

Fund	Amount ¹	Per cent	Basis of apportionment
I. Administrative: Appropriation for State department of education.	\$52,040.00	4.0	Flat quotas for salaries and expenses.
II. General relief: Temporary school fund.....	999,086.39	76.8	One-fourth divided equally among districts; three-fourths on school census.
III. Compensation grants: Instruction of deaf children.....	3,250.00	.2	Reimbursement for actual expense.
Normal training in high schools..	102,500.00	7.9	Flat grant—\$500 per year.
IV. Stimulation grants: Vocational education.....	88,500.00	6.8	Grants to match Smith-Hughes grants.
Aid to rural high schools and consolidated schools giving vocational courses.	8,850.00	.7	Flat maintenance and equipment grants of \$100 to \$300.
V. Equalization grants: Aid to weak districts.....	46,175.67	3.6	State supplies deficiency if funds are insufficient to maintain school for required period.
Total.....	\$1,300,402.06	100.0	

¹ See Table 1.

² The appropriation of \$55,000 (see Table 1) was made for both projects. The 2 items given are for the expenditures segregated for each. (Supt. of Pub. Inst., Bien. Rept., 1925-1927, p. 242.)

³ The total exceeds the total State aid (see Table 1) by \$25.67. This is due to the fact that the expenditures listed in the last 2 items exceed the appropriation for these projects by this amount. (See footnote 2.)

CHAPTER XXVI

NEVADA

Types of State taxes levied.—Nevada levies the following four types of State taxes and fees: (1) General property taxes, including taxes on real estate, personal property, and the net proceeds of mineral products; (2) corporation taxes; (3) miscellaneous taxes and fees levied on various occupations, professions, and types of business; (4) gasoline taxes.¹ Nevada levies no State income tax and the proceeds of poll taxes are used for the maintenance and improvement of public roads in the county in which collected.

Only the general property tax contributes directly to funds provided for the benefit of public elementary schools.¹ The secondary schools receive no regular support from State funds. In rare instances some State aid is granted.² The general property tax is employed to provide revenue for the State distributive fund and for the public-school teachers' permanent fund.

TABLE 1.—*Analysis of Nevada State income for the year 1925-26*^a

Source	Amount	Per cent
Taxes:		
General property—		
Real estate.....	\$1,187,195.82	.....
Personal property.....	32,155.73	.....
Proceeds of mines.....	24,885.45	.....
Inheritance.....	* 1,780.57	.....
Gasoline, State's portion.....	207,584.95	.....
Corporation.....	220.00	.....
Total taxes.....	1,453,822.52	68.0
Licenses.....	231,252.95	10.8
Interest.....	184,369.95	8.6
Fees.....	126,604.37	5.9
Land sales.....	31,406.22	1.5
Fines and escheats.....	12,812.83	0.6
Miscellaneous.....	97,159.53	4.6
Total.....	683,605.85	32.0
Grand total.....	2,137,428.37	100.0

^a Data taken from State controller An. Rept., 1926, p. 9.

* Inheritance tax law repealed July 1, 1925.

¹ Inheritance tax law, formerly in force, was repealed July 1, 1925.

² Statement to authors from State superintendent of public instruction, W. W. Anderson, June 19, 1928.

Taxes contributed considerably more than half of the total State income, and of the taxes levied the general property tax levied on real estate is the all-important source.

General property taxes.—All real property and possessory rights to the same, as well as personal property in this State belonging to corporations now existing or hereafter created, shall be subject to taxation the same as individuals. General property taxes, as already indicated, include taxes on real estate and personal property. Under this latter term are included chattels, moneys, and credits; solvent debts, locomotives, cars, and rolling stock used in operating any railroad within the State, all capital employed in trade and commerce, the capital stock of all corporations, except the capital stock of corporations organized for mining purposes and all property not included in the term "real estate."^a

Special provisions are made regarding the assessment of banks which are taxed both on their real estate and on the shares of stock less the value of real estate. Other special provisions affect the assessment of railroads, express companies, and certain other types of corporations.

Mines and mineral products tax.—The proceeds of unpatented mines are assessed as personal property. Mines are taxed on the net value of products, after deducting the following costs: (1) Actual cost of extracting ore from the mine; (2) cost of transportation to place of reduction; (3) actual cost of reduction or sale. The remainder or net proceeds of the marketed products is assessed and taxed at the same rate ad valorem as other general property, i. e., on the net proceeds are levied the same rates as are levied on general property throughout the State.⁴

The constitution requires that the State shall levy a 2-mill general-property tax for the benefit of common schools and the university.⁵ The State employs the general-property tax as a means also for providing revenue for the general expenses of the State, the payment of interest and principal of State bonds, and certain other projects.

The legislature fixes the aggregate rate of State general-property tax biennially and provides also for the rate to be levied for each project. There has been levied for a number of years on each \$100 of assessed valuation a tax of one-half of 1 cent for the benefit of the public-school teachers' permanent fund as required by law, and a tax of 11 cents for the State distributive school fund which is apportioned annually throughout the State for the benefit of public elementary and secondary schools.

^a Bur. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 258, secs. 1 and 2.

⁴ Ibid., p. 259, sec. 3.

⁵ Constitution, Art. XI, sec. 6; Nev. Sch. Code, 1927, p. 6.

The proceeds of the 11-cent tax just referred to are credited to the State distributive fund which is apportioned throughout the State for the benefit of public schools. In the year 1926 the total State distributive fund derived from all sources amounted to \$433,323.57, of which \$220,709.83 (i. e., approximately 51 per cent) was derived from the proceeds of the State general property 11-cent tax.⁶

TABLE 2.—Nevada State tax levies, 1925-26

Fund	Cents on each \$100 of taxable property	
	1925-26 ¹	1927-28 ²
General fund.....	27.5	26.0
State highway fund.....	2.0	.....
Constitutional bond interest and redemption fund.....	5.5	6.5
State farm bureau fund.....	1.0	1.0
University funds:		
Public service division.....	2.0	2.0
Permanent building fund.....	2.0	2.0
Contingent fund.....	9.0	9.0
State distributive school fund.....	11.0	11.0
Public-school teachers' fund.....	.5	.5
Livestock relief.....	.5	.....
Nevada hospital for mental diseases building.....	1.0	.....
Total.....	62.0	58.0

¹ Nev. Tax Commission, Bien. Rept., 1925-26, p. 35.

² Nev. Sch. Code, 1927, p. 135; Statutes of Nev., 1927, act approved Mar. 23, 1927, secs. 1 and 2. #

Inheritance taxes (repealed, 1925).—Formerly the State imposed a graduated tax upon inheritances. The rates varied according to the degree of relationship of the heir or recipient and the value of the estate.⁷ One-half the proceeds were added to the principal of the State permanent school fund and the balance to the State general fund. The inheritance tax law was repealed July 1, 1925.⁸

Corporation filing fees.—One-half the balance of corporation filing fees from the secretary of State's office, after the expenses of the State library are paid, are credited to the State distributive school fund.

State School Funds

For the benefit of public elementary and secondary schools and for teacher retirement Nevada provides two permanent funds: (1) The State permanent school fund, (2) the public-school teachers' permanent fund, and seven current funds, namely: (a) The State distributive fund, (b) emergency fund, (c) State reserve fund, (d) public-school teachers' retirement fund, (e) State department of education appropriation, (f) civic and physical training fund, (g) vocational

⁶ Nev. State Aud., Bien. Rept., 1925-26, p. 9.

⁷ Bur. of Census, Digest of State Laws Relating to Taxation and Revenue, p. 261.

⁸ Statement to authors from State superintendent of public instruction, W. W. Anderson, dated June 19, 1928.

education fund. The last three of the funds just named are provided by appropriations from the State general fund. Each of the above nine funds will now be described briefly in turn prior to considering methods of apportionment.

State permanent school fund.—The State permanent school fund is a State permanent endowment. The title specifically provided by law is the State permanent school fund,⁹ but elsewhere in the laws themselves and in official documents this fund is called the irreducible school fund and State school fund.¹⁰ The law provides that the principal shall remain an irreducible and indivisible fund and that only the income shall be apportioned among the school districts of the State.¹¹

On December 31, 1926, the State permanent school fund consisted of interest-bearing bonds amounting to \$2,820,707.07,¹² land contracts covering 516,659.94 acres and a few thousand acres of lands previously sold but which have reverted to the State.¹³

The total income of the fund for the year 1925-26 amounted to \$168,133.65, of which \$136,232.82 was derived from interest on investments and \$31,983 from interest on land contracts. This total income is added to the State distributive fund and apportioned therewith among the school districts of the State.¹⁴

The most important source from which the State permanent school fund has been derived is the Federal land grant whereby upon her admission into the Union Nevada received from the Federal Government sections 46 and 36 in each congressional township or indemnity lands in lieu of the same. The area of the lands thus granted totaled 2,061,967 acres.¹⁵ In addition to these lands Nevada has devoted to her State permanent school fund 500,000 acres of so-called internal-improvement lands granted to public-land States by an act of Congress passed in 1841, making the total area of lands granted by the Federal Government and devoted to the State permanent school fund 2,561,967 acres. "The only lands that the State now has at its disposal," writes the surveyor general in his biennial report for 1925-26, "are reverted lands—that is, lands that have been selected and listed (deeded) to the State under various grants, and have been entered under the contract system by some applicant who has permitted such contract to become forfeited by failure to comply with the law in relation thereto, so that such lands are now subject to reentry in the

⁹ Nev. Sch. Code, 1927, p. 49, sec. 134.

¹⁰ Ibid., p. 81, act approved Jan. 28, 1879, sec. 2, and *ibid.*, p. 83, sec. 12.

¹¹ Ibid., p. 49, sec. 134, 136.

¹² Nev. State Treas., An. Rept., 1926, p. 10.

¹³ Nev. Surveyor General and State Land Register. *Bien. Rept.*, 1925-26, pp. 7 and 10.

¹⁴ Nev. State Auditor, *Bien. Rept.*, 1925-26, p. 12, and Nev. Sch. Code, 1927, p. 49, sec. 136.

¹⁵ Data taken from F. H. Swift, *Federal Aid to Public Schools*, Bur. of Educ. Bul. 1922, No. 47, Table 5, p. 15.

same manner and under the same conditions as though no prior contract or sale had been made. There are 12,322.5 acres of this class of lands subject to entry on the date of this report."¹⁶

The report of the surveyor general fails to indicate whether all the reverted lands belong to the State permanent school fund or whether they belong to the university permanent fund or other State land-endowment funds. The total acreage involved is, however, of relatively negligible importance in comparison with the vast area of the original grant.

The laws devote to the principal of the State permanent school fund all moneys accruing to the State from the following sources: (1) Sales of lands given or bequeathed to the State for public-school purposes; (2) all fines collected under the penal laws of the State; (3) 2 per cent of the gross proceeds of all toll roads and bridges; (4) all estates escheating to the State;¹⁷ (5) 5 per cent of the proceeds of the sales of public lands belonging to the United States Government; (6) one-half the proceeds of the State inheritance tax. The law devoting one-half of the proceeds of the inheritance tax to the permanent school fund was repealed July 1, 1925.¹⁸ The amounts added to the principal of the fund during the year 1926 from the sources named were as follows:¹⁹

School-land sales	\$30,779.38
Fines and escheats	12,812.83
5 per cent United States land sales	287.48
One-half inheritance-tax proceeds	890.28
Surveyor-general fees	199.10
Total	44,969.07

Public-school teachers' permanent fund.—The laws provided for two funds for the benefit of the teachers' State retirement system—public-school teachers' permanent fund and the public-school teachers' retirement salary fund. The sources provided by law from which the permanent fund shall be derived are as follows: (1) Annual deductions of \$12 from the salary of each teacher subject to the provisions of the act; (2) income from investments belonging to the fund; and (3) the proceeds of a State general property tax of 0.05 of 1 mill on the dollar; and finally, (4) donations and gifts.²⁰

The retirement-salary fund is composed of moneys transferred from time to time to this fund from the public-school teachers' per-

¹⁶ Nev. Surveyor General and State Land Register, Blen. Rept., 1925-26, p. 7.

¹⁷ Nev. Sch. Code, 1927, p. 49, sec. 134.

¹⁸ Information furnished authors, June 19, 1928, by State Supt. of Pub. Instr., W. W. Anderson.

¹⁹ Nev. State Auditor, Blen. Rept. 1925-26, p. 12.

²⁰ Nev. Sch. Code, 1927, p. 147, act approved Mar. 23, 1915, as amended by Nev. Statutes, 1927, No. 82.

manent fund to meet the obligations of the State to teachers entitled to retirement salaries.²⁰

State distributive school fund.—The State distributive fund is a current fund apportioned among the school districts of the State semiannually for the purpose of providing general relief; this fund is at present derived from (1) the interest on the State permanent school fund, (2) interest on investments, (3) interest on land contracts belonging to the State permanent school fund, (4) the proceeds of a State 1.1-mill or 11-cent general property tax, and balances remaining at the close of the fiscal year in certain funds, namely, (5) the State emergency school fund, (6) the State reserve fund, (7) civic and physical training fund, and (8) one-half the balance of the corporation filing fees from the secretary of state's office after the expenses of the State library are paid.²¹ During the year 1925-26 the State distributive fund amounted to \$433,323.57. Table 3 shows the sources contributing to this fund and the amount and per cent furnished by each source.

TABLE 3.—Nevada State distributive school fund, 1926

Source	Amount ¹	Per cent
State general property tax (1.1).....	\$220,709.83	50.9
Interest from permanent school fund and land contracts.....	168,133.65	38.8
One-half balance of corporation filing fees ²	44,480.09	10.3
Total.....	\$433,323.57	100.0

¹ Nev. State Aud. Bien. Rep. 1925-26, p. 12.

² One-half balance of corporation filing fees from secretary of state's office after the expenses of the State library are paid.

³ Total here given does not include balance from previous year amounting to \$142,251.89. (Nev. State Treas., An. Rept. 1926, p. 8.)

Emergency fund.—The emergency fund is provided by an annual appropriation from the State distributive fund to be used for the payment of the salary of a teacher in any regularly constituted school district formed after the regular apportionment of the State distributive school fund in January and July.²² In 1926 the sum so transferred amounted to \$6,000, of which \$5,500 was disbursed and \$250 transferred, leaving an unexpended balance of \$250.²³

State school reserve fund.—The State school reserve fund is provided by setting aside from the State distributive fund a fund to be used as an equalization fund for the benefit of school districts which levy taxes of rates fixed by law but are unable from the proceeds of

²⁰ No fund for civic and physical training has been available for several years. The emergency fund and reserve fund are both created by setting aside certain moneys out of the State distributive school fund. The balances from these two former funds which revert to the distributive fund are not new moneys, but are merely returns to this fund of moneys which once belonged to it.

²¹ Nev. Sch. Code, p. 40, sec. 91.

²² Nev. State treasurer, An. Rept., 1926, p. 8.

such taxes and from the moneys provided by all other State and local funds to provide the school facilities required by law.²⁴ The law provides that not more than \$20,000 of the State distributive fund shall be set aside semiannually as a State school reserve fund. In 1926 the disbursements from this fund amount to \$35,281.83.²⁵

State general fund appropriations for vocational education, etc.—The legislature has from time to time provided for various appropriations to be paid from the State general fund for the benefit of projects and undertakings benefiting directly or indirectly public schools and children attending the same. Such appropriations include (1) \$1,000 for carrying out the provisions of the act providing for the care of feeble-minded and orphan children;²⁶ (2) \$2,000 as a temporary loan to aid in the establishment of a State teachers' employment bureau;²⁷ (3) \$2,000 for a student loan fund founded by the State Federation of Women's Clubs; (4) appropriations for the civic and physical training fund. In addition to appropriations of the type just referred to which are made for one or more years the State provides biennially appropriations for certain continuing projects. For the year 1926 only three appropriations were reported, an appropriation for the superintendent of public instruction, staff, salaries, and traveling expenses of staff, amounting to \$30,025; an appropriation for vocational education amounting to \$17,500; and an appropriation for care of deaf, dumb, and blind children under the control of the State board of education, \$8,000.²⁸ It will be seen that the total of the three items just stated amounts to \$55,525.

Apportionment of State School Funds

It should be recalled at this point that the State distributive school fund includes not only the proceeds of the State general property 1.1-mill or 11-cent tax and certain balances of other funds but also the income of the State permanent school fund.

From time to time the legislature has passed acts providing that certain appropriations shall be made from this fund prior to its distribution for the purposes of general relief among all the school districts of the State. At the present time the appropriations and deductions which are given a prior claim on the State distributive

²⁴ Nev. Sch. Code, 1927, pp. 54, 55, sec. 151.

²⁵ Nev. State treasurer, An. Rept., 1926, p. 8. The report here cited indicates that \$370,000 was transferred to this fund. This is a typographical error and the amount ought to read \$37,000.

²⁶ Nev. Sch. Code, 1927, p. 116, sec. 4.

²⁷ *Ibid.*, pp. 127-128.

²⁸ Statutes of Nev., 1925, pp. 198-199. The amounts here given are one-half of the biennial legislative appropriations.

fund include appropriations for (1) the support of evening schools, (2) the emergency fund, and (3) the State school reserve fund.

Appropriation for deputy superintendents.—Nevada is divided into five educational supervision districts. The State board of education is required to appoint one deputy superintendent of public instruction for each such district. The salary of a deputy superintendent is fixed by law at \$2,400 per year. The law which provided that the salaries of the said five deputy superintendents shall be paid out of the State distributive fund was declared unconstitutional. The salaries, traveling expenses, and office expenses of each deputy superintendent are now paid from the State general fund as are those of other State officers. Not more than \$900 shall be paid for the traveling expenses of any one deputy superintendent nor more than \$500 for the traveling expenses of the office deputy for the superintendent of public instruction, and not more than \$500 for office expenses.²⁹

Evening schools and classes.—Any school board in charge of a public school is authorized to establish an evening school therein whenever 15 or more bona fide applicants for instruction in such evening school residing in said district shall petition the school board in writing for the same.

The State superintendent of public instruction, at the time of making the regular semiannual apportionment of the State distributive school fund shall apportion from the State distributive school fund to districts or schools maintaining evening classes a sum equal to not more than \$1 per hour of actual teaching for each teacher employed in said evening school, provided that such sum shall not exceed \$40 per month for each such teacher, and provided also that not more than one teacher shall be allowed for each 10 persons in average daily attendance; except that where instruction is given in Americanization only such average daily attendance may be not fewer than 6 persons. In no case shall the amount so apportioned in any one year exceed the amount set aside for the benefit of evening schools appropriated for this purpose. The legislature of 1925 appropriated \$9,000 for the biennium 1925-26 and 1926-27,³⁰ and the legislature of 1927 appropriated for this purpose \$5,000 for the biennium 1927-28.³¹

General relief, teacher quotas.—After setting aside the moneys required to provide the funds and appropriations which the law requires shall be paid from the State distributive school fund the State superintendent of public instruction shall apportion the balance among the counties of the State as follows: For every teacher

²⁹ Nev. Sch. Code, 1927, p. 16, sec. 13.

³⁰ Statutes of Nev., 1925, p. 199, ch. 123, sec. 44.

³¹ *Ibid.*, 1927, p. 133, ch. 98, sec. 40.

allowed he shall apportion \$137.50, provided that districts having an average daily attendance of fewer than five resident pupils shall be apportioned \$62.50.

Determination of number of teachers allowed.—The number of teachers to which any school district is entitled shall be determined by calculating one teacher for the first 20 pupils in average daily attendance or less and one additional teacher for each 20 pupils or major fraction thereof in average daily attendance, provided that a school having an average daily attendance of 20 or more pupils during the last preceding school year shall be allowed an extra teacher if such school has regularly employed two teachers since the preceding annual school apportionment. The law makes special provision for apportioning quotas to districts whose schools have been closed on account of an epidemic or other circumstances over which the district school board had no control.³²

Pupil quotas.—After apportioning the teacher quotas as described above the State superintendent shall apportion from the State distributive fund not more than \$9 nor less than \$8 for every pupil in average daily attendance as shown by the last preceding annual school report.³³

Uses.—From the preceding paragraphs it is evident that the moneys accruing to the State distributive school fund are used for the following purposes: Evening schools and classes, emergency fund, school reserve fund, and general relief. In view of the fact that the moneys apportioned among the counties are finally apportioned among the districts it follows that the uses which the law permits districts to make of State and county funds represent, in the last analysis, the uses to which quotas of the State distributive school fund may be put. The law provides that State and county school funds apportioned to each school district may be used to purchase sites, to erect or rent schoolhouses, purchase libraries, pay teachers' salaries, transportation, or contingent expenses.³⁴

Conditions.—The law places upon school districts many requirements, but in many cases does not state that the failure to meet these requirements shall be penalized by a forfeiture of State public-school moneys. Thus the law requires that certain subjects shall be taught—e. g., physiology and hygiene, that every school shall be provided with a United States flag, and that schools shall be closed on legal holidays.³⁵ Other requirements which if not fulfilled shall be penalized by the withholding of public funds include the follow-

³² Nev. Sch. Code, 1927, p. 54, sec. 151-2 (a) and (b).

³³ Ibid., pp. 54-55, sec. 151-153.

³⁴ Ibid., p. 56, sec. 152.

³⁵ Ibid., pp. 43-45, secs. 107-2, 120.

ing: Teaching sectarian or denominational doctrines and introducing into public schools sectarian or denominational literature.³⁶

No school district, except a newly organized district, shall receive any portion of the public-school moneys unless it has maintained a school with at least three resident children between the ages of 6 and 18 in actual attendance for 100 days, has provided a school term of at least six months, and employed a legally qualified teacher.³⁷ School trustees are required to provide a free school for at least eight months if there is sufficient money to the credit of the district to meet the costs of the same.³⁸

Emergency fund.—The purpose of the emergency school fund is to provide a source from which may be paid the salary of a teacher in any regularly constituted school district formed after the regular apportionment of the State distributive school fund in January and July.

Limit.—Not more than one apportionment shall be made to any one district from the emergency school fund, "but at the general apportionment thereafter such district shall be entitled to its share of the State distributive school fund and of the general school fund of the county in which the district is located."³⁹

Conditions.—Before any grant from the emergency school fund is distributed to any school district the superintendent of public instruction shall (1) cause a school census to be taken within the district; (2) satisfy himself that a suitable building has been provided; and (3) that a competent teacher has been employed.⁴⁰

Use and method.—The emergency fund is distributed among the districts entitled thereto on the basis of the number of teachers allowed as follows: One teacher shall be allowed for every 50 school-census children or fraction thereof, provided that not more than \$250 shall be allowed for any one teacher. Quotas received from the emergency school fund shall be used only for the payment of teachers' salaries.⁴¹

*State school reserve fund.*⁴²—The State school reserve fund is essentially an equalization fund, apportioned among districts which have levied taxes of certain specified rate but are nevertheless unable to meet the expenditures required by law. Whenever any county shall have levied a tax for elementary schools equivalent to 35 cents on the \$100 assessed valuation of the county and such tax does not

³⁶ Nev. Sch. Code, 1927, p. 42, sec. 105.

³⁷ Ibid., p. 38, sec. 80.

³⁸ Ibid., pp. 32-33, sec. 13 and 14.

³⁹ Ibid., p. 40, sec. 93.

⁴⁰ Ibid., p. 40, sec. 92.

⁴¹ Ibid., p. 40, sec. 93.

⁴² Ibid., pp. 54-56, sec. 151, 3-5.

provide an amount of money equal to that required by law (exclusive of bonds and interest thereon), the State superintendent of public instruction shall apportion to said county a sum sufficient to meet the deficit, provided that in the apportionment for July, 1925, said rate shall be 30 cents per \$100 valuation in counties maintaining county high schools and 50 cents on the \$100 in counties levying a combined rate for elementary and high school purposes.

High-school aid.—Whenever a county has levied for the support of regularly established high schools in the county 35 cents on the \$100 assessed valuation, if such levy is insufficient to provide the minimum amount determined in the manner hereinafter set forth, the superintendent of public instruction shall apportion from the State school reserve fund an amount sufficient to cover the deficit. The State superintendent shall determine the minimum amount which shall be allowed for high-school costs in the following manner: He shall ascertain from the reports of the regularly established high schools of the State for the preceding year the number of children in average daily attendance for each high-school teacher employed in said high schools, excluding superintendents and principals, and the average annual salary paid to such teachers. He shall then ascertain the number of high-school teachers to which said county is entitled for relief apportionment on the basis thus determined. The average annual salary of high-school teachers for the preceding year, determined as already described, multiplied by the number of high-school teachers to which the county is entitled for relief apportionment, is the minimum amount to be used as a basis for high-school relief apportionment from the State school reserve fund. To any district which, after receiving the regular State and county apportionment, shall lack the necessary funds to maintain its high school properly the superintendent of public instruction shall apportion a special district-relief apportionment, provided such district shall have levied and shall have collected the first half of a special district tax of not less than 15 cents on the \$100 of assessed valuation in the district.

If the county in which such district is located has levied a total tax for county school purposes, exclusive of school bonds and interest thereon, amounting to 65 cents (but for the apportionment in July, 1925, 50 cents) on the \$100 assessed valuation, the State shall provide from the State school reserve fund a sum equal to \$5 per census child for relief apportionment to such district; provided further that if the State school reserve fund is sufficient no district shall receive less than \$50 relief apportionment under the provisions of this act.

In case the county levy for school purposes is less than 65 cents (but for the apportionment in July, 1925, 50 cents) on the \$100 of assessed valuation for county school purposes, exclusive of school

bonds and interest and any county relief rate, the county shall provide from its county general fund such special relief apportionment to be made by the superintendent of public instruction, provided such district has submitted a budget as required by law and the moneys provided from this and other sources and taxes shall not exceed such budget requirements. These provisions shall apply to any district having more than 200 pupils in average daily attendance as shown by the last preceding annual report, only to the extent of 200 pupils.

Apportionment of County School Funds

Although the present volume is concerned primarily with State school funds and their apportionment, it has seemed best in the case of certain States to extend the consideration to include certain county funds. The statement just made applies to States which, like Nevada, credit State school-fund quotas to a county school fund and then apportion this composite county school fund among the districts within the county by a method differing from that employed in apportioning the State fund among the counties.

Apportionment of county school fund.—The superintendent of public instruction apportions the county school fund belonging to each county among its school districts as follows: He shall apportion semi-annually to each district for each teacher allowed on the basis already set forth in connection with the distribution of the State distributive school fund \$312.50 (i. e., \$625 per year); (2) for each pupil in average daily attendance during the preceding year not less than \$1 (i. e., \$2 per year); the balance shall be prorated among the districts on the basis of the average daily attendance of the preceding school year. "The amount per child in some counties reaches approximately \$80 annually."⁴³ The amounts due any joint district formed of parts of two or more counties shall be apportioned in such a manner that the counties concerned and the State shall each contribute the regular amount per pupil in average daily attendance, and the teacher quota due such district shall be apportioned in proportion to the number of pupils in average daily attendance residing in that part of said joint district lying within the respective counties.⁴⁴

County reversion fund for weak districts.—The State superintendent of public instruction apportions the county school fund among the districts of the State upon the basis of a report furnished by the county auditor.⁴⁵ Upon receipt of the report from the county auditor the superintendent of public instruction shall deduct from the total amount of money credited to each district all amounts over

⁴³ Statement to authors from State Supt. of Pub. Instr., Walter W. Anderson, June 10, 1928.

⁴⁴ Nev. Sch. Code, 1927, p. 56, sec. 152.

⁴⁵ *Ibid.*, pp. 56-57, secs. 152-152½.

and above \$350 for each apportionment teacher assigned to said district.

The aggregate amount thus deducted shall be credited to a fund to be known as the county school reversion fund to be used only for the aid of new or weak school districts. The county school reversion fund shall be transferred to such school districts needing aid by the county commissioners in the same manner as other county moneys are transferred.

Apportionment.—The moneys in said county school reversion fund in excess of \$500 on June 10 shall be credited to the unapportioned county school fund of the county.⁴⁶

Conclusion.—The various types of funds provided by Nevada for the benefit of public schools have now been described. On the basis of the major purpose for which these funds have been provided, they may be grouped in four major classes, namely: (1) Grants provided to pay the costs of State administration and supervision and expenses incident thereto; (2) grants provided to afford school districts throughout the State general relief regardless of differences in ability and in the educational offerings of the respective districts; (3) grants designed to stimulate school districts to provide certain educational facilities singled out for special subsidies; (4) equalization grants.

Table 4 presents the various State school funds provided by Nevada, classified in accordance with the major purposes just described. It also shows in a summary form the bases of apportionment employed in the different divisions.

TABLE 4.—Apportionment of Nevada State school funds classified as to major purposes, 1926^a

Major purpose	State fund from which paid	Bases of apportionment
I. State administration and supervision: State superintendent of public instruction and staff, salaries, travel, etc. Deputy State superintendents, salaries, and travel.	General fund.....	Per officer (salary grants) and costs approved by legislature.
	.....do.....	Do.
II. General relief: Teacher quotas.....	Distributive school fund.	Per teacher and average daily attendance. Fixed grants: If average daily attendance is 5 or more, \$137.50 per teacher allowed. ¹
	Emergency fund ² (distributive school fund).	Per teacher and school census. Not more than \$250 per teacher allowed. ³
Pupil grants.....	Distributive fund.....	Per pupil in average daily attendance, \$8 to \$9.

^a Based upon data presented in preceding paragraphs.

¹ The emergency fund and the State school reserve fund are both provided by appropriations from the State distributive school fund.

² 1 teacher allowed for first 20 pupils in average daily attendance or less; 1 additional for each additional 20 or major fraction thereof. If average daily attendance is less than 5, only \$62.50 is granted.

³ 1 teacher allowed for every 50 school-census children or fraction thereof.

⁴⁶ Nev. Sch. Code, 1927, pp. 56-57, secs. 152-152½.

TABLE 4.—Apportionment of Nevada State school funds classified as to major purposes, 1926—Continued

Major purpose	State fund from which paid	Bases of apportionment
III. Stimulation:		
Vocational education.....	General fund.....	Per teacher (salary grant) ^c .
Physically handicapped children.	do.....	(/)
Evening schools and classes.	Distributive fund.....	Teaching hours per teacher allowed, on basis of average daily attendance \$1 per teaching hour. ^e Limit: \$40 per month.
IV. Equalization.....	State school reserve fund ^b (distributive fund).	Ability and need of district aided. Graduated grants sufficient to meet all approved costs not met by all other State and local funds.

^a The emergency fund and the State school reserve fund are both provided by appropriations from the State distributive school fund.

^b Bases adopted by State in harmony with provisions of Federal act; see text.

^c Basis and methods are not indicated in the school law nor in any public document available to the author. Presumably the apportionment is left to the discretion of the State board of education.

^d 1 teacher allowed for each 10 pupils in average daily attendance except that an average daily attendance of 6 is allowed in Americanization classes.

CHAPTER XXVII

NEW HAMPSHIRE

Unique features.—The New Hampshire State system of school administration and support embodies a number of unique features which may well be considered at the outset:

(1) No State aid is provided for secondary schools; State aid for vocational education to assist in carrying out the provision of the Federal Smith-Hughes Vocational Education Act is limited to the payment of one-half of the salaries and expenses of two State supervisors of Smith-Hughes work.¹

(2) All State revenues provided for schools and child welfare are covered by one appropriation made to the State board of education. The State board of education administers and expends the moneys included in this appropriation.

(3) A number of projects and institutions which have no immediate connection with elementary schools receive subsidies from the appropriation to the State board of education, e. g., pensions for dependent mothers,² State normal schools, and county extension work. (See Table 1, Expenditures.)

State sources of school revenue.—State aid for elementary schools and child welfare in New Hampshire is derived from the following five sources: (1) A flat annual appropriation (\$570,000 for 1925-26) payable from the general revenue fund; (2) a State savings bank tax payable by nonresidents, the proceeds of which are credited to and thus constitute the "literary fund"; (3) a per capita school tax; (4) a State general property tax levied on all taxable property in unorganized places and towns not maintaining schools; (5) Federal forest reserve moneys paid to the State by the National Government.³

Types of State Taxes Levied

Of the five sources of revenue named, all, except the first and the fifth, are State taxes, and the first is derived from a fund which in the last analysis is composed chiefly of the proceeds of State taxes.

Taxes contributing to State general revenue fund.—The State general revenue fund from which the annual appropriation for the

¹ State B. l. of Ed., Bienn. Rept. 1925-26, p. 146; *ibid.*, p. 157.

² N. H. Laws, 1925, p. 216.

³ *Ibid.*

State board of education is made includes moneys derived from six classes of State taxes and miscellaneous receipts from certain State institutions and State departments. The six types of State taxes which contribute to the State general fund are: (1) General property taxes; (2) corporation taxes; (3) legacy taxes; (4) gasoline taxes; (5) a tax on interest and dividends; and (6) miscellaneous taxes and fees.⁴

Table 1 shows that in 1925-26 approximately 60 per cent of the funds supplied to the State department of education was used for projects benefiting public elementary schools. The appropriation to the State board of education for 1925-26 was \$570,000, and approximately \$342,000 can be regarded as the amount of State aid expended for elementary schools.⁵

No source analysis of the general fund of the State of New Hampshire will be made, inasmuch as in 1925-26 only 3.6 per cent of the total receipts credited to the State treasury were expended for schools.⁶

Literary fund—savings-bank tax.—The State levies and collects taxes upon the deposits, stock, and attending accumulations of depositors and stockholders of savings banks, trust companies, and other similar corporations who are not residents or whose residence is unknown. The proceeds of such taxes are credited to and constitute a current State fund known as the literary fund. This fund is combined with other moneys appropriated to and administered by the State board of education for the benefit of public elementary schools.⁷

State per capita district-school tax.—Every district in the State is required by law to pay to the State as said district's share toward meeting the costs of State supervision of public schools an amount equal to \$2 for each school child resident in said district and enrolled in public schools during the preceding year. Funds for this purpose are provided by the districts through a general property tax.⁸

Although this tax is levied by the districts, the fact that the proceeds are paid to the State and support a State fund justifies the classification of this tax as a State tax levied by districts.

State general property school tax in unorganized territory.—The State treasurer assesses annually for the benefit of public schools a tax of \$3.50 on the thousand dollars (3.5 mills on the dollar) of the

⁴ N. H. State Treas., An. Rept., 1926, pp. 17-20.

⁵ The sum here given, \$342,000, is 60 per cent of the total appropriation, \$570,000.

⁶ Total receipts credited to the State treasury 1925-26, \$9,451,378.58, N. H. State Treas., An. Rept., 1926, p. 20; State expenditure for public elementary schools, as already explained in text, \$342,000.

⁷ N. H. Sch. Laws, 1927, p. 69, ch. 121, sec. 16.

⁸ *Ibid.*, p. 48, ch. 119, sec. 12.

value of the ratable estates taxable in the unorganized parts of the State and in towns in which no schools are maintained.*

Federal national-forest reserve moneys.—Chapter 192 of the acts of Congress, May 23, 1908 (U. S. Stat. at Large, vol. 35, pp. 251, 260), provides—

that hereafter 25 per cent of all moneys received from each forest reserve during any fiscal year, including the year ending June 30, 1908, shall be paid at the end thereof to the State or Territory in which said reserve is situated, to be expended as the State or Territorial legislature may prescribe for the benefit of the public schools and the public roads of the county or counties in which the forest reserve is situated. By this means the Federal Government seeks to compensate the counties for the loss of revenue which they suffer owing to the fact that these forest reserves, as Federal lands, are not subject to State or local taxation.

Twenty-seven States contain national-forest reserves, in areas varying all the way from approximately 19,000,000 acres in California to 18,000 acres in South Carolina. The income is derived chiefly from the sale of forest-reserve timber and from fees paid for grazing rights. Amounts of negligible importance are derived from rents or leases of forest-reserve sites for summer cottages, camps, and from other miscellaneous sources.

The Federal act places upon the State or Territory the responsibility of determining the proportion of its Federal forest-reserve moneys to be devoted to schools and the proportion to be devoted to roads. Consequently, the practice varies with the State. Thus, Arkansas requires counties to spend one-fourth of forest-reserve moneys upon public roads and the remaining three-fourths upon public schools. California, on the other hand, devotes 50 per cent of such moneys to the county-road fund and the remaining 50 per cent to the county-school fund.¹⁰

Within New Hampshire up to June 30, 1925, the National Government had set aside as Federal forest reserves 407,252 acres of land.¹¹

About two-thirds of the total receipts of the State's share of Federal forest reserves is paid to organized towns. The division of receipts between road and school funds is left to the decision of the town meeting. However, in small places, the selectmen make the decision. In a few towns the money is used for general town expenses other than roads and schools. The law governing the distribution of receipts for unorganized places is as follows: "All sums so apportioned to unorganized places shall be expended for the benefit of public schools and public roads in the counties in which such places are located, in such manner as the governor and council may from time to time determine." In 1926, \$2,821.21 was derived from Federal forest reserves in unorganized units and was apportioned as follows: To the State highway department, 50 per cent; to the State

* N. H. Sch. Laws, 1927, p. 69, ch. 119, sec. 15.

¹⁰ F. H. Swift, *State Aid to Public Schools*, Bu. of Ed. Bul., 1922, No. 47, pp. 22-23.

¹¹ Data compiled by U. S. Dept. of Agr., *Forest Reserves, Nat. Forest Area, June 30, 1925*.

board of education, 50 per cent; that is, \$1,410.61, as shown in Table 1.¹²

Administration of State School Moneys

The revenues derived from the sources described in the immediately preceding paragraph are credited to the general State fund and thence later appropriated by legislative act to the State board of education by whom they are administered and expended.

Lawful uses.—"All money appropriated by the legislature for general educational purposes, in addition to the 'literary fund' and all other funds enumerated in this section shall be used for the following 10 purposes": (1) The abolition of illiteracy; (2) Americanization of immigrants; (3) equalizing educational opportunity; (4) promotion of the physical health and recreation of pupils; (5) determination of mental and physical defects; (6) instructing teachers (that is, for State normal schools); (7) expenses of State department of education; (8) making available funds provided by Federal law for vocational or other education; (9) payment of tuition; (10) aid for dependent mothers.

In conformity with the above law the legislature designates a definite amount of the sum appropriated to the State board of education which shall be used for each of the 10 projects just enumerated.¹⁴

TABLE 1.—*Analysis of receipts and expenditures of New Hampshire State Board of Education for elementary public schools and allied projects, year ending June 30, 1926*^a

RECEIPTS

Source	Amount	Per cent
Appropriation from State general revenue fund.....	\$570,000.00	53.0
Taxes:		
Savings bank tax (literary fund).....	45,265.13	4.3
General property—		
Per capita district school tax.....	151,676.00	14.1
Unorganized places and towns not maintaining schools.....	22,532.19	2.1
Excess superintendents' salaries ^b	98,419.99	9.2
National forest reserve.....	1,410.61	.1
Income from normal schools.....	186,264.16	17.3
Total receipts.....	1,075,658.08	100.0
Balance July 1, 1925.....	32,423.58	
Grand total.....	1,108,081.66	

^a N. H. Treas., An. Rept., 1926, pp. 34-35. Aid for dependent mothers is the only expenditure included in Table 1 which can not be classified as for "public schools and allied projects."

^b The State board of education organizes the State into supervisory unions, and upon nomination of the local board of the union, hires a superintendent and assistants, paying each \$2,000 per year. (N. H. Laws, 1927, pp. 11-12). Any union may add such sum as it sees fit to the salary of the superintendent or assistants, as fixed by the State board and in that event the treasurer of the union shall pay such excess salary or salaries into the State treasury, the proportion for each district to be determined by the supervisory board of the union. (Ibid., p. 32.)

^c E. M. Andrews and Russell W. Tollman, *The National Forest Reserve as a Source of School Revenue in the United States*, Bulletin of the Western State College of Colo., Gunnison, Colo., Vol. XVI, No. 4, Jan., 1927, p. 11. The provisions quoted from the act of Jan. 1, 1926, are quoted from the document just cited.

^d N. H. Laws, 1927, pp. 13-14, ch. 116, sec. 14.

^e Ibid., 1925, p. 216.

TABLE 1.—Analysis of receipts and expenditures of New Hampshire State Board of Education for elementary public schools and allied projects, year ending June 13, 1926—Continued

EXPENDITURES

Source	Amount	Per cent
Benefiting public schools:		
State department, salaries, and expenses.....	\$53,326.91	4.9
State-wide supervision.....	232,289.04	21.4
Equalized State aid.....	351,457.80	32.4
State supervision of vocational education.....	6,710.22	.6
Total expenditures for public schools.....	643,783.97	59.3
For educational activities other than those benefiting public schools:		
Normal schools.....	391,832.97	36.1
Aid to dependent mothers.....	40,000.00	3.7
Cross County extension work.....	673.18	(.9)
New manual training building.....	10,000.00	.9
Total expenditures for activities other than public schools.....	442,506.15	40.7
Grand total expenditures.....	1,086,290.12	100.0
Balance June 30, 1926.....	21,791.54	
	1,108,081.66	

* New Hampshire provides no State aid for secondary schools (N. H. State Bd. of Ed., Bien. Rept., 1925-26, p. 146). This item of expenditure for vocational education was for one-half the salaries and expenses of two supervisors of Smith-Hughes work. (Ibid., p. 157.)

† Negligible.

State Taxes as Sources of School Revenue

From Table 1 it is evident that the major portion of State moneys in New Hampshire are derived directly or indirectly from State taxes. The first item appearing in Table 1 is an appropriation from the general revenue fund, which is derived chiefly from the proceeds of State taxes. The next three items appearing in this table are all the proceeds of taxes. The last three items constitute in the aggregate approximately \$286,000 of the total receipts.

State School Funds

Only two funds benefiting the public schools of the State are maintained by New Hampshire, namely, the "institute fund" and the "literary fund."

Institute fund.—This fund is the only State permanent endowment fund benefiting directly or indirectly public schools. It owes its origin to legislative action in 1867 and 1868, which authorized the governor to sell certain public lands and which provided that the proceeds of the sales of such lands shall constitute a school fund, the annual income of which shall be applied to the purposes of common-school education. The institute fund was borrowed by the State and to-day constitutes a permanent debt upon which the State pays from the interest account, interest at 4 per cent, amounting in the year

1925-26 to \$2,388.93.¹⁵ The income from this fund is to-day used to pay the costs of maintaining teachers' institutes.¹⁶

Literary fund.—This fund was discussed on page 255.

Apportionment of State School Funds

Four of the items of expenditure included in Table 1 are obviously for educational activities other than public schools, namely, expenditure for normal schools, aid for dependent mothers, Coos County extension work, and new manual training building. The moneys expended for such projects do not fall within the scope of the present chapter.

State department of education.—The moneys expended for the State department are paid out in the form of fixed amounts to meet salary costs and other expenses of the department. The moneys expended for the salaries and other costs incident to the maintenance of the State department are paid out in flat sums to meet the expenses of the department.

State-wide supervision.—To each superintendent and to each assistant superintendent of supervisory unions into which the State is divided (see Table 1, footnote 3) the State pays a fixed salary quota of \$2,000. Assistant superintendents are allowed in only the largest cities of the State, at present three in number.

Vocational education.—The State provides no aid for the benefit of secondary education. This statement applies to vocational education. The only moneys expended for vocational education are for one-half the salaries and expenses of two State supervisors of Smith-Hughes work and one-half of the expenditures at the Keene Normal School and the university for the training of teachers in Smith-Hughes work.¹⁷

Equalized State aid.—New Hampshire, in common with many other States of the Union, has adopted the policy of providing a State equalization fund. A unique feature of the New Hampshire plan is that "in districts so aided the State board, acting through local school boards, shall administer all money available for the maintenance of public schools and shall account for the money raised by the districts as well as that furnished by the State."¹⁸ This provision places the administration of the finances of such districts entirely in the hands of the State board of education. The State equalization fund is provided to aid districts in which a levy of

¹⁵ N. H. State treasurer, An. Rept., 1926, p. 69. For a more complete account of the origin and subsequent history of this fund, see F. H. Swift, *A History of the Public Permanent Common School Funds in the United States*, 338-341.

¹⁶ N. H. Sch. Laws, 1927, p. 18, ch. 116, sec. 35; State Board of Educ., *Blen. Rept.*, 1925-26, p. 159.

¹⁷ N. H. Board of Educ., *Blen. Rept.*, 1925-26, p. 157.

¹⁸ N. H. Sch. Laws, 1927, p. 69.

5 mills on the equalized value of the property is insufficient to cover the maintenance costs required by law. New Hampshire, in common with many other States, uses equalized valuation as a measure of the ability and need of a district. The law reads:

In any district in which a sum equal to one-half of 1 per cent of the equalized value of the district, on which the State tax is apportioned, is insufficient to maintain the required elementary and special schools and to purchase the required textbooks, scholars' supplies, flags, and appurtenances, the State board of education shall provide the balance of the money necessary from the money appropriated to carry out the provisions of this title.¹⁹

The law fails to guarantee a sum sufficient to meet the claims of all districts entitled to equalized State aid. On the contrary, it specifically provides for the prorating of district grants in case the State appropriation is insufficient to meet all claims, but in this prorating "the reduction in allotment to each district shall bear the same ratio to the total reduction necessary as the district's equalized valuation bears to the total of the equalized valuation of all the districts entitled to State aid in that year."²⁰ It will be seen that in the provision just quoted reductions will be made in direct proportion to the wealth of the district; that is, the greater the equalized valuation of the district the greater will be the reduction made.

The total aid granted in any year to any district, or to all the districts of any one town, shall not exceed \$6,000.²¹

New Hampshire further authorizes the State board, in its discretion, to withhold 5 per cent of the appropriation for equalized State aid and to use the amount so withheld to furnish additional aid to districts where special need exists.²²

¹⁹ N. H. Sch. Laws, 1927, p. 67, ch. 121, sec. 8.

²⁰ Ibid., p. 68, ch. 121, sec. 10.

²¹ Ibid., p. 69, ch. 121, sec. 13.

²² Ibid., p. 68, ch. 121, sec. 11.

CHAPTER XXVIII

NEW JERSEY

Types of Taxes Levied

New Jersey levies the following seven types of State taxes: (1) General property taxes for specific funds;¹ (2) taxes on railroad and canal property;² (3) taxes on the capital stock of banks, banking associations, and trust companies;³ (4) annual license fees for franchise taxes on the outstanding stock of miscellaneous corporations;⁴ (5) a gasoline tax of 2 cents per gallon;⁵ (6) inheritance taxes;⁶ and (7) taxes on certain professions, occupations, and business activities, together with miscellaneous license taxes and fees.⁷

The entire proceeds of all taxes listed in the above paragraph except the first two, namely, the State general property tax for school purposes, and taxes on railroad property, are credited to specific funds which make no contributions directly or indirectly to the schools of the State, or to the State general revenue fund from which, according to law, an annual appropriation of \$100,000 for public schools must be made.⁸

In New Jersey the appropriation of \$100,000, and other appropriations from the State general revenue fund other than the proceeds of taxes on railroad property, make such negligible contributions to the support of public elementary schools and high schools that it is unnecessary to include an analysis of the State general revenue fund in the present account.

State Taxes for Schools

No State income tax or State poll taxes.—New Jersey levies no State poll tax and no State income tax. The "commission to inves-

¹ Tax Laws of the State of N. J. Compiled under the direction of the State board of taxes and assessment, 1926 (hereafter cited as N. J. Tax Laws), pp. 144-156, secs. 98-212.

² *Ibid.*, pp. 193-253, secs. 185-227.

³ *Ibid.*, pp. 137-143, secs. 86-97.

⁴ *Ibid.*, pp. 272-294, secs. 254-271.

⁵ Laws of N. J., 1927, pp. 782-786, ch. 334.

⁶ *Ibid.*, 1923, pp. 428-433, ch. 228.

⁷ U. S. Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, pp. 281-282.

⁸ N. J. Sch. Laws, 1925, p. 163.

tigate the subject of the distribution of State school moneys" recommended in its report in 1923 a graduated State income tax of rates varying from one-half of 1 per cent to 3 per cent, to be levied for the sake of providing additional funds for school support, but up to the present writing (January 24, 1928) no law has been passed embodying this recommendation.⁹

State school tax.—The laws provide for a State general property tax, known as the State school tax, of "such an amount as will make, when added to the amount determined and appropriated as aforesaid (the \$100,000 appropriation), a sum of 2¾ mills on each dollar of valuation of the taxable real and personal property in the State."¹⁰ In actual practice, this small appropriation has been disregarded in computing the rate of the State tax, and the entire rate of 2.75 mills has been levied.¹¹

Reserve and emergency funds.—Ten per cent of the full amount of the proceeds of the State school tax is set aside as a reserve fund. One-tenth of this reserve fund¹² is set aside as an emergency fund. These two funds, the reserve fund and the emergency fund, are administered by the State board of education, upon recommendation of the Commissioner of Education.¹³

Ninety per cent of State tax returned to counties.—The law requires every county collector to pay to the State treasurer the quota of the State school tax from his county. As soon as such quota is received, 90 per cent of the same is returned to the county from which received.¹⁴

The proceeds of the State general property school tax for the year 1926 amounted to \$13,202,143.16. Ten per cent of this total, i. e., \$1,320,214.32, was set aside for the reserve and emergency funds, and the balance, approximately \$12,000,000, was returned to the counties in which it had been collected.¹⁵

Although this large sum, collected by State authority, is paid into the State treasury and is always referred to in official reports as a State tax, it can not be so regarded.

A tax which is raised by a county and used for the benefit of the schools within the county where raised must be regarded as a county tax even though levied and collected under the authority of the State. Were the 90 per cent revenues of the so-called State school tax distributed by the State among its constituent school corporations in accordance with policies which disregarded the boundaries of the

⁹ Commission to investigate the subject of the distribution of State school moneys, Rep., 1923, pp. 10-25.

¹⁰ N. J. Sch. Laws, 1925, pp. 163-164, sec. 264.

¹¹ N. J. Compt., An. Rept. 1926, p. 77.

¹² Obviously, 1 per cent of the entire proceeds of the State school tax.

¹³ Laws of N. J., 1926, pp. 386-388, ch. 233.

corporations wherein the taxes had been originally levied and collected, then and only then would we be justified in regarding this portion of the proceeds of this tax as a State tax. On the basis of this classification of the total rate levied by the State (2.75 mills), one-tenth only, 0.275 mill, may be regarded as a State tax. The remainder, 2.475 mills, must be regarded as a county tax levied under State authority.

Taxes on railroad property.—For purposes of taxation, New Jersey divides railroad property into four classes: (1) The "main stem," consisting of the right of way, not over 100 feet wide, the rails and sleepers, and tangible personal property; (2) real estate outside the main stem used for railroad purposes; (3) property owned by railroads but not used for railroad purposes; and (4) franchises.

Proceeds from taxes on property included in classes 2 and 3 go to the taxing districts, and consequently will receive no further consideration in the present account. Property included in classes 1 and 4 is taxed directly by the State at the average tax rate levied throughout the State.¹⁴

The laws provide that the proceeds from the taxes on these two classes of railroad property—

after deducting therefrom a sum equal to one-half of 1 per centum of the total valuation of the property on which said tax has been or shall be assessed, and such other sum or sums as said comptroller had been or hereafter shall be directed to deduct therefrom by any law of this State, shall be devoted to the maintenance and support of a thorough and efficient system of free public schools, and shall be apportioned annually by the State comptroller among the several counties in proportion to the amount of taxable property, real and personal, of said counties.¹⁵

New deductions by later legislatures.—There was great rejoicing in educational circles of New Jersey in the year 1906 when the law just cited was passed. In his annual report for the school year 1906 State Superintendent of Public Instruction Charles J. Baxter wrote: "The legislature of 1906 has won for itself imperishable renown by providing for so generous an increase in the amount to be received from the State for the support of public schools, and for the impetus which this increase will give to public education."¹⁶ Neither the State superintendent of public instruction nor the other friends of public schools realized the implications embodied in the provision which left open the doors for new appropriations to be paid from the proceeds of the railroad tax for educational projects.

In 1909 the legislature began making "deductions" by providing that appropriations for State normal schools and other State educa-

¹⁴ N. J. Tax Laws, 1926, p. 1, table.

¹⁵ N. J. Sch. Laws, 1925, p. 207, sec. 497.

¹⁶ Quoted by commission to investigate the subject of the distribution of State school moneys, Report, 1923, p. 32.

tional institutions, as well as the salaries and expenses of the State superintendent of public instruction and county superintendents, shall be paid from the funds derived from the State railroad tax.¹⁷ The legislatures of the years 1913, 1914, 1919, and 1920 made further deductions by providing additional appropriations for educational projects other than public elementary and secondary schools to be taken from the proceeds of the tax on railroad and canal property before distributing the same to the counties.¹⁸

The total proceeds of the tax under consideration amounted in 1925-26 to \$9,822,425.40.

The amounts deducted in 1925-26 for education appropriations from the proceeds of the State tax on railroad and canal property, pursuant to the laws referred to, were \$5,876,534.29.¹⁹ Of these educational appropriations only nine, aggregating \$3,071,139, benefited directly or indirectly the public elementary and secondary schools of the State. The remaining educational appropriations were for projects other than public schools.²⁰

Table 1 shows these nine appropriations for the year 1925-26.

TABLE 1.—*New Jersey State appropriations, derived from the proceeds of the State tax on railroad and canal property, benefiting public elementary and secondary schools, 1925-26*

Purpose	Amount ¹
State department of education.....	\$152,230
State board of education.....	4,000
State board of examiners.....	14,700
Salaries of county superintendents.....	112,500
Evening schools for foreign-born residents.....	47,000
Industrial and manual training schools.....	554,000
Vocational education.....	178,000
County pedagogical libraries.....	400
Teachers' pension and annuity fund.....	2,008,300
Total.....	3,071,139

¹ Laws of N. J., 1925, pp. 592-609, ch. 237.

Further deductions from the total proceeds of the State tax on railroad and canal property arise from the policy of refund payments to four funds, namely, the State road fund, soldiers' bonus fund, State highway-extension fund, and State institution construction fund. Revenues for these funds are provided by State general property taxes.²¹ The general property tax rates levied for these

¹⁷ Laws of N. J., 1909, p. 90, ch. 65.

¹⁸ Laws of N. J., 1913, p. 505, ch. 294; *ibid.*, 1914, p. 557, ch. 268; *ibid.*, 1919, p. 107, ch. 80; *ibid.*, 1920, p. 12, ch. 2.

¹⁹ N. J. Compt., An. Rept., 1926, p. 81.

²⁰ Laws of N. J., 1925, pp. 592-609.

²¹ N. J. Tax Laws, 1926, pp. 144, 156.

funds increase the State average rate, which, as already explained, is the rate of the State tax levied on railroad and canal property. The laws provide that the increase in the revenues collected from railroad and canal property by reason of the increased tax rate due to the additional levies for the foregoing four State funds shall be credited to the fund causing the increase in revenue.²²

TABLE 2.—Distribution of proceeds of New Jersey State tax on railroad and canal property, 1925-26¹

Item	Amount
Total tax for State uses.....	\$9, 773, 730. 99
Balance of last year's appropriations.....	48, 695. 01
Total available.....	9, 822, 425. 40
Deductions:	
One-half of 1 per cent of total assessed valuation retained by State.....	1, 310, 854. 40
Educational appropriations.....	5, 876, 534. 29
State road fund.....	262, 170. 88
Soldiers' bonus fund.....	54, 474. 94
State highway-extension fund.....	115, 741. 73
State institution construction fund.....	131, 085. 44
Total deductions.....	7, 750, 861. 69
Balance distributed to counties ²	2, 071, 563. 72

¹ N. J. Compt., An. Rept. 1926, p. 81.

² For benefit of public elementary and secondary schools, see text.

State School Funds

New Jersey provides State aid for public elementary and secondary schools from the following five sources: (1) Income from two permanent State school funds, (a) the State school fund, and (b) the surplus revenue fund;²³ (2) reserve fund;²⁴ (3) emergency fund;²⁵ (4) proceeds of the State tax on railroad and canal property; and (5) appropriations from the State general revenue fund.

Permanent school fund.—The permanent school fund, more commonly known as the State school fund, was created by an act of the legislature in 1817. Various sources have been set aside from time to time for increasing the principal of this fund.²⁶ The only moneys at present provided by law for increasing the principal of the State

²³ N. J. Tax Laws, 1926, p. 214, sec. 195 (e), and p. 216, sec. 195 (g).

either of these permanent funds, they are excluded from the present account.

²⁴ An already-noted, composed of 10 per cent of the proceeds of the so-called State school tax.

²⁵ Composed of 10 per cent of the reserve fund.

²⁶ For a more complete account of this fund see, F. H. Swift, A History of Public Permanent Common School Funds in the United States, pp. 342-346.

school fund are those received from the sale or lease of all lands belonging to the State now or formerly lying under water.²⁷

At the close of the fiscal year 1926 the principal of the State school fund amounted to \$10,711,301.95, and its income for that year \$634,893.64.²⁸ However, since 1924 the annual apportionment has been \$500,000.²⁹

Surplus revenue fund.—In 1837 New Jersey received from the United States \$764,670.60 as her share of the Federal surplus revenue distributed as a loan among the States. This amount the State divided among the counties, which were directed to loan their respective shares and pay the interest thereon to the respective constituent townships. It is probable that the townships from the first devoted much of the interest thus received to the support of public schools, but in 1867 an act was passed directing the townships to devote all such interest to school support. It would appear, however, that the counties, instead of investing their respective quotas in interest-bearing loans, exhausted the principal in erecting public buildings and paying debts. They continued, however, to pay the townships the interest due.³⁰

The legislature of 1923, with a view toward reestablishing this fund as a productive permanent State endowment, passed a law permitting each county to repay to the State the total amount loaned to it in 1837.³¹ At the present time some of the counties in the State are levying taxes for this purpose and are paying the proceeds of the same to the State treasurer. He invests such moneys in interest-bearing securities. Up to March 12, 1926, the total principal thus repaid by the counties to the State amounted to \$131,291.³² In the year 1925-26 the sum of \$23,800.69 was distributed to the school districts of the counties from the interest on this fund.³³ Of this total, \$3,534.52 was interest paid from the State treasury on that portion of the surplus revenue fund which had been repaid by the counties to the State.³² The balance was provided by the counties themselves and distributed by them to their constituent school districts.

²⁷ N. J. Sch. Laws, 1925, p. 100, secs. 254-255.

²⁸ N. J. Comp. An. Rept., 1926, pp. 73 and 75.

²⁹ Ibid., An. Rept., 1924, p. 85; *ibid.*, 1926, p. 78; *ibid.*, 1925, p. 77.

³⁰ F. H. Swift, *op. cit.* pp. 343-344.

³¹ Laws of N. J., 1923, ch. 40.

³² N. J. Treasurer, An. Rept., 1926, p. 85.

³³ N. J. State Board of Educ., An. Rep., 1926, p. 103.

TABLE 3—Source analysis of New Jersey State public school revenues, 1925-26

Source	Amount	Per cent
Permanent funds:		
State school fund.....	\$500,000.00	7.1
Surplus revenue fund.....	23,800.69	.8
Total from permanent funds.....	523,800.69	7.4
State taxes:		
General property (school) tax—		
Reserve fund.....	\$1,147,924.32	16.2
Emergency fund.....	172,290.00	2.4
Tax on railroad and canal property—		
Appropriations for specific purposes.....	\$3,071,139.00	43.3
Balance apportioned to counties.....	2,071,663.72	29.2
Appropriations from State (general revenue) fund.....	100,000.00	1.4
Total from State taxes.....	6,562,917.04	92.5
Grand total.....	7,086,717.73	99.9

¹ N. J. Compt., An. Rept. 1926, pp. 78-79.

² State Bd. of Ed., An. Rept. 1926, p. 193.

³ See Table 1.

⁴ N. J. Compt., An. Rept. 1926, p. 81.

⁵ N. J. Sch. Laws, 1925, p. 163.

Apportionment of State School Funds

State school fund.—As indicated in a preceding paragraph, since the year 1924 the legislature has provided that there shall be apportioned from the income of the State school fund annually the sum of \$500,000, regardless of the fact that the annual income of the State school fund exceeds this amount.³⁴ That portion of the income of the State school fund appropriated by the legislature is apportioned by the State commissioner of education among the counties of the State on the basis of the aggregate days of attendance of the several counties during the preceding year.³⁵ For purposes of apportionment a school day consists of not less than four hours of actual school work, except that in kindergarten one continuous session of two and one-half hours may be counted as a day. Night school sessions are counted as half days.³⁶

Surplus revenue fund.—Until the year 1923 each county retained and apportioned among its constituent school districts, together with other school funds, the income from its share of the surplus revenue fund. The law of 1923 permitting the counties to repay into the State treasury their respective shares of the surplus revenue fund, provides that the income from this fund, when invested by the State, shall be apportioned among the counties of the State in proportion to the amount repaid to the States by each.³⁷ This law, while providing for a new method of administration of the fund, leaves unchanged the method and basis of apportioning its income.

³⁴ In 1926 the income amounted to \$634,893.64. N. J. Compt., An. Rept., 1926, p. 75.

³⁵ N. J. Sch. Laws, 1925, p. 19, sec. 291.

³⁶ *Ibid.*, p. 407, sec. 79.

³⁷ Laws of N. J., 1923, ch. 40.

Emergency fund.—The emergency fund, consisting, as already explained, of 1 per cent of the proceeds of the State general property school tax, is apportioned according to the discretion of the State board of education to those school districts "which, from written reports submitted by the county superintendents to the commissioner of education and approved by him, are judged to contain too little ratable property to afford adequate local-school taxes." The laws provide that the total amount apportioned in this manner shall not exceed the allotted 1 per cent, and that any balance not so apportioned shall revert to the reserve fund to be apportioned among the counties.³⁸

Reserve fund.—The reserve fund is apportioned in the following manner. There is first set aside for the benefit of the several school districts of the State an amount sufficient to provide \$45 for each pupil attending school in a district who resides on State (and therefore nontaxable) land, or who is an inmate of a State charitable institution. The remainder of the reserve fund together with any balance from the emergency fund, shall be apportioned by the State board of education among the several counties of the State equitably and justly, according to its discretion.³⁹ For several years the State board of education has apportioned from the reserve fund to the counties not having sufficient State and county funds to make 3 cents per day of school attendance, an amount to provide the 3 cents per days' attendance. The balance of the reserve fund is then divided among the other counties on days' attendance.

Apportionment of \$100,000.—The continuing appropriation, which the law provides shall be appropriated annually from the State general revenue fund, is distributed among the counties in proportion to their respective assessed valuation.⁴⁰

Railroad and canal property tax balance.—After deducting from the fund derived from the proceeds of the State tax on railroad and canal property all the appropriations provided by law and having a prior claim, the balance of the proceeds of such taxes is apportioned among the counties in proportion to their respective assessed valuation.⁴¹

Appropriations.—The laws provide for a considerable number of State appropriations to be paid from the proceeds of the State tax on railroad and canal property prior to any distribution of such tax proceeds among the counties for the support of public schools. The laws now in effect provide for the following specific purposes: (1) The salaries of county superintendents;⁴² (2) evening schools for foreign-born residents. Any district maintaining such an evening

³⁸ Laws of N. J., 1926, pp. 386-388, ch. 233.

³⁹ Ibid.

⁴⁰ N. J. Sch. Laws, 1925, p. 163, sec. 304.

⁴¹ Ibid., p. 267, sec. 497.

⁴² Ibid., p. 21, sec. 33.

school or schools shall receive from the State an amount not to exceed \$5,000, provided that the district contributes an equal amount; ⁴³ (3) industrial schools. For the purpose of fostering industrial education the State provides two classes of subventions, one for cities; the other for school districts. When any city provides a sum of at least \$100,000 for the site, building, and equipment of an industrial school or schools, the State shall pay an amount not to exceed \$30,000 for the maintenance of said school, provided the city contributes an equal amount for this purpose. ⁴⁴ To any district which furnishes a sum of \$250 for the establishment of a school or schools for providing industrial education or manual training, or for the purpose of adding industrial education or manual training to the course of study then pursued in the school or schools of the district, the State shall pay an amount equal to that furnished by the district, provided that such amount shall not exceed \$5,000 in any one year. ⁴⁵ (4) Teachers' libraries. To any county which maintains a library of pedagogical books for the use of public-school teachers, the State shall contribute an annual sum of not less than \$50 nor more than \$100, provided the county contributes an equal amount.

Vocational education.—The methods of apportioning the State moneys provided for vocational education are determined by the terms of the Federal Smith-Hughes Act and the Rules and Regulations of the Federal Board for Vocational Education.

State quotas combined with county funds.—Quotas received from the State from all State funds, exclusive of those derived from appropriations for specific projects, are combined with county funds and the combined fund thus formed is apportioned among the districts within the county upon bases in many cases entirely different from those employed in the apportionment of State funds among the counties.

The major portion of the county fund of each county is composed of its share of the 90 per cent of the State general property tax returned to the counties. The special appropriations payable from that portion of the proceeds of the State tax levied on railroad and canal property devoted to public elementary and secondary schools are first deducted. The balance, after such deductions have been made, may be regarded as a State general school fund, as opposed to a State fund provided for a specific project.

It is well to present in tabular form a summary of the bases employed in apportioning the special appropriations payable from the proceeds of the State tax on railroad and canal property and a summary of the bases employed in apportioning the six general current

⁴³ N. J. Sch. Laws, 1925, p. 135, sec. 219.

⁴⁴ Laws of N. J., 1926, pp. 467-468, ch. 282.

⁴⁵ N. J. Sch. Laws, 1925, pp. 186-187, sec. 307.

State school funds. These summaries are presented in Tables 4 and 5.

TABLE 4.—Apportionment of school appropriations from New Jersey railroad and canal property taxes, 1925-26

Purpose	Apportionment (1925-26) ¹	To—	Bases of subdivision	Conditions to be fulfilled by county or district
State department of education.	\$152,230	State.....	Retained by State.....	
State board of education.	4,000	do.....	do.....	
State board of examiners.	14,700	do.....	do.....	
Salaries of county superintendents.	112,500	County ²	Flat quota—Entire salary ³	
Evening schools or classes for foreign-born residents.	47,000	District ⁴	Not more than \$5,000.....	(a) District must provide amount equal to State subvention.
Industrial and manual training schools and classes.	354,000	City ⁵	Not more than \$30,000.....	Same as (a), providing plant and equipment amount to at least \$100,000.
		District ⁴	Not more than \$5,000.....	Same as (a), but not less than \$250.
Vocational education.	178,000	do.....	Not more than \$30,000.....	Same as (a).
County pedagogical library for teachers.	400	County ⁶	Not less than \$50 nor more than \$100.	Do.
Teachers' pension and annuity fund. ⁷	2,098,309	Individuals ⁸	Graduated grants, according to claims of individual school officials and State's obligation thereto.	
Total.....	3,071,130			

¹ Laws of N. J., 1925, pp. 592-609, ch. 237.

² N. J. Sch. Laws, 1925, p. 21, sec. 33.

³ Ibid., pp. 134-137, Art. XIII.

⁴ Ibid., pp. 321-326, Laws of N. J., 1926, p. 467.

⁵ Ibid., pp. 186-187, sec. 307.

⁶ Ibid., p. 234.

⁷ Ibid., p. 190, sec. 317. Included in this table because this fund indirectly benefits public schools.

⁸ Ibid., pp. 283-320, Art. XXVIII. Included in this table because this fund indirectly benefits public schools.

TABLE 5.—Bases of apportionment of New Jersey six State general school funds

Funds and sources	Apportioned among—	Basis	Total apportionment, 1925-26
State taxes:			
General property tax:			
1. Reserve fund ¹	Districts.....	\$45 per pupil residing in or on non-taxable property.	\$1,147,924.32
2. Emergency fund ²	do.....	Balance, according to discretion of State board of education.	
		According to discretion of State board of education.....	172,290.00
Tax on railroad and canal property:			
3. Balance available after paying all appropriations having prior claim. ³	Counties.....	Pro-rated among counties in proportion to their assessed valuation.	2,071,563.77
4. General revenue fund—continuing annual appropriations.	do.....	do.....	100,000.00
Permanent endowments, income—			
5. State school fund.....	do.....	Aggregate days attendance.....	500,000.00
6. Surplus revenue fund ⁴	do.....	Amount loaned to county in 1837.....	23,800.00
Grand total.....			4,015,578.09

¹ Credited to school fund of receiving political corporation.

² Only 10 per cent (see notes 3 and 4) of the State general property school tax is devoted to State school funds. The remaining 90 per cent is returned to the counties.

³ Composed of 9 per cent of the proceeds of the State general property tax for schools.

⁴ Composed of 1 per cent of the proceeds of the State general property tax for schools.

⁵ See Table 2 and footnote 1 of Table 3.

⁶ Loaned to counties in 1837.

County Apportionment

The first two funds included in Table 5 are apportioned by State authorities directly to needy school districts, and obviously could not be united with county funds. Each county receives 90 per cent of the proceeds of the State general property tax, which thereby becomes a nucleus of the school fund of each county. To this county school fund, and to any other moneys belonging to the school fund of the county, are added the said county's quotas of the last four funds listed in Table 5. This composite fund is apportioned among the school districts of the county upon a threefold basis: (1) Flat quotas for each school official employed (superintendents, supervisors, teachers); (2) special allotments for tuition or transportation of pupils attending school in another district; (3) the balance, grants for aggregate days attendance. The basis of this threefold method, and other details of apportioning this composite (State-county) school fund, are presented in Table 6.

TABLE 6.—*Method of county apportionment of combined State and county school funds*¹

GROUP I

SCHOOL OFFICIALS' SALARY QUOTAS—FLAT QUOTAS FOR EACH OFFICIAL, NAMED

- I. Administrative officers: \$500 for each city school superintendent or approved supervising principal; \$400 for each assistant superintendent or assistant supervisor.
- II. Permanent teacher:
 1. For physically handicapped children or children 3 years below normal,² \$500 for each teacher.
 2. Day high school: \$400 for each teacher in a 4-year high school; \$300 for each teacher in (1) 3-year high school, (2) high school combined; \$200 for each teacher in a high-school department of less than 3 years; \$315 for each teacher in a combined junior and senior high school.³
 3. Evening high school maintaining a 4-year course of study: \$200 for each principal and for each permanent teacher.
 4. Evening school maintaining not less than 64 evening sessions: \$80 for each teacher.
 5. Intermediate school: \$250 for each teacher.
 6. Elementary schools (grammar, primary, ungraded): \$200 for each teacher.
 7. Kindergarten: \$200 for each teacher.

¹ Based on N. J. Sch. Laws, 1925, pp. 168, 172, sec. 269.

² Including blind, deaf, crippled, and children who are 3 years below normal.

³ In a city in which there is no 4-year high school.

⁴ In districts not maintaining a senior high school.

GROUP II

TUITION AND TRANSPORTATION QUOTAS FOR RESIDENT PUPILS ATTENDING IN OTHER DISTRICTS—BASES: FLAT QUOTAS FOR EACH SUCH PUPIL

- I. For tuition of each such: High-school pupil \$40; crippled, \$25; elementary, \$10; primary, \$10; kindergarten, \$10.
- II. For transportation: Seventy-five per cent of district costs of transportation, provided, necessity, plan, and costs of transportation have been approved by county superintendent.

GROUP III

PUPIL AGGREGATE ATTENDANCE GRANTS

Balance of the school fund of each county remaining after paying every district all quotas due the same under allotments included in Group I and Group II, is apportioned among all districts of said county on the basis of aggregate attendance.

Conclusion

In apportioning State funds among the counties and districts, New Jersey employs the following bases: (1) Assessed valuation; (2) county's original claim on the fund (surplus revenue fund); (3) aggregate days attendance. Aggregate days attendance is the only one of these three bases employed in apportioning among the school districts the county school fund, which, as has been shown, includes the county's quotas of a number of State funds.

The bases upon which New Jersey apportions county school funds and thereby the quotas of State funds combined with the same are essentially the teacher and the pupil, or, as frequently stated, the per teacher basis and the per pupil basis.

CHAPTER XXIX

NEW MEXICO

Unique features.—A unique feature of the New Mexico plan of financing public education is a State "educational budget auditor, learned in accountancy, finance, and educational administration (who) shall be appointed by and hold office at the pleasure of the governor." Among the many duties with which the educational budget auditor is charged are the compilation of accurate information concerning school finances and administration. He shall further prescribe the forms for and supervise and control the preparation of the budgets and estimates of all public schools and all State educational institutions.¹ In order to provide for cooperation between the counties and the State in matters pertaining to the financing of schools, each county board of commissioners is required to appoint one resident taxpayer of said county from each of the two dominant political parties who shall serve as school budget commissioner, and who with the educational budget auditor shall, prior to June 20 of each year, fix the budget allowances for all public elementary and high schools in the county. The governing boards of all school districts shall submit to their respective school budget commissioners, school budgets for the ensuing fiscal year. Before July 1 of each year the State tax commissioner shall fix the annual budget allowance for State schools and thereupon certify the same to the county board of commissioners and the county treasurer and to county municipal union high schools and independent boards of education.²

State Taxes for Public Schools

State taxes.—New Mexico levies no income tax, and poll taxes previously levied were abolished by an act approved March 4, 1925, which provided that "all laws relating to poll taxes are hereby repealed."³

The State levies the following types of taxes: General property taxes, graduated inheritance taxes, corporation franchise taxes,

¹ N. Mex. Sch. Code, 1925, p. 4, secs. 301-302.

² *Ibid.*, pp. 9-10, secs. 601, 602-606.

³ Laws of N. Mex., 1925, p. 17, ch. 10.

license taxes and fees levied on various professions, occupations, and miscellaneous activities.

TABLE 1.—New Mexico—Source analysis of public-school receipts, 1925-26¹

ALL RECEIPTS

Source	Amount	Per cent
State.....	\$1,712,291.81	30.6
County.....	3,139,074.12	56.2
District, municipalities.....	739,206.18	13.2
Total.....	5,590,572.11	100.0

STATE RECEIPTS²

Permanent school fund:		
Interest from investments and moneys.....	\$161,594.95	9.7
School land leases.....	822,153.59	49.1
Appropriations from general funds.....	210,067.77	12.5
State 0.5-mill general property tax.....	419,137.32	25.0
Miscellaneous sources.....	62,120.69	3.7
Total.....	\$1,675,074.32	100.0

¹ The amounts presented include moneys for vocational rehabilitation and certain other purposes not ordinarily included in the present series of studies. It was impossible on the basis of the documents available to segregate them. The data here presented are taken from State Supt. of Pub. Instr., An. Rept. 1925-26, pp. 40-41.

² Excluding \$37,239.49, the Federal allotment for vocational education. If this amount be added to the total of State receipts the result will be \$1,712,313.81, a sum approximately equal to the total from State sources as given in the report of the State superintendent of public instruction. There appears to be some error in the total \$1,712,291.81 quoted above from the report of the State superintendent of public instruction.

State school tax.—In New Mexico the appropriations from the general fund constitute a relatively negligible part of the expenditures from that fund, and consequently no analysis of its sources has been deemed necessary. The State general property tax of one-half of 1 mill, levied specifically for schools, is the only State tax contributing directly to public school support.

State School Funds

New Mexico maintains for the benefit of public elementary and secondary schools the following funds: (1) Permanent school fund; (2) current school fund; (3) reserve school fund. In addition to these three funds the State makes appropriations for certain projects which benefit directly public schools and certain other projects such as State department of education which indirectly benefit schools.

Permanent school fund.—The constitution provides that the permanent school fund shall consist of moneys derived from the following sources: (1) The proceeds of sales of sections 2, 16, 32, and 36 of each congressional township granted to the State by the Federal Government upon the State's admission into the Union; (2) proceeds of the sales of all lands granted to the States without condition; (3) such per cent of the proceeds of the sales of lands lying within the

State and belonging to the United States Government as has been or may be granted by Congress; (4) all grants, gifts, or devises made to the State, the purpose of which is not specified.⁴

The constitution declares that the principal of the permanent school fund shall be invested in the bonds of the State of New Mexico or of any county, city, town board of education, or school district therein, and that all losses from such funds, however occurring, shall be reimbursed by the State.⁵

Of the four sources itemized in the constitutional provisions, the first, namely, the proceeds of the sales of congressional township school lands has thus far furnished the major portion of the permanent school fund. The total area of these school sections granted amounted to 8,464,000 acres.⁶ Up to June 30, 1924, the State had received per cent grants from the Federal Government totaling \$147,495.26.⁷ At the close of the year 1925-26 the permanent school fund consisted of investments and moneys amounting to \$1,294,641, and 8,689,796 acres of unsold school lands,⁸ valued at \$33,259,531, making a total prospective fund estimated at \$34,554,172.

The income from the permanent school fund for 1925-26 amounted to \$983,748.54, a sum constituting 58.8 per cent of the total moneys provided by the State for the benefit of public schools for that year. (See Table 1.) Of the total just given, \$161,594.95 was derived from investments belonging to permanent school fund and \$822,153.59 from school land leases.⁹

Current school fund.—The current school fund provided by the constitution as a fund to furnish general relief for the subordinate political corporations of the State is composed of the revenues derived from the following sources: (1) State fines and forfeitures; (2) net proceeds of property escheating to the State; (3) proceeds of the State general property school tax; (4) income derived from the permanent school fund principal; (5) rentals of all school land granted to the State, the disposition of which is not otherwise provided for.¹⁰

Reserve or equalization fund.—The constitution provides that before making the distribution of the State current school fund among the school districts of the State there shall be deducted therefrom a sufficient reserve to be distributed among the school districts in which the proceeds of the maximum local tax allowed by law, plus the regular quota of current school funds allotted to said district,

⁴ Constitution, Art. 12, sec. 2, Comp. of Pub. Sch. Laws of N. Mex., 1915, p. 110.

⁵ *Ibid.*, sec. 7.

⁶ N. Mex. Commissioner of Pub. Lands, An. Rep., 1917, p. 38.

⁷ Commissioner of Gen. Land Office, An. Rep., 1925, p. 62.

⁸ U. S. Bur. of Educ., Bul., 1927, No. 39, p. 23.

⁹ N. Mex. State Sup. of Pub. Instr., An. Rep., 1925-26, p. 40.

¹⁰ Constitution, Art. 12, sec. 4; Comp. of Pub. Sch. Laws of N. Mex., 1915, p. 110.

shall not be sufficient to maintain school for the full period of five months.¹¹

Appropriations from general funds.—Appropriations from State general funds for the year 1925-26 amounted to \$210,067.77 and constituted 12.5 per cent of the total receipts derived from State sources of public-school revenue. (See Table 1.) Such appropriations are provided to pay the costs of the State superintendent of public instruction, including salaries of staff, contingent expenses, and publications; to provide the State's share of moneys required to match Federal subventions granted under the terms of the Smith-Hughes Act and other acts providing subvention for vocational education; to subsidize a number of other projects for which the State makes grants in accordance with an approved budget.

Classification of State School Funds

In the present series of studies it has been found helpful as well as convenient to classify State funds on the basis of their respective dominant purposes into the following classes: (1) Grants for State administration and supervision; (2) grants for general relief; (3) stimulation grants; (4) equalization grants. Grants provided by the State of New Mexico, illustrating the above classes of appropriations, are shown in the following summary:

Class	Money provided for
(1) Grants for State administration and supervision.	State superintendent of public instruction, staff, etc.
(2) Grants for general relief.....	Current school fund.
(3) Stimulation grants.....	Vocational education and other projects.
(4) Equalization grants.....	Reserve fund

Apportionment of State School Funds

Appropriations.—Obviously moneys provided for the State superintendent of public instruction and similar State projects are not apportioned throughout the State but are paid out in the form of flat quotas on the basis of an approved budget.

Reserve fund.—The constitution provides that this fund shall be so distributed among the districts entitled thereto as to enable each district to maintain a school for five months.¹²

Current common-school fund.—The current common-school fund, after setting aside the proportion required for the reserve fund, is apportioned annually by the State superintendent of public instruction and educational budget auditor among the common-school districts of the State in proportion to the number of children of school

¹¹ Constitution, Art. 12, sec. 4.

¹² *Ibid.*, Comp. of Pub. Sch. Laws in N. Mex., 1915, p. 110.

age in each district—that is, children over 5 years of age and under 21.¹⁸

Requirements.—The laws and the constitution alike fail to specify any requirements which must be met by school districts in order to participate in the general apportionment of the State common school current fund. However, in the section of the constitution providing the method of apportioning this fund it is provided that “a public school shall be maintained for at least five months in every school district.” The constitution does not, however, declare that school districts which fail to maintain schools for five months shall be deprived of any share of the State common school current fund. In the case of the reserve fund it is evident from the provisions of the laws already quoted that no district will be allowed to share in this fund unless it has levied the maximum district tax provided by law.

The present section may well close by noting the bases employed by New Mexico in apportioning State public-school funds. By far the major portion of such funds is distributed on the basis of school census. The reserve equalization fund is distributed in accordance with standards which attempt to measure the ability and need of the districts aided. Appropriations from State general funds are apportioned chiefly in the form of fixed quotas allotted to specified projects and undertakings.

¹⁸ Constitution, Art. 12, sec. 4; N. Mex. Sch. Code, 1925, p. 12, sec. 619; *ibid.*, p. 25, sec. 816.

CHAPTER XXX

NEW YORK

Types of State taxes levied.—New York levies the following eight types or classes of State taxes or fees: (1) Direct, i. e., general property taxes; (2) corporation taxes; (3) inheritance taxes; (4) motor-vehicle taxes; (5) stock-transfer (stamp) taxes; (6) personal-income taxes; (7) mortgage taxes; (8) miscellaneous taxes. No separate State school tax fund of any sort is maintained. On the contrary, both the proceeds of all State taxes (including the State general property tax on which the schools have a definite claim) and the income of all State permanent school funds are credited to the State general fund, from which all State moneys devoted to public schools are paid in the form of legislative appropriations. A study of State taxes for public elementary and secondary schools in New York involves, therefore, three major problems: The determination of (1) the State appropriations provided for public schools; (2) the types of taxes contributing to the State general fund; (3) the relative importance of such taxes as sources of the State general fund.

State Appropriations for Public Schools

A summary of the appropriations provided by the State of New York from the State general fund for the year 1927-28 is presented in Table 1.

TABLE 1.—New York educational appropriations benefiting public elementary and secondary schools for 1927-28¹

Purpose	Amount	Per cent
State education department for personal service, maintenance, and operation.....	\$1,423,840	1.8
Motion-picture division for personal service, maintenance, and operation.....	73,640	.1
Miscellaneous minor expenses ²	28,000	(?)
District superintendents, salaries, and expenses.....	619,200	.8
Teachers' and titles.....	70,400	.1
Support and instruction of blind, deaf, and physically handicapped children.....	935,572	1.2
Academic quotas.....	610,000	.8
Books, apparatus, and standard works of art.....	150,000	.2
Attendance of academic pupils at schools maintaining academic departments not receiving academic quotas.....	25,000	(?)
Nonresident tuition.....	1,350,000	1.8
Indian children tuition.....	1,000	(?)
Grants to libraries.....	55,000	.1
Training of teachers.....	225,000	.3
Support of common schools.....	55,000,000	71.4
Equalization aid.....	18,500,000	21.4
Total	77,066,712	100.0

¹ Except where otherwise specified, data taken from Laws of N. Y., 1927, vol. 1, pp. 153-155, ch. 55.

² Included in this item are return of fees, rent, repairs and alterations, and contingencies.

³ Negligible.

⁴ Laws of N. Y., 1927, vol. 2, p. 1408, ch. 572, sec. 3.

Sources Contributing to the State General Fund

Taxes contributing to State general fund.—In the year 1925-26 seven types of taxes provided 94 per cent of the State general fund. The balance of 6 per cent was derived as follows: From miscellaneous, 0.4 per cent; from departmental and institutional revenues, 3.4 per cent; from sundry general revenues, refunds and reimbursements, sales of State property, 2.2 per cent. The major portion of the fund (94 per cent) was derived from State taxes as follows: Corporation taxes, 30.9 per cent; general property taxes, 27.3 per cent; inheritance taxes, 12.7 per cent; motor vehicle taxes, 12 per cent; stock transfer stamp tax, 9 per cent; personal income tax, 8.2 per cent; mortgage tax, 3.9 per cent. From this analysis, it is evident that by far the most important source of the State general fund is the corporation tax. General property taxes stand next in importance, but contribute a little more than half as much. Inheritance taxes and motor vehicle taxes are of approximately the same importance. Personal income taxes contribute less than half as much as general property taxes and less than one-third as much as corporation taxes.

On only one of the seven types of taxes which provide revenues credited to the State general fund do the public schools have any definite claim, namely, the State direct or general property tax.

State general property school tax.—The laws of New York provide that the proceeds of the State direct (general property) tax shall be devoted to two purposes: (1) State debt service, and (2) the support of common schools.¹

During the past 25 years, the rate of the State general property tax has varied from nothing to 2 mills. The rate levied for 1924-25 was 1.5 mills and for 1926-27, 1 mill.² No recently published State report makes any distribution of the proceeds of the State general property tax showing the amount devoted to each of the two respective purposes provided by law. In State reports, all proceeds of the State direct tax are credited to the State general fund from which are paid appropriations for the support of common schools and to meet the claims of the State debt.

It would appear, therefore, that although the schools have a definite claim upon a portion of the proceeds of the State general property tax, in actual practice they share in the revenues of this tax in the same manner as they share in all other moneys contributing to the State general fund.

¹ Laws of N. Y., 1927, p. 1317, sec. 537.

² N. Y. State Tax Commission An. Rept., 1926, p. 132.

TABLE 2.—Taxes contributing to New York general fund, 1926¹

Title of tax	Rate and basis of levy
CORPORATION TAXES	
Franchise taxes.....	Tax upon capital stock employed in the State; rates dependent on dividends.
Additional franchise taxes.....	Gross intrastate earnings, rates dependent on type of corporation.
Franchise tax, insurance corporations.....	1 per cent on excess of gross amount of premium charged over deductions allowed by law.
Franchise tax, savings banks.....	1 per cent on par value of surplus and undivided earnings.
Privilege tax on foreign bankers.....	5 per cent on interest or compensation earned and collected on money loaned, used, or employed in the State.
Franchise tax, business corporations.....	4½ per cent on apportioned entire net income for fiscal or calendar year preceding.
Foreign insurance corporations.....	1 to 2 per cent on premiums received for insurance placed in the State, the rate depending on the type of insurance and place of incorporation.
Corporation organization tax.....	One-twentieth of 1 per cent of authorized capital stock.
License tax, foreign corporations.....	One-eighth of 1 per cent of capital stock employed in the State during first year of business and any increase thereafter.
General property taxes.....	1½ mills ² on assessed valuation of all property not exempted by law.
INHERITANCE TAXES	
Transfer tax, residents.....	Graduated scale, 1 to 8 per cent on appraised value less deductions.
Transfer tax, nonresidents.....	3 per cent on appraised value allowing deductions or 2 per cent on total value if deductions are waived.
Estate tax.....	Graduated scale, four-fifths of 1 per cent to 16 per cent, credit being allowed for other death taxes.
Motor vehicle taxes.....	Varying schedule depending on weight, seating capacity, and carrying capacity.
Stock transfer tax.....	2 cents per \$100 or fraction thereof of face value of stock, except where no face value, then 2 cents per share.
Personal income tax.....	Graduated scale, 1 to 3 per cent on taxable income.
Mortgage tax.....	50 cents for each \$100 and each remaining major fraction of amount of debt secured.

¹ N. Y. State Tax Commissioner, An. Rept., 1926, Table 12, opp. p. 98.² Laws of N. Y., 1925, p. 481, ch. 237.TABLE 3.—Source analysis of New York State general fund, 1926¹

Source	Amount	Per cent ²
Corporation taxes ³	\$54,191,754.74	30.0
General property taxes.....	30,296,142.00	17.3
Inheritance taxes.....	22,222,748.16	12.7
Motor-vehicle taxes.....	21,031,568.71	12.0
Stock-transfer tax (stamp).....	15,801,674.24	9.0
Personal income tax.....	14,405,067.93	8.2
Mortgage tax.....	6,819,517.97	3.9
Miscellaneous taxes.....	768,430.41	.4
Total receipts from taxes.....	165,536,304.16	94.4
Departmental and institutional revenues.....	5,890,136.02	3.4
Sundry general revenues ⁴	1,761,021.94	-1.0
Refunds and reimbursements.....	1,984,153.49	1.1
Land, buildings, and property sold.....	80,152.53	.1
Grand total.....	175,251,768.14	100.0

¹ N. Y. State Compt., An. Rept., 1926, p. 4.² Computed.³ Includes revenues from corporation organization tax and insurance premium tax.⁴ Included in this item is \$398,824.93 from "revenues of trust funds for educational purposes."

State School Funds

Permanent funds.—The State constitution provides that—

The capital of the common-school fund, the capital of the literature fund, and the capital of the United States deposit fund shall be respectively preserved

inviolable. The revenue of the said common-school fund shall be applied to the support of common schools; the revenue of the said literature fund shall be applied to the support of academies; and the sum of \$25,000 of the revenues of the United States deposit fund shall each year be appropriated to and made part of the capital of the said common-school fund.²

As already indicated, the income of each of the three funds provided for in the constitution is credited to the State general fund rather than to any fund maintained distinctly and specifically as a State school fund.

The literature fund owes its origin to an act passed in the year 1786, which set apart certain lots in unappropriated State lands for the "promotion of literature" in colleges and academies. This fund was the first permanent school fund in the United States created for the benefit of the entire State, being 9 years older than the Connecticut school fund established in 1795. It should be noted, however, that the purpose of this fund was not to aid common schools but to promote academic departments to prepare teachers.³

The common-school fund was established in 1805 by a law which provided that the net proceeds of the sales of 500,000 acres of unappropriated State lands shall be set aside as a permanent fund for the support of common schools. The principal of this fund was increased from time to time by adding thereto quit rents, the proceeds of additional State lands, and New York's share of the United States surplus revenue fund, which will be considered in the immediately following paragraph.

The United States deposit fund.—Chapter 2 of the Laws of New York of 1837 provided for adding to the common-school fund \$4,014,502.71, New York's share of the United States surplus revenue, distributed as a loan among the States of the Union in accordance with an act of Congress passed June 23, 1836. Due to unfortunate investments this fund has suffered numerous losses, but the State has provided for covering these losses.⁴

The principal of each of the three above permanent funds as of June 30, 1926, and the income of each fund for the fiscal year 1925-26 is shown in Table 4.

² N. Y. State Constitution, Art. IX, sec. 3; N. Y. Educ. Law, 1927, p. 3.

³ F. H. Swift. A History of Permanent Common School Funds in the United States, pp. 350-351.

⁴ F. H. Swift, op. cit., p. 355, and F. H. Swift et al., Studies in Public-School Finance (The East), pp. 127-128.

TABLE 4.—Principal and income of New York's three permanent school funds, June 30, 1926¹

Fund	Principal	Income ²
Common-school fund.....	\$5, 220, 535. 98	\$244, 064. 03
Literature fund.....	281, 513. 30	13, 708. 08
United States deposit fund.....	3, 982, 038. 02	178, 552. 83
Total.....	9, 484, 087. 30	436, 406. 03

¹ N. Y. Compt., An. Rep., 1926, pp. 210-215.² For the fiscal year 1925-26.

It will be seen from Table 4 that the aggregate income of the three permanent State school funds during the year 1925-26 amounted to \$436,406.03. The amount transferred from this income to the State general fund for said year amounted to \$398,824.93, a sum which constitutes approximately only one-half of 1 per cent of the \$77,066.712, the total appropriations provided for the benefit of elementary and secondary public schools for the year 1927-28. (See Table 1.)

Apportionment of State School Moneys

State education department.—Moneys appropriated for the various activities of the State educational department are paid out in flat salary or expense grants in accordance with the provisions of the appropriation act.⁶

Salaries and expenses of district superintendents.—The State pays the salaries of 208 district superintendents at \$2,400 each.⁷ This salary may be increased by the district at its own expense. The laws provide for increasing the salaries of district superintendents to \$3,000 to be paid by the State beginning July 1, 1928.⁸ Actual expenses of each district superintendent, not to exceed \$600, are also paid by the State.⁹

Teachers' annuities.—Moneys appropriated for teachers' annuities are not apportioned on any general or uniform basis but are used to meet the State's obligations as the title of the appropriation implies.

Support and instruction of blind, deaf, and physically handicapped children.—The State provides varying amounts for the care and instruction of blind, deaf, and physically handicapped children, both in the public schools and in private institutions.¹⁰

Apportionment of moneys appropriated to cities, academies, academic departments, and school libraries.—Section 493 of the Education Law of New York provides appropriations for all the purposes

⁶ Laws of N. Y., 1927, vol. 1, pp. 153-155, ch. 55.⁷ *Ibid.*⁸ N. Y. Educ. Law, 1927, p. 128, sec. 389.⁹ *Ibid.*, sec. 390.¹⁰ Laws of N. Y., 1927, vol. 1, p. 155, ch. 55.

indicated in the title of the present paragraph. The purposes for which these various appropriations are apportioned and the amount apportioned to each corporation for each purpose are summarized in Table 5.

TABLE 5.—*Apportionment of moneys to cities, academies, academic departments, and school libraries*¹

Academic quota:	Purpose	Amount
	To each city, union school district, and nonsectarian academy for each year of academic instruction maintained therein up to and including the fourth year of high-school work.....	\$200
Annual allowance for books, reproductions of standard works of art, and apparatus:		
1.	To each nonsectarian private academy an allowance equal to the amount raised from local sources, but not to exceed.....	250
2.	To each city an allowance equal to the amount raised from local sources, but not to exceed.....	18
	Plus for each teacher employed.....	2
	Plus for each academic department.....	250
3.	To each union free school district maintaining an academic department, an allowance equal to the amount raised from local sources, but not to exceed.....	268
	Plus for each teacher employed.....	2
4.	To all other districts an allowance equal to the amount raised from local sources, but not to exceed.....	18
	Plus for each teacher employed.....	2
Tuition of nonresident pupils:		
	To each city and union free school district for at least 36 weeks' instruction, or a proportionate amount if for eight weeks or more, for each nonresident academic pupil attending the academic department of such school from districts not maintaining such academic departments.....	50

Aggregate attendance grants:

"After the payment of the allowances herein provided for, the balance shall be divided among the several academies maintaining academic departments, other than high schools and academic departments maintained by cities and union free school districts, on the basis of aggregate days' attendance of academic pupils therein."

Apportionment for support of training class.—Each academy and union high school district which maintains a training class in accordance with the regulations prescribed by the commissioner of education, receives \$2,000, \$1,800 of which must be used for the salary of the teacher and the balance of \$200 for the maintenance of such training class. The number of such training classes for which apportionments are to be made shall not exceed 100

The balance of the money appropriated for training classes is apportioned to the cities of the State which maintain training schools

¹ N. Y. Educ. Law, 1927, pp. 170-173, sec. 493.

in proportion to the aggregate attendance of the pupils regularly admitted to such training schools.¹¹

Support of common schools.—Moneys appropriated for the support of common schools are distributed in the form of supervision, district, teacher, transportation, and building quotas and special grants for vocational and health education. Table 6 presents in outline form the apportionment of State aid for the support of common schools.

TABLE 6.—*Apportionment of appropriation entitled "For the support of common schools"*

FIRST APPORTIONMENT	
Quota	Amount
I. Supervision quota:	
To each city and to each union free school district which has a population of 5,000 or more inhabitants and which employs a superintendent of schools.....	\$800
II. District quota¹ (note equalization tendency):	
1. To each district which has an assessed valuation of \$20,000 or less.....	200
2. To each district which has an assessed valuation of more than \$20,000, but not over \$40,000.....	175
3. To each district which has an assessed valuation of more than \$40,000, but not over \$60,000.....	150
4. To each of the remaining districts and to each city.....	125
5. To each Indian reservation for each teacher employed 180 days or more.....	150
6. To each orphan asylum outside of the city of New York observing the prescribed regulations.....	125
III. Teachers' quota² (teacher basis):	
To each city, district, and orphan asylum for each additional qualified teacher employed for the legal term.....	100
IV. Vocational³—salary quotas (teacher basis):	
1. To each city and school district for each general industrial school, unit, trade and technical school, part-time or continuation school, practical arts or home-making school, evening vocational school, two-thirds of one teacher's salary and one-half of each additional teacher's salary, but not to exceed for each teacher.....	1,000
2. To each city and school district for each school of agriculture, mechanic arts, and home making, two-thirds of one teacher's salary and one-half of each additional teacher's salary, but not to exceed for each teacher.....	1,000
3. To each city, town, and school district for each director of agriculture employed, one-half of the director's salary, but not to exceed.....	600

¹ N. Y. Educ. Law, 1927, pp. 162-163, sec. 491.

² *Ibid.*, pp. 202-203, sec. 605.

³ *Ibid.*, pp. 175-176, sec. 502.

Quota

V. Health¹—salary quotas:

- | | |
|---|---------|
| 1. To each city or district employing a medical inspector, one-half of the salary paid, but not to exceed..... | \$1,000 |
| 2. To each city or district employing a school nurse or health teacher, one-half the salary paid, but not to exceed for each assistant..... | 700 |
| 3. To each special teacher of physical training, one-half the salary paid, but not to exceed for each teacher..... | 600 |

VI. Transportation quota:

- | | |
|--|---|
| To each consolidated, union free, and central rural school district, one-half cost of transportation when approved by commissioner of education..... | 6 |
|--|---|

VII. Building quota:

- | | |
|---|--|
| To each central rural district, one-fourth of the sum actually expended for the erection, enlargement, or remodeling of a school building when approved by the commissioner of education..... | |
|---|--|

VIII. Grants for tuition outside of State:

- | | |
|--|--|
| To each school neighborhood ² for education of New York children in another State, such amount as may be determined by the commissioner of education upon the prescribed bases or distribution..... | |
|--|--|

ADDITIONAL APPORTIONMENT³

Teachers' quotas	Amount per each teacher
I. In all cities of the first class containing a population of more than 1,000,000; in cities of the second class containing population, according to the Federal census of 1920, of more than \$50,000; in a city school district in a city of the third class adjoining a city of the first class containing a population of fewer than 1,000,000; and in cities of the second and third classes in a county adjoining a city having a population of more than 1,000,000, which county has a population of more than 200,000.....	\$650
II. In other cities of a population of 50,000 or more and in union free school districts wholly situated within such cities.....	575
III. In other cities of a population of fewer than 50,000 and in union free school districts authorized by law to have superintendents of schools or maintaining academic departments and other districts employing five or more teachers.....	500
IV. In each other school district employing more than one teacher and fewer than five teachers:	
School year beginning Aug. 1, 1927.....	550
School year beginning Aug. 1, 1928.....	600
School year beginning Aug. 1, 1929.....	650
Each school year thereafter.....	700

¹ N. Y. Educ. Law, 1927, pp. 162-163, sec. 491.

² Ibid., p. 185, sec. 571a.

³ Ibid., p. 49, sec. 134; *ibid.*, p. 59, sec. 185.

⁴ Ibid., pp. 202-203, sec. 605; see R. A. Graves, *Public-School Finance in New York in F. H. Swift, et al., Studies in Public-School Finance (the East), p. 144*

⁵ Ibid., pp. 163-165, sec. 491a.

Teacher's quota	Amount per each teacher
V. In each other school district employing but one teacher:	
Assessed valuation exceeding \$100,000.....	\$300
Assessed valuation \$100,000 or less.....	250
Plus additional grants for each entire \$1,000 that the assessed valuation of the district is less than \$100,000, as follows:	
Assessed valuation \$20,000 or less.....	6
Assessed valuation \$40,000 or less, but more than \$20,000.....	5
Assessed valuation \$60,000 or less, but more than \$40,000.....	4
Assessed valuation \$100,000 or less, but more than \$60,000.....	3

Equalization aid.—The State grants equalization quotas to certain districts which maintain a high school or academic department or employ five or more elementary teachers and provide adequately for the academic instruction of pupils who have completed the work of the elementary grades.

The State supplements other district school revenues to provide a specified amount (see Schedule A) for each teacher allowed (see Schedule B). The other district revenues to which State equalization quotas are added, are: (1) An amount equivalent to 60 cents on each \$1,000 (0.6 of a mill on the dollar) of the actual valuation of taxable property; and (2) all State apportionments except the amounts apportioned on account of the instruction of nonresident academic pupils, training-class quota, transportation and building quotas, and the compensation and expenses of teachers attending institutes or conferences.

SCHEDULE A

Schedule of teacher equalization quotas, 1927-1930

Year	Quota per elementary teacher	Quota per high-school teacher
Beginning Aug. 1, 1927.....	\$1, 200	\$1, 600
Beginning Aug. 1, 1928.....	1, 300	1, 700
Beginning Aug. 1, 1929.....	1, 400	1, 800
Beginning Aug. 1, 1930 and thereafter.....	1, 500	1, 900

SCHEDULE B

Schedule for determining number of teachers to be allowed for equalization purposes.

Elementary schools:

- | | |
|--|--|
| Districts having an average daily attendance of more than 135. | One teacher for each 27 such pupils in average daily attendance. |
| Districts having an average daily attendance of 135 or fewer. | Two teachers for the first 40 of such pupils in average daily attendance and one teacher for each 32 pupils in excess of 40. |

High-school or academic departments

Districts having an average daily attendance of 35 or more high-school pupils.

Three high-school teachers for the first 35 of such pupils and one teacher for each additional 22 pupils

Districts having an average daily attendance of fewer than 35 high-school pupils.

Two high-school teachers for the first 20 of such pupils and one teacher for each additional 15 pupils.

Limit of equalization aid.—"The amount apportioned to each city or district under this section shall not be greater than the amount of the excess of the total expenditures for school purposes in such city or district above the aggregate of the amount which would result from a tax of 5 mills on each dollar of actual valuation of the taxable property in such city or district and the public moneys apportioned to such city or district as provided by law."¹²

Classification of Apportionment Bases

In the apportionment of State aid, one of the most important problems is that of determining the bases upon which such aid shall be distributed. The bases employed by New York are many and varied and include at least the following: Aggregate attendance; a weighted pupil in average daily attendance; specific quotas or definite grants per item of approved costs or of approximated budget; salary grants per teacher or other school official; grants per district, per school or department.

¹² N. Y. Educ. Law, 1927, pp. 160-169, sec. 491b.

CHAPTER XXXI

NORTH CAROLINA

No State general property tax.—North Carolina levies no State tax specifically for schools, but instead, makes generous appropriations from the State general fund. The history of the process, which resulted in the adoption of the present policy, will show that the taxes now contributing to this fund were credited in part, at least, with the definite purpose of providing school revenue. North Carolina, like California, formerly derived State school revenues from the proceeds of a general property tax. At a general election in 1918 the voters of North Carolina approved a constitutional amendment providing for levying a State graduated income tax subject to certain exemptions. By 1920 the proceeds of the State income tax, together with other State revenues, were sufficient to enable the State to discontinue levying any State general property tax. The legislature of 1921 passed an act, therefore, discontinuing the State general property tax and reserving to counties and other local political corporations the right to levy general property taxes.¹

The major sources from which the State general fund is derived are income taxes, inheritance taxes, corporation taxes, business-license taxes, and departmental and miscellaneous fees. For a number of years each succeeding legislature has enacted a complete revenue law which differs little from the revenue law enacted by the preceding legislature, except in tax rates.² The provisions and rates presented in the present chapter are those in the revenue act of 1927. The receipts presented in Table 1 and elsewhere in this chapter are, however, derived from rates provided by earlier laws.

Income taxes.—The State levies taxes upon the net incomes of residents of the State and upon that portion of the net income of non-residents which is earned within the State. For both residents and nonresidents the law provides certain specific exemptions. Upon that portion of net incomes not exempted, are levied taxes varying from 1¼ to 5 per cent, the rates being graduated according to the amount of the income. Corporations organized under the laws of the State

¹The account here given is based upon Fred Wilson Morrison, *Equalization of the Financial Burden of Education Among Counties in North Carolina*.

²Compare Public Laws of N. C., 1923, pp. 67-146, ch. 4; *ibid.*, 1925, pp. 116-208, ch. 101; *ibid.*, 1927, pp. 175-276, ch. 80.

pay an annual income tax equivalent to $4\frac{1}{2}$ per cent of their entire net income. Foreign corporations doing business in North Carolina pay an annual income tax equivalent to $4\frac{1}{2}$ per cent of the portion of their entire net income earned within the State.

Inheritance taxes.—North Carolina levies taxes upon all inheritances excepting so far as exemptions are provided by law. The rates vary from 1 to 16 per cent, being graduated according to the degree of relationship of the beneficiary and the size of the inheritance or transfer.

Corporation taxes (Schedule C).—Upon every corporation doing business in the State, North Carolina levies a franchise tax for the privilege of exercising corporate rights and privileges given under charter. The bases and rates of such taxes vary with different classes of corporations. Most corporation taxes are collected under the authority of the State tax commissioner of revenue and by him paid over to the State treasurer. However, taxes on insurance companies are paid to the insurance department and appear in the State records as a credit from this department.

Business license taxes (Schedule C).—The section of the law providing for business license taxes covers some 40 pages and enumerates an extensive list of business activities for the conduct of which license or privilege taxes must be paid.

Departmental and miscellaneous fees.—For various services rendered or privileges granted by State officials and departments, the State requires the payment of fees.

Analysis of State general revenue fund.—The receipts derived from the various types of taxes and fees described in the preceding paragraphs and credited to the State general revenue fund for 1925-26 are shown in Table 1.

TABLE 1.—Analysis of receipts credited to North Carolina State general fund, 1925-26¹

Source	Amount	Per cent
Income taxes.....	\$6,054,757.12	46.7
Inheritance taxes.....	843,459.30	6.5
Corporation taxes:		
Franchise taxes collected under Schedule "C".....	1,768,151.35	13.6
Collected by insurance department.....	1,296,670.31	9.8
Business license taxes (Schedule "B").....	1,103,661.83	8.2
Departmental and miscellaneous fees.....	857,732.66	6.6
State prison collections.....	428,515.51	3.3
Railroad dividends—Atlantic and North Carolina Railroad and North Carolina Railroad.....	254,345.00	1.9
Interest on bank balances.....	370,967.68	2.1
Miscellaneous minor receipts.....	38,719.01	0.3
	12,076,978.97	
Less imprest funds for bad checks.....	4,800.00	
Total general fund revenue.....	\$12,072,178.97	100.0

¹ N. C. State Aud., An. Rept., 1926, p. 97.

² Included in this item are bus taxes amounting to \$142,434.93.

³ This total does not agree with the total as given by the auditor.

By far the most important source of the State general revenue fund is the income tax which furnished nearly one-half of the moneys composing the general fund in 1925-26. Second in importance are corporation franchise taxes which, however, contributed considerably less than one-third as much to the total fund as that derived from income taxes. In thus deriving the major portion of its general fund from the proceeds of income taxes, North Carolina occupies an exceptional position among the States of the Union, for in the majority of States which levy income taxes such taxes fall considerably short of being the most productive source of State revenue, and in many cases are of relatively minor importance.

State School Funds

North Carolina maintains three State funds for the benefit of public elementary and secondary schools: (1) A permanent fund known as the literary fund; (2) a special building fund; (3) the State public-school fund.

Literary fund.—By legislative act in 1825 North Carolina established her first permanent common-school fund known as the literary fund. Various sources were provided by law for increasing the principal of this fund and in 1860 it amounted to more than \$2,000,000. However, this entire principal, except for a few thousand dollars, was lost during the Civil War and reconstruction period (1860-1870).²

The sources for increasing the principal of the fund which have been in effect since 1870 include the following: (1) The proceeds of all lands that have been or hereafter may be granted by the United States to this State and not otherwise appropriated by this State or the United States; (2) also all money, stocks, bonds, and other property now belonging to any State fund for purposes of education; (3) also the net proceeds of all sales of the swamp lands belonging to the State; (4) all other grants, gifts, or devises that have been or hereafter may be made to the State and not otherwise appropriated by the State or by the terms of the grant, gift, or devise.³ One source not included among those enumerated in the constitution has increased the principal of the literary fund: An act passed in 1917 made available from bond sales as much as \$500,000 for use by the State board of education in aiding in building public schoolhouses in the State; \$333,000 in bonds were sold and added to principal of the State literary fund.⁴

² For a more complete account of this fund see Fletcher H. Swift, *A History of Public Permanent Common-School Funds in United States*, pp. 361-364.

³ Constitution, Art. IX, sec. 4; here quoted from *N. C. Pub. Sch. Law, 1923*, pp. 1-2, sec. 6; *ibid.*, p. 7, sec. 9a.

⁴ *Pub. Laws of N. C., 1917*, pp. 303-305, ch. 154.

Both the accumulated principal and the interest of the literary fund are now loaned to the counties for the purpose of aiding them in the erection and equipment of schoolhouses. Loans so made to the counties from this fund are payable in 10 equal annual installments, bearing interest at the rate of 4 per cent per annum.⁶ The total indebtedness of counties to the literary fund was reported on June 30, 1926, as \$1,270,057.50.⁷

Special building fund.—By an act passed March 17, 1921, North Carolina provided for a State bond issue of not over \$5,000,000 for the purpose of creating a special building fund to be loaned to county boards of education to aid in the erection and equipment of schoolhouses. The law provided that no loan shall be made for a building of less than seven rooms, and that plans for building must have the approval of the State superintendent of public instruction.⁸ The counties are required to pay upon such loans the same rate as that paid by the State upon the bonds issued to provide the fund.⁹ Bonds were issued also under similar acts of 1923 and 1925. The total amount loaned to counties from the special building funds was reported as amounting, on June 30, 1926, to \$15,048,000 and the total indebtedness by counties to the State board of education amounting, on June 30, 1926, to \$13,740,300.¹⁰

State public-school fund.—The State public-school fund consists of all money derived from all sources provided by law, except the literary fund and special building fund, deposited in the State treasury for the support and maintenance of the public-school system. Except for certain negligible departmental receipts amounting to \$7,649, the only sources contributing to the public-school fund in the year 1925-26 are appropriations from the State general fund.¹¹ These appropriations for the year 1925-26 amounting to \$1,975,250 were provided for 13 specific funds but were all credited to the public-school fund.¹² One item credited to the State public-school fund, namely, \$15,000 for vocational rehabilitation, is obviously not for the benefit of public elementary and secondary schools and will not be included in tables presenting public-school moneys. Table 2 presents an analysis of expenditures from each of the funds appropriated to the State public-school fund.

⁶ N. C. Pub. Sch. Law, 1923, p. 7, sec. 9a; *ibid.*, pp. 70-71, art. 24.

⁷ N. C. State Supt. of Pub. Inst. Bienn. Rep., 1924-1926, Part III, p. 198.

⁸ Fletcher H. Swift, Biennial Survey of Public-School Finances in the United States, 1920-1922, Bu. of Ed. Bul., 1923, No. 47, p. 10; N. C. Pub. Sch. Law, 1923, pp. 71-75, art. 25; Pub. Laws of N. C., 1925, pp. 441-447, ch. 201.

⁹ N. C. Pub. Sch. Law, 1923, pp. 71-75, art. 25.

¹⁰ N. C. State Supt. of Pub. Inst. Bienn. Rept. 1920-1922, p. 184; 1922-1924, p. 272; 1924-1926 (Part III), pp. 190-193.

¹¹ *Ibid.*, 1924-1926, Part III, pp. 194-195.

¹² Pub. Sch. Laws of N. C., 1925, p. 528, ch. 275.

TABLE 2.—Analysis of expenditures from North Carolina State public-school fund, 1925-26¹

Purpose	Amount	Per cent
Equalizing fund:		
Apportionment to counties.....	\$1,499,750.00	.....
Commission expense.....	250.00	.....
Total.....	1,500,000.00	76.9
Teacher-training fund:		
County summer schools.....	13,575.00	.....
Rural supervision.....	39,181.50	.....
Teacher-training in negro schools.....	13,250.00	.....
Total.....	66,006.50	3.4
Standard rural high schools:		
Rural high schools.....	82,600.00	.....
Teacher training units in rural high schools.....	21,900.00	.....
Total.....	104,500.00	5.4
Rural libraries:		
Vocational education.....	3,550.00	0.2
Farm life schools.....	138,857.99	7.1
	23,750	1.2
Administration and supervision:		
Division of negro education.....	15,000.00	.....
Division of publications.....	3,770.26	.....
Division of school inspection.....	19,000.00	.....
Division of school organization and civics.....	20,301.87	.....
Division of teacher training.....	15,139.58	.....
Division of certification and finance.....	21,115.82	.....
Division of administration.....	19,001.27	.....
Educational commission ²	392.24	.....
Total.....	113,721.04	5.8
Grand total.....	1,950,385.53	100.0

¹ State Supt. of Pub. Instr., Bienn. Rep., 1925-26, Part III, pp. 194-195.

² No appropriation was made for the State educational commission. Funds were provided by a transfer from the division of school organization and civics (cf. Pub. Laws of N. C., 1925, p. 528, ch. 275 and footnote "1" above).

³ The item of expenditure for vocational rehabilitation (\$11,589.79) has not been included in Table 2, which accounts for the difference in the total disbursements as presented in Table 2 and by the State superintendent of public instruction.

State Taxes as Sources of School Revenue

No portion of the literary fund and of the special building fund is derived from State taxes. On the other hand, the State public-school fund which is made up almost entirely of appropriations from the State general fund, must in view of the origin of the moneys contributing to the State general fund be regarded as largely derived from the proceeds of State taxes. The taxes contributing to the State general fund and the proportion which each type of tax furnishes have been shown in Table 1. Comparison of Tables 1 and 2 shows that the expenditures for public elementary and secondary schools consumed approximately 15 per cent (14.85 per cent) of the total receipts credited to the State general fund.

Apportionment of State School Funds

North Carolina is organized on what is known as the county-wide plan. Under this plan the county is the unit to which State funds

are paid, and is employed in determining all matters affecting quotas to be distributed.

Moneys credited to the State public-school fund are appropriated by the State legislature either for definite funds or for specified purposes, as has been shown in Table 2.

Building-loan funds.—The paragraphs describing these funds have set forth some of the more important provisions governing the basis on which they are loaned to the counties.

These funds must be classified as granting general relief. The basis of distribution is an approved budgetary statement provided by the counties, and the unit to which the loans are made is the county. The provision of such funds on the part of North Carolina represents a policy which is a distinct departure from the policies found in most States. The majority of the States not only fail to provide any special funds to aid their local corporations in erecting and equipping school buildings, but they forbid the use of any State moneys for the erection and equipment of buildings and other items of capital outlay. In computing the budgets to be approved for equalization by equalization funds, the common practice is to state specifically that expenditure for capital outlay and debt service shall be excluded.

Equalizing fund.—The data presented in the present account are in most cases for 1925-26. The method employed in apportioning the equalizing fund in that year was the method in force during the quadrennium 1923 to 1927. The legislature of 1927 not only increased the appropriation to the equalizing fund to \$3,250,000 per year but provided certain minor changes in the method of its distribution.¹² The method provided by the act of 1927 will be presented.

The purpose of the equalizing fund is to guarantee an annual school term of at least six months, and to equalize the burden of providing a minimum program. The minimum program to be equalized by the State is determined on the basis of three factors: (1) The cost of maintaining a minimum program for six months, (2) an allowed salary budget on the basis of the State's salary schedule and other approved current costs, and (3) the proceeds of a county 4-mill general property tax. This last factor thus becomes a measure of the comparative financial ability of the counties of the State to provide school revenue. It may be regarded either as a measure of ability or as a measure of need.

North Carolina requires each county to levy a 4-mill tax and then pays from State funds any amount required to provide the 6-months' school which is not provided by the proceeds of the county 4-mill tax and all other public funds. The success of the plan de-

¹² Pub. Laws of N. C., 1927, pp. 621-620, ch. 256.

pends upon the functioning of the State board of equalization. This board determines annually the true value of all taxable property in each county in the State and this equalized valuation is employed as the basis upon which county school taxes are levied and the equalization fund distributed.

Emergency fund.—Before apportioning the major part of the equalizing fund the State board of equalization is directed to set aside each year a sum of \$100,000, which, in the absence of any definite name provided by law or employed in State official documents, will be called in the present chapter the emergency fund.

This fund shall be distributed among the counties for any of the following reasons: (1) Increased school costs due to (a) increased school attendance, or to (b) growth and improvement of the schools in the county; provided that such increase in aid shall not exceed 5 per cent of the estimated salary requirements of the county; (2) a loss of revenue caused by any unforeseen disaster sufficiently serious to diminish the general revenue of the county, provided that aid given for this purpose shall not exceed in any one year \$3,000 per county; (3) increased school costs due to an effort on the part of the county to improve the teaching personnel, provided that such increase in aid shall not exceed \$2,000.

Grants made from the emergency fund from the standpoint of purpose fall into two classes: (1) Compensation grants given by the State to aid counties which have been victims of disaster or in which school costs have been increased by growth in attendance or other legitimate unpreventable causes; (2) stimulation grants given to encourage counties to improve their schools and teaching personnel.

Method of apportionment summarized.—The steps involved in apportioning the balance of the equalizing fund may be summarized as follows: (1) The costs of maintaining an allowed or approved six months' minimum program is determined as follows: On the basis of the budgets of the two terms of the last preceding year is determined the estimated cost of an allowed budget for the salaries of superintendents, principals, and teachers in accordance with the State salary schedule; (2) to this item may be added cost for current expenses other than salaries, not to exceed, however, 15 per cent of the salary budget determined and approved in the manner just stated; (3) estimate the sum of the proceeds of a county 4-mill tax and public-school moneys available to the county for elementary and secondary schools from all sources other than the equalizing fund.

The difference between this last sum and the approved county budget required for maintaining schools six months is the amount which said county is entitled to receive from the equalizing fund.

The payments from the equalizing fund are made to the participating counties in four installments, provided that the State superintendent of public instruction is authorized to withhold the last installment from any county which has not provided its share of the revenues required to maintain its school six months.

County responsible for additional deficits.—If the proceeds of the 4-mill county school tax, together with moneys derived from other incidental county funds and the county's grant from the equalizing fund, are not sufficient to pay the costs (exclusive of debt service and capital outlay) of a six months' school term, it shall be the duty of the State board of equalization to ascertain the additional rate necessary to cover the deficit and such rate shall be levied by the board of county commissioners of each participating county, provided that the additional rate shall not exceed 5 cents per \$100 equalized valuation.

Teacher-training fund.—Moneys from the teacher-training fund apportioned to the counties are expended in establishing county summer schools for the improvement of teachers in service and in providing supervision of instruction in rural communities.¹⁴ The method of apportioning the teacher-training fund is not indicated in the laws and is therefore apparently left to be determined by the State central educational authorities.

Standard rural high schools.—Grants from the State fund provided for standard rural high schools are made to the counties for the purpose of "aiding the establishment in rural districts of consolidated schools containing high schools," and "providing teacher-training courses in high schools."¹⁵

Requirements.—In order to participate in grants of this type counties must fulfill the following conditions: (1) The school unit must have at least 5 teachers; (2) the school district must levy a minimum special tax of 30 cents per \$100 valuation; (3) the rural district or town must contain fewer than 1,500 inhabitants.¹⁶

In 1925-26 grants made to counties from the fund ranged from \$248 to \$3,600.¹⁷ The method of apportioning the teacher-training fund is not indicated in the laws and is therefore apparently left to be determined by the State central educational authorities.

Rural library fund.—This fund may be used to encourage the establishment of county circulating libraries; to provide school circulating libraries, or to aid public schools in establishing local libraries.¹⁸

¹⁴ State Supt. of Pub. Instr., Bienn. Rept., 1924-26, Part III, pp. 199-200.

¹⁵ Pub. Laws of N. C., 1921, pp. 418-419, ch. 146, sec. 13.

¹⁶ State Supt. of Pub. Instr., Bienn. Rept., 1924-26, Part IV, p. 14.

¹⁷ *Ibid.*, Part III, pp. 199-202.

¹⁸ N. C. Pub. Sch. Law, 1923, p. 93, sec. 345-346.

Vocational education.—The methods employed in apportioning these moneys are largely determined by the Federal Smith-Hughes Act and by the Rules and Regulations of the Federal Board for Vocational Education.

County farm-life schools.—Each county in North Carolina is required to establish a school to be known as a county farm-life school for the training and preparation of the boys and girls of the county for farm life and home making. Upon satisfactory evidence furnished by the State board for vocational education that all the provisions of the law have been complied with the State grants for the support of the county farm-life school an amount equal to that appropriated by the county board of education or secured from local gifts, or both, provided that the annual State grant shall not exceed \$5,000. The legislature of 1925 appropriated \$25,000 for 1925-26 for county farm-life schools, of which amount \$23,750 was expended.¹⁹ The laws of 1927 also make an appropriation of \$25,000 for farm-life schools.²⁰

Funds for State administration and supervision.—The State makes flat grants for the salaries and expenses of a number of divisions, the purpose of which is to administer and supervise the schools of the State. These divisions and the amounts appropriated for each are shown in Table 2.

In Table 3 the funds provided by North Carolina for the year 1925-26 are grouped according to their major purposes into four classes. Table 3 also shows the basis employed in distributing each fund, the amount expended from each fund for the project for which it was provided, and the per cent which each such amount constituted of the total public-school expenditures paid by the State in the year under consideration.

¹⁹ Pub. Laws of N. C., 1925, p. 530, ch. 275, sec. 1; State auditor, Bien. Rept., 1924-1926, p. 63.

²⁰ *Ibid.*, 1927, p. 166, ch. 79.

TABLE 3.—Apportionment of North Carolina State school funds, 1925-26

Funds classified as to major purpose	Amount ¹	Per cent	Basis of distribution
1. Funds for State administration and supervision.	\$113,721.04	5.8	Flat salary and expense quotas covering approved expenditures of State divisions (see Table 2).
2. Stimulation funds:			
Teacher-training fund.....	66,006.50 ²		Flat grants to counties to improve teachers in service. ³
Standard rural high schools.....	104,500.00		Flat grants to promote rural high schools and teacher-training units in rural high schools. ³
Vocational education.....	138,857.99		Grants to match Federal Smith-Hughes quotas.
Farm-life schools.....	23,750.00		State matches county grants.
Rural libraries.....	3,550.00		Flat grants.
Total stimulation grants.....	336,664.49	17.3	
3. Equalization funds.....	1,500,000.00	76.9	Need—graduated grants to cover allowed costs not met by all other funds.
4. Compensation:			
Emergency fund.....	(⁴)		Need.
Grand total.....	1,950,385.53	100.0	

¹ State Supt. of Pub. Instr. Bien. Rept., 1925-26, Part III, pp. 194-195.

² The method and basis to be employed in distributing grants from this fund are, by inference, left to the discretion of the State Supt. of Pub. Instr. and the State Board of Education. The laws do not make any specific provision regarding either the method or the basis to be employed.

³ Included in equalization fund. State Board of Education is authorized to deduct (1927 act) \$100,000 from the equalizing fund to be used as an emergency fund.

⁴ The item of expenditure for vocational rehabilitation (\$11,589.79) has not been included in Table 3, which accounts for the difference in the total disbursements as presented in Table 3 and by the State Supt. of Pub. Instr.

CHAPTER XXXII

NORTH DAKOTA

North Dakota levies no State taxes of any sort specifically for the benefit of public elementary and secondary schools. The present account will be limited to the State general property tax for the benefit of county agricultural and training schools and to the various types of taxes which contribute to the State general fund from which are paid legislative school appropriations.

General property tax for county schools.—Any board of county commissioners is authorized, upon a majority vote of the legal voters of a county, to organize and establish a county training and agricultural school. After the establishment of such a school, the State shall pay annually a sum not to exceed one-half the annual costs of maintaining the school, provided that the State's share shall not exceed in any one year the sum of \$5,000.¹

The State board of equalization is required to provide for an annual levy of a special general property tax not to exceed one-fifth of 1 mill, the proceeds of which shall be credited to the State agricultural and training school fund, to be used in paying the State's obligations to county agricultural and training schools.²

Appropriations from the State general fund.—In 1925-26 the total expenditures from the State general fund of North Dakota amounted to \$4,806,243.29. Out of this total 7.9 per cent (\$379,812.42) was expended for State aid to public schools, the superintendent of public instruction, county agricultural and training schools, and other purposes directly or indirectly benefiting public schools. Table 1 presents an analysis of these expenditures.

TABLE 1.—North Dakota school expenditures from the State general fund, 1925-26^a

Purpose	Amount *	Per cent
State superintendent of public instruction.....	\$24,423.70	0.4
Rural school inspectors, salaries, and travel.....	6,368.41	1.7
High-school inspectors, salaries, and travel.....	3,638.87	1.0
High-school and eighth-grade examinations.....	8,406.07	1.7
Teachers' institute.....	7,280.01	1.9
State aid to rural and consolidated schools.....	225,864.58	20.5
State aid to high schools.....	78,425.27	20.6
Vocational education, State's share.....	17,315.51	4.6
County agricultural schools.....	10,000.00	2.6
Evening schools.....	90.00	(°)
Total.....	379,812.42	100.0

* N. Dak. State Treas. An. Rept., 1926, pp. 7, 11-12.

° Negligible.

¹ N. Dak. Gen. Sch. Laws, 1927, pp. 119-120, secs. 1455-1456.

² *Ibid.*, pp. 124-125, sec. 1470.

School expenditures in North Dakota constitute a relatively small proportion of the total expenditures from the State general fund and appropriations payable from the State general fund constitute a relatively unimportant part of the total State school receipts and a very minor part of the moneys provided by the State. These facts are evident from the analysis of school receipts for 1925-26 presented in Table 2.

TABLE 2.—North Dakota school receipts, State and local, 1925-26

Source	Amount ¹	Per cent
District tax.....	\$12,627,594.60	84.71
County:		
School poll.....	252,093.00	1.7
One-half mill.....	496,179.86	3.33
State:		
Interest and income of State permanent fund.....	1,171,413.05	7.86
State aid.....	341,900.00	2.3
Fines and penalties.....	17,051.91	0.11
Total.....	14,906,232.42	100.00

¹N. Dak. Supt. of Pub. Instr., Bienn. Rep., 1924-1926, p. 12.

All moneys provided by the State constituted only 10.27 per cent of the total school receipts for the year 1925-26. Furthermore, of the moneys furnished by the State only 2.3 per cent were derived from State appropriations payable from the general fund. In view of these facts, our account of taxes for public schools in North Dakota will be limited to a brief statement of the various types of taxes which contribute to the general fund and the relative importance of these taxes as sources of this fund.

State taxes contributing to general fund.—The State general fund of North Dakota is composed of the proceeds of certain State taxes, moneys collected from State institutions, interest on public funds, together with moneys derived from miscellaneous sources. The types of State taxes contributing to the general fund include the following: General property tax, oil tax, income tax, corporation tax, cigarette tax, miscellaneous taxes and fees. The amount provided by each of these taxes in 1925-26, as well as the relative importance of each amount, is shown in Table 3.

TABLE 3.—Source analysis of North Dakota State general fund, 1916 ¹

Source	Amount	Per cent
State taxes:		
State general property taxes.....	\$2,716,719.26	50.3
Oil tax.....	690,626.33	12.8
Income tax.....	557,959.55	10.3
Corporation taxes.....	378,292.59	7.0
Cigarette tax and license collections.....	270,227.08	5.0
Miscellaneous license taxes and fees.....	123,637.29	2.3
Inheritance tax.....	36,320.82	.7
Fire marshal tax.....	1,738.83	(?)
Total from taxes.....	4,775,512.65	88.4

¹N. Dak. State Treas., An. Rept., 1926, pp. 8-10

[?]Negligible.

TABLE 3.—Source analysis of North Dakota State general fund, 1916—Contd.

Source	Amount	Per cent
Other sources:		
Institutional collections.....	\$473,807.13	8.1
Interest on public funds.....	74,142.76	1.4
Miscellaneous transfers.....	45,230.81	.8
Miscellaneous income.....	33,467.90	.6
Total from other sources.....	626,648.60	11.9
Grand total State general fund.....	5,402,161.25	100.0

Table 3 showed that State general property taxes furnish approximately one-half of the State general revenue fund; Table 2 showed that the proceeds of district general property taxes provided approximately 85 per cent of the total school receipts in the year 1925-26, and by far the major portion of the moneys provided by the counties. In North Dakota the general property tax, therefore, is the most important source of school revenue, whether we consider the total school receipts or the sources of the State general fund.

State School Funds

North Dakota maintains the following eight State funds or classes of funds which contribute to public elementary and secondary schools or to projects immediately affecting such schools: (1) State permanent school fund; (2) tuition fund; (3) State aid to high schools; (4) State agricultural and training school fund; (5) vocational education fund; (6) State aid to consolidated, graded, and rural schools; (7) teachers' insurance and retirement fund; and (8) various appropriations payable from the State general fund. The teachers' insurance and retirement fund is derived solely from deductions from teachers' salaries, ranging from 1 to 2 per cent per annum, and from deductions from the county tuition fund.³ The State makes no direct contribution to this fund.

Permanent school fund.—The constitution provides for the creation of a perpetual trust fund for the maintenance of common schools, to be composed of the following six sources: (1) The proceeds of the sales of the sections numbered 16 and 36 in each congressional township; (2) such per centum (5) of the proceeds of federally owned lands lying within the State as may be granted to the State by the United States Government; (3) property escheating to the State; (4) proceeds of all gifts and donations to the State for common schools and not otherwise appropriated by the terms of the gift; (5) all property otherwise acquired for common schools; (6) any portion

³N. Dak. Gen. Sch. Laws, 1927, p. 137, sec. 1540, and p. 139, sec. 1515.

of the interest or income from the said perpetual trust fund remaining unexpended at the close of any fiscal year.⁴

On June 1, 1924, the latest date for which an authentic statement could be secured, the fund consisted of bonds, mortgages, and uninvested moneys totaling \$14,724,400.05, and 1,297,844.10 acres of unsold school lands, estimated at \$10 per acre, to be worth \$12,978,441. It will be seen that the total estimated prospective value of this fund amounts to \$27,702,841.05.⁵

State tuition fund.—The State tuition fund consists of the income from the State permanent school fund and leases of State school lands belonging to the said fund, together with the net proceeds of all State fines and penalties. The amounts derived from these sources have been shown in Table 1.

State aid to classified high schools and standardized schools.—The State provides State aid in the form of special grants paid out of appropriations from the State general fund to four major types of schools: High schools and three types of so-called standardized schools; namely, (1) consolidated schools, (2) graded schools, (3) one-room rural schools.

In the year 1925-26 North Dakota paid in State aid to high schools \$78,425.27 and for State aid to rural, graded, and consolidated schools, \$225,864.58.⁶

Vocational education.—North Dakota accepted the provisions and benefits of the Smith-Hughes Act.⁷ The laws require no State appropriation for Smith-Hughes work, nevertheless it has been customary for the Legislature to make biennial appropriations for this purpose. The only provision in the law for the compulsory provision of funds is that which directs the State board of education to reimburse approved vocational schools, departments, or classes, from Federal funds to the extent of an amount equal to one-half the salaries of vocational teachers employed in such schools, departments, or classes.⁸

Agricultural high schools.—The State superintendent is authorized to designate any State high school as a high school to maintain an agricultural department. In order to be thus designated, it is necessary for a high school to fulfill certain specified conditions as to school plant, courses in agriculture, and the provision of trained instructors in agriculture, manual training, and domestic economy, together with any other requirements which the superintendent of public instruction may establish. Not more than one high school

⁴ Constitution, Art. XII; N. Dak. Gen. Sch. Laws, 1927, p. 7, sec. 153.

⁵ N. Dak. State Com. of Univ. and Sch. Lands, Bien. Rep., 1922-1924, p. 57.

⁶ N. Dak., State Treas., An. Rep., 1926, p. 12.

⁷ N. Dak. Gen. Sch. Laws, 1927, p. 127, sec. 1471b1.

⁸ *Ibid.*, p. 128, sec. 1471b6.

in any one county shall be so designated. The State grants to each designated and approved State agricultural high school \$2,500 annually. Such grant shall be in addition to "all moneys appropriated by the National Government for the teaching of elementary and secondary agriculture in the public or high schools of this State."⁹

Evening schools.—Evening schools may, under the direction of the county or local superintendent, or upon the direction of the superintendent of public instruction, shall be established in any common, independent, special, or consolidated district. Such evening school, when so maintained, shall be available to all persons over 16 years of age unable to attend the public day schools of such district. The law provides that one-half the salaries of all teachers in evening schools shall be paid by the State.¹⁰ It would appear that the movement to establish evening schools has made little headway in North Dakota, for in 1925-26 only \$90 was paid from the State general fund to meet the costs of such schools.¹¹

Appropriations for superintendent of public instruction, school inspectors, and miscellaneous.—Funds to meet the costs of maintaining the department of public instruction, including salaries, traveling expenses, and miscellaneous costs, are provided by legislative acts appropriating moneys from the State general fund. In this manner moneys are provided also to pay the costs of financing a number of other officials and undertakings for which the State is responsible, namely, teachers' institutes, salaries and traveling expenses of rural-school inspectors, high-school inspectors, the State's share of the costs of vocational education, and the expenses of State high-school and eighth-grade examinations. The moneys expended for these purposes are paid out as flat sums in accordance with the provisions of the various appropriation acts or in accordance with the laws creating or characterizing the office or function subsidized.

Apportionment of State School Funds

State tuition fund.—“It shall be the duty of the State auditor on or before the third Monday in February, May, August, and November in each year to certify to the superintendent of public instruction the amount of the State tuition fund.” The superintendent of public instruction shall immediately apportion such funds among the several counties of the State in proportion to the number of children of school age (between 6 and 21 years) resident in each as shown by the last enumeration provided by law.¹² The county superin-

⁹ N. Dak. Gen. Sch. Laws, 1927, pp. 108, 109, secs. 1434, 1435.

¹⁰ *Ibid.*, p. 117, sec. 1450b1, and p. 118, sec. 1450b3.

¹¹ N. Dak. State Treas., An. Rep., 1926, p. 12.

¹² N. Dak. Gen. Sch. Laws, 1927, p. 50, sec. 1210.

tendent is required to apportion the quota of State tuition fund received by his county, among the several districts of the county entitled to the same, in the same manner as that employed in apportioning the State tuition fund among the several counties of the State.¹³

Uses.—"The State tuition fund shall be used only in the payment of teachers' salaries; provided * * * that if the State tuition fund apportioned to any one district in any one year is more than sufficient for the payment of teachers' wages in such district," such excess shall be transferred to and become a part of the general fund.¹⁴

Requirements.—No district shall be entitled to receive any quota from the State tuition fund which fails to fulfill the following conditions: (1) Report the enumeration of school children in the manner required by law; (2) furnish the reports required by law from district school officials; (3) file the bond and oath of the district treasurer as provided by law.¹⁵ Various other requirements which must be met by schools and districts are set forth in laws which do not, however, provide that the failure to meet these requirements shall be penalized by a forfeiture of the district quota of the State tuition fund. Requirements of this character include using the English language as the only medium of instruction, maintaining schools for not less than seven months a year, employing teachers holding a valid certificate and receiving not less than the minimum salary fixed by law.¹⁶

State high-school aid.—The law defines a high school as any public grade school which provides a regular and orderly course of study covering the eight grades of the elementary school together with the first two years of the secondary school curriculum. Any such school is eligible for State high-school aid providing it fulfills the following requirements: (1) Offers free instruction for pupils of both sexes in its high-school department; (2) provides adequate school buildings; (3) provides a satisfactory course of study covering 10 grades, as already described; (4) permits State inspection at all times.¹⁷ The law provides for a continuing annual appropriation of \$85,000 to provide aid for approved classified State high schools.

Apportionment.—From the total State appropriation there shall be first deducted the amounts provided by law for the salary of the State high-school inspector, namely, \$2,000 per annum, and a sum not to exceed \$1,200 to meet the annual traveling expenses of this official. The State agricultural high schools have first claim on the

¹³ N. Dak. Gen. Sch. Laws, 1927, p. 52, sec. 1217.

¹⁴ *Ibid.*, p. 51, sec. 1212.

¹⁵ *Ibid.*, p. 51, sec. 2114.

¹⁶ *Ibid.*, p. 48, sec. 1199; *ibid.*, p. 45, sec. 1193; *ibid.*, p. 40, sec. 1178.

¹⁷ *Ibid.*, p. 107, sec. 1431 and 1432.

balance, as is evident from the following provision: In case the State appropriation available for the payment of high-school aid is insufficient in any one year for the payment of the total claims against the State high-school aid fund, then there shall be paid to each of the five State agricultural high schools \$2,500 and the remainder shall be prorated among the schools entitled thereto.¹⁸ The law provides that in addition to the moneys to be devoted to the payment of the State high-school inspectors' salaries and expenses and the quotas due the State agricultural schools, the following annual quotas shall be paid: \$800 to each school maintaining a 4-year high-school curriculum; \$500 to each school maintaining a 3-year high-school curriculum; \$300 to each school maintaining a 2-year high-school curriculum; \$200 to each school doing 1 year of high-school work and employing two or more teachers. It will be noted that the lowest group of schools, namely, schools doing one year of high-school work, do not fall within the definition already given of classified State high schools. For this reason such schools do not appear in Table 4, in which are shown the quotas paid in 1926 to classified high schools. A reference to Table 4 will show that the quotas actually paid in in 1926 to the three classes of classified high schools were in each case considerably less than the quotas provided in the law just cited.¹⁹ It has been noted that the law fixes the appropriation for State high-school aid at \$85,000 per annum and provides for prorating in case the fund is insufficient to meet all claims.

State agricultural schools and vocational education.—The paragraphs describing the funds provided for State agricultural high schools and vocational education indicate, as far as necessary, the methods employed in apportioning these funds.

Standardized schools.—Under the term "standardized schools" are included consolidated schools, graded schools, and 1-room rural schools. For the purposes of State aid each of these three types is divided into three subordinate classes. The act providing for aid to these schools states that "the purpose of this act shall be to aid and promote the consolidation and standardization of rural schools * * * and thereby increase the efficiency of the entire school system."²⁰ That this act aims to provide State aid for all regular public schools not aided from any other State fund, is evident from the provisions indicating the schools which shall be eligible to receive aid. The law reads:

Any public school in any one school district in the State, or any public school in any city, town, or village, or any graded consolidated school in the State, not entitled to aid as a State high school, but fully complying with the conditions

¹⁸ N. Dak. Gen. Sch. Laws, 1927, p. 109, sec. 1433.

¹⁹ Ibid., p. 108, sec. 1433.

²⁰ Ibid., p. 111, sec. 1439.

of this act. . . . any rural school in any district in the State not entitled to aid in any other class, but fully complying with the conditions of this act, may receive aid as hereinafter provided for State graded consolidated schools, State graded schools, and State rural schools.²¹

Three classes of rural schools.—All three classes of rural schools must provide a suitable school building and must provide the State prescribed course of study, including elementary agriculture. The features which distinguish these three classes of schools are the minimum length of school term and the qualifications of the teachers. Schools of Classes I and II must maintain school at least 9 months; and schools of Class III, 8 months. Schools of Class I must be taught by a normal-school graduate or a teacher who has completed one year of school work above a 4-year high-school course and who holds a professional certificate. Schools of Class II must be taught by a teacher holding at least a first grade elementary certificate; schools of Class III must be taught by a teacher holding at least a secondary grade elementary certificate.²²

Classification of graded and consolidated schools.—A consolidated school is defined by law as a school employing at least two teachers and one which serves at least 18 contiguous sections, without regard to the manner of its formation.²³ State graded schools and State consolidated schools are divided into three classes; the basis for distinction is the same in each case, but the State grants to a State consolidated school are greater in each case than grants for a State graded school of the corresponding class.

In general the class to which any individual school belongs depends upon the length of school term, the professional qualifications of principal and teachers, the provision of a satisfactory building, and the number of years of high-school course provided in such school. With respect to certain of these standards the requirements are identical for the corresponding classes of both State graded schools and State consolidated schools.

Tax bonuses.—All the provisions of the laws providing State grants for rural schools, State consolidated schools, and State graded schools, indicate clearly that the purpose of such grants is stimulation. This policy of stimulating the districts to increasing effort finds its climax in the provision of a system of tax bonuses. The law provides fixed quotas to be granted by the State for districts included in each of the three classes of rural schools, State graded schools and State consolidated schools, but in every case provision is made that if the district tax rate for the preceding year is 4 mills and less than 7 the district's quota shall be doubled. If 7 mills or more, the quota

²¹ N. Dak. Gen. Sch. Laws, 1927, pp. 111-112, sec. 1440.

²² *Ibid.*, pp. 113-114, sec. 1442.

²³ *Ibid.*, p. 116, sec. 1446.

shall be trebled.²⁴ Table 4 shows the quotas paid to classified high schools for 1926 and the schedule of quotas available to each of the three subclasses of rural schools, State consolidated schools, and State graded schools.

TABLE 4.—North Dakota State grants for public schools, 1926¹

Type of school	Class—		
	I	II	III
Classified high schools.....			
Consolidated.....	\$612.00	\$382.50	\$228.00
Graded.....	400-1,200	350-1,050	300-900
One-room rural.....	100-300	75-225	50-150
	50-150	40-120	30-80

¹ N. Dak. Supt. of Pub. Instr., Bien. Rept., 1924-1926, pp. 70-71; *ibid.*, pp. 78-79. The grants for consolidated, graded, and 1-room rural schools are graduated on basis of district tax rate.

Conclusion—dominant purposes of State funds.—On the basis of the purpose dominating the creation or the method employed in apportioning them, the State school funds of North Dakota may be classified as follows: (1) Grants for purposes of State administration and supervision; (2) grants for general relief (State tuition fund); (3) stimulation grants, State aid to high schools, State consolidated schools, State graded schools, and rural schools. By far the major portion of State aid in North Dakota is distributed on the basis of school census.

²⁴ N. Dak. Gen. Sch. Laws, 1927, p. 110, sec. 1446; *ibid.*, p. 115, sec. 1445.

CHAPTER XXXIII

OHIO

Unique features of Ohio plan.—Ohio, admitted into the Union in 1802, was the first State to receive a grant of school lands from the Federal Government. For this reason, no other State has had as long a time to experiment with the management, apportionment, and use of the income of a large State school endowment bestowed upon it by the National Government. Not only has Ohio been a pioneer in many respects, but the State school finance policies which she has pursued in the past, as well as many of those which she is pursuing at the present time, differ from those employed by most of our States. The majority of our States have attempted to preserve intact the principal of their respective State permanent public-school endowments. Ohio, in striking contrast to the general trend, like Michigan, followed for many years the policy of using the moneys derived from the sales of her State school lands for the general purposes of the State. Instead, therefore, of establishing a productive State public-school endowment, she has created an irreducible debt on which the State has been obliged to pay annual interest. Obviously such a debt, far from relieving the burden of school costs, serves merely as a device for increasing taxation.

Fully as interesting as the unique policy just described is the recognition which Ohio has recently given to the unsatisfactoriness of such a policy, by providing (in the year 1917) for the establishment of a State school trust fund to be derived from the future sales of all State school lands.

It is recognized, perhaps almost universally to-day, that with the State rests the responsibility for equalizing educational opportunities, through equalizing the school revenues and the school burdens of the State's constituent school corporations. Nevertheless the great majority of our States employ methods of apportioning school funds which not only make equalization impossible but which create, increase, and perpetuate inequalities.

One of the most evident, significant, and encouraging tendencies in State policies of school finance is the establishment of State equalization funds. Among the questions which must be faced at the outset by any State contemplating the creation of an equalization

fund are: Shall the fund be a large fund or small fund? Shall it be a fixed or fluctuating amount? Shall the method of distribution be determined upon the basis of some definite formula, or shall it be left in part or entirely to the discretion of the State board of education, or that of the State superintendent or commissioner? For what purposes shall it be applied? What conditions shall be imposed upon local school corporations desiring to share therein?

To almost every one of these questions Ohio gives an answer which is not only unique but which, because unique, challenges the policies of many other States. Instead of devoting only a small fraction of the State school revenues to equalization, she devotes by far the major portion of such moneys to this purpose; in 1926 approximately 75 per cent. Not satisfied with establishing a State equalization fund, Ohio requires every county to levy annually a school tax for the purpose of providing a county equalization fund.

Most States providing equalization funds fix by law or constitutional provision the method of apportioning such funds, the standards to be met by local communities, and the circumstances under which school districts shall be eligible to aid therefrom. Ohio leaves these and all similar matters to the discretion of the State director of education (superintendent of public instruction).

As to the source from which the State school revenues shall be derived Ohio, like California, reserves general property for local school taxation and secures the major portion of the funds for State aid from taxation on corporations.

Ohio levies no State school tax, but provides State funds for public schools by making appropriations from the State general revenue fund, which, as will be shown later, is largely composed of the proceeds of a variety of State taxes and fees.

Types of State taxes levied.—The state levies the following six types of taxes and fees: (1) General property taxes; (2) corporation taxes; (3) inheritance taxes; (4) business, occupational, professional, and miscellaneous license taxes and fees; (5) gasoline tax; and (6) cigarette tax.

No State income or poll tax.—Ohio levies no State income tax, and poll taxes of all forms are forbidden by the State constitution.¹

General property tax.—Ohio has levied no State general property tax since 1922, except a tax of 0.25 of 1 mill for the redemption of her World War compensation bonds.² This tax makes no contribution to the State general revenue fund, and consequently none to schools.

¹ U. S. Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, pp. 356 and 360.

² Ohio Aud. Rept., 1926, p. 17.

Corporation taxes.—In the year ending June 30, 1926, Ohio derived 65.4 per cent of her State general revenue fund from corporation taxes. The following five types of corporation taxes are levied by the State: (1) An excise tax of from 1.2 per cent to 4 per cent on the intrastate gross receipts or gross earnings of public utility corporations; (2) a tax on sleeping car and freight line equipment companies amounting to 1.2 per cent of the value of the proportion of their capital and property owned and used in the State;³ (3) on domestic and foreign corporations a tax of one-twelfth of 1 per cent on the proportion of the fair value on an asset basis of the capital stock represented by the sum of all property owned or used, or business done by it, located or transacted within the State;⁴ (4) foreign insurance companies are required to pay 2.5 per cent of their gross premiums to the State;⁵ and (5) on all foreign corporations an initial franchise fee varying from 1 cent to 10 cents per share, upon the proportion of authorized capital stock represented by property owned and used, and business transacted, in the State.⁶

Inheritance taxes.—Ohio levies a graduated State inheritance tax, the rates varying from 1 to 10 per cent.⁷

Business, occupational, professional, and miscellaneous license taxes and fees are imposed by the State upon certain business activities and for different services and privileges.⁸

Gasoline tax.—A tax of 2 cents per gallon is levied upon all gasoline sold in the State.⁹ This tax makes no contribution to the State general revenue fund or to any other fund benefiting public schools.

Cigarette tax.—The State levies an annual tax of \$200 on each wholesale firm, and \$50 on each retail place of business dealing in cigarettes.¹⁰

In conclusion, the chief sources of State aid in Ohio are the proceeds of corporation taxes. Table 1 presents an analysis of the revenue receipts credited to the general revenue fund for the year 1925-26. It will be noted that 76.5 per cent of the revenue receipts are derived from State taxes, and that the proceeds of corporation taxes and fees furnish nearly two-thirds (65.4 per cent) of the total revenue receipts.

¹ Tax Laws of Ohio, 1926, pp. 90-108.

² Laws of Ohio, 1925, pp. 471-475. This rate was changed by the 1927 general assembly to one-eighth of 1 per cent for two years, and one-tenth of 1 per cent thereafter. Laws of Ohio, 1927, p. 413, sec. 5499.

³ Tax Laws of Ohio, 1926, pp. 116-119.

⁴ Laws of Ohio, 1927, pp. 513-515. The rates decrease as the number of shares increase.

⁵ U. S. Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, pp. 356-357.

⁶ Ibid., pp. 357-359.

⁷ Laws of Ohio, 1925, pp. 294-302.

⁸ Tax Laws of Ohio, 1926, p. 200.

TABLE 1.—Analysis of revenue receipts credited to the Ohio general revenue fund, 1925-26

Type of tax	Amount ¹	Per cent
Corporation taxes:		
Public utilities.....	\$6,148,468.46	
Sleeping car and freight line equipment companies.....	132,624.78	
Domestic and foreign corporations.....	4,578,907.63	
Foreign insurance companies.....	4,272,580.92	
Initial franchise fees.....	996,656.78	
Total corporation taxes.....	16,129,238.57	65.4
Inheritance taxes.....	2,099,252.65	8.4
Cigarette tax.....	641,580.63	2.6
Miscellaneous receipts by officials, departments, and institutions.....	5,787,651.91	23.1
Total.....	24,657,732.76	100.0

¹ Ohio Aud., An. Rep., 1926, pp. 26-42.

State Taxes as Sources of School Revenue

Compulsory county tax and equalization fund.—Ohio levies no State taxes specifically for public schools, but in common with Minnesota, Montana, and certain other States, requires every county in the State to levy a county school tax, the proceeds of which are retained in the county and distributed among the subordinate constituent units.

Although the tax of 2.65 mills levied under State authority must be classified as a county tax, nevertheless there are at least two reasons why it can not be ignored in an account devoted to the problem of State taxes for schools: First, some readers familiar with the tax have undoubtedly been accustomed to regard it as a State tax and would misunderstand its omission from the present account; and second, the tax is an important source of school revenue, as evidenced by the fact that it provided approximately 29 per cent of the total revenue receipts for public schools for the year 1925-26.¹¹

Appropriations from general revenue fund.—The only aid provided by the State in Ohio, other than a small amount of interest from the school trust fund, is that given through appropriations from the general revenue fund. (See Table 2.)

State School Funds

Ohio maintains five State funds for the benefit of public elementary and secondary schools: (1) The (permanent) common school fund; (2) school trust fund; (3) educational equalization fund; (4) vocational education fund; and (5) fund for State aid for the education of blind, deaf, and crippled children.

¹¹ Ohio Supt. of Pub. Instr., An. Rept., 1925-26, pp. 162 and 166. Total revenue receipts, excluding balances from previous year, \$117,093,130.23. Proceeds of county 2.65-mill levy, \$34,658,166.30.

Common school fund.—The money which has been and may be paid into the State treasury on account of sales of land granted by Congress for the support of public schools in any original surveyed township or other district of country, and on account of the sales of minerals thereon, shall constitute the common school fund of which the auditor of State shall be superintendent and the income of which must be applied exclusively to the support of public schools in the manner designated by law.¹²

Ohio, like Michigan, provided by legislative act that the money derived from the proceeds of the sales of these congressional school land grants should be used for the general purposes of the State. By this legislation the State has established, instead of a productive permanent endowment for public schools, an irreducible debt upon which the State pays interest at the rate of 6 per cent for the benefit of public elementary and secondary schools.¹³ Since 1920 this interest has been paid by an annual appropriation from the State general revenue fund.¹⁴

Table 2 shows the portion of principal derived from each of four Federal grants, and the interest paid on each of these four portions. This permanent State public-school irreducible debt is more specifically an account credited with, and representing the proceeds of the sale of school lands included in the four grants listed in Table 2.¹⁵

TABLE 2.—*Analysis of the Ohio irreducible debt devoted to public elementary and secondary schools, June 30, 1926*¹

Source—Federal land grant	Principal owed by State	Interest disbursed by State for fiscal year
Section 16.....	\$3,535,284.53	\$212,587.12
Virginia military.....	197,144.07	11,833.64
United States military.....	120,272.12	7,216.33
Western reserve.....	257,400.21	15,490.95
Total.....	4,110,100.93	247,137.04

¹ Ohio Aud., An. Rept., 1926, p. 306.

In addition to the funds shown in Table 2, the State of Ohio holds in trust \$25,121.00, known as the swamp-land fund, and \$41,024.05 received from the sale of salt lands.¹⁶ The laws of Ohio provide that the proceeds of the sales of swamp lands and salt lands paid into the State treasury shall constitute a part of the State irreducible debt, and that the interest thereon shall be apportioned annually among the counties of the State on the same basis as the State com-

¹² Ohio Sch. Laws, 1922, p. 203, sec. 7579.

¹³ For a more complete account of this fund see F. H. Swift, *A History of Public Permanent Common School Funds in the United States*, p. 368.

¹⁴ Ohio Aud. Rept., 1926, p. 268.

¹⁵ For a brief history of these grants see F. H. Swift, *op. cit.*, p. 368.

¹⁶ Ohio Aud., An. Rept., 1926, p. 306.

mon school fund is apportioned;¹⁷ but according to the State auditor, the schools of Ohio have never received any interest on these two funds.¹⁸

School trust fund.—Prior to 1917, the proceeds of the sales of school lands were used for the general purposes of the State, which established an irreducible debt-bearing annual interest at the rate of 6 per cent for the benefit of public schools. The Garver Act, passed in 1917, provided that the proceeds from the sales of school lands and minerals thereon shall be placed in the State depository, from which they shall draw interest until invested in bonds. The amount so invested was reported at the close of the fiscal year 1925-26 as \$328,248.90, yielding an annual interest of \$16,550.19.¹⁸ This interest is the only State support for public elementary and secondary schools which is not provided by an appropriation from the State general revenue fund.

Educational equalization fund.—By an act passed in 1921, Ohio created her-so-called educational equalization fund. Until 1923, the moneys for this fund were provided by levying a general property tax of .15 of 1 mill.¹⁸ In 1923, the general assembly adopted the policy of substituting for the former general property tax a flat appropriation from the State general revenue fund.¹⁹

Vocational education fund.—The vocational education fund consists of two parts: (1) Subventions from the Federal Government under the Smith-Hughes Act, and (2) State annual appropriations sufficient at least to match the Federal funds. Ohio, in common with other States, receives Federal subventions for vocational education under the Smith-Hughes Act. The past two or three legislatures have not appropriated enough moneys for vocational education to match dollar for dollar the Federal subvention. The Federal allotment for 1926 amounted to \$381,013.41 and the State appropriation to \$337,224.10.²⁰

State aid for physically handicapped children.—Any local board of education may secure permission from the director of education (State superintendent of public instruction) to establish and maintain special classes for the instruction of deaf, blind, or crippled children. The State provides annual appropriations to aid districts in meeting the costs of such classes.²¹

County superintendents' salary fund.—The present account does not include appropriations for the State division of education and departments and projects which are integral parts of this division

¹⁷ For a brief history of these grants see F. H. Swift, op. cit., p. 308.

¹⁸ Ohio Sch. Laws, 1922, pp. 202-203, secs. 7577-7578.

¹⁹ Ohio Aud., An Rept., 1926, pp. 295, 297.

²⁰ Laws of Ohio, 1921, pp. 148, 315.

²¹ Ohio Sch. Laws, 1922, pp. 57-58, secs. 366-367; Ohio Aud. An. Rept., 1926, p. 121; Federal Board for Vocational Education, Rept., 1926, Table 21, p. 157.

²² Ohio Sch. Laws, enacted by the eighty-sixth general assembly, 1925, p. 43, sec. 7755, 7758.

and its undertakings, unless such funds are provided by the State for distribution among local school corporations. For 1925-26, Ohio appropriated \$331,510 for the State department of public education.²² The State pays one-half of the first \$2,000 of the salary of every county superintendent of schools and one-half of the first \$1,500 of the salary of every assistant superintendent. The salaries actually received by these officers throughout the State are considerably in excess of these maximums recognized by the State for reimbursement.²³

The amounts appropriated from the State general revenue fund for meeting the State's obligations for the year 1925-26 to the funds described in the preceding paragraphs of the present account are shown in Table 3.

TABLE 3.—*Appropriations from Ohio State general revenue fund for elementary and secondary educational purposes, year ended June 30, 1926*

Purpose	Amount	Per cent
Educational-qualization fund	\$3,547,000.00	75.12
Classes for deaf, blind, and crippled children	433,100.00	9.17
Vocational-education fund	337,224.10	7.14
Common-school fund interest	253,682.79	5.38
Salaries of county superintendents and assistant superintendents	150,712.50	3.19
Total	4,721,719.39	100.00

¹ Ohio Aud., An. Rept., 1926, pp. 118, 121, 147, 268, 275.

² The amount originally appropriated was \$2,500,000. This was supplemented by a deficiency appropriation making the total fund distributed \$3,547,000 for 1926 and \$3,453,000 for 1926-27. Ohio Aud., An. Rep., 1926, p. 275, and data furnished to author Jan. 31, 1928, by T. H. Winters, assistant State director of education.

Apportionment of State School Funds

Common-school fund.—The interest which the State pays on the irreducible debt representing the proceeds of the sales of Ohio school lands is distributed, as will be shown later, directly to "the original surveyed townships or other districts of the county in which these lands were located."²⁴

The auditor of the State is required by law to keep an account with and for each township or school district in the State, showing the capital sum credited to the common-school fund (irreducible debt) belonging to each such township or district, the annual interest accruing on the same, and the disbursement of such interest.²⁵ With each February settlement, the State auditor transmits to the county treasurer a certified statement showing the amount of interest derived from the common-school fund payable to each original surveyed township or other district within the county.²⁶

²² Ohio Aud., An. Rept., 1926, p. 118.

²³ Based upon communication dated Jan. 31, 1928, from T. H. Winters, Ohio asst. State dir. of educ.

²⁴ Ohio Sch. Laws, 1922, p. 203, sec. 7579, and p. 214, sec. 7600.

²⁵ Ibid., p. 204, sec. 7580.

²⁶ Ibid., p. 207, sec. 7583.

This interest is paid to the townships and other districts within the county in proportion to their share of the original proceeds of the sales of school lands in each such township or district.²⁷

School trust fund.—This fund is merely the portion of the common-school fund represented by productive investments. Interest, therefore, on the school trust fund, like the interest paid on the portion of the common-school fund included in the State irreducible debt, is returned to the townships and other districts in proportion to their original ownership of the lands from which the fund has been derived.²⁸

Vocational education fund.—The method of apportioning vocational education funds must be in harmony with the intent and purposes of the Federal act.

State aid for physically handicapped children.—With the approval of the director of education any district may provide special classes or schools for blind, deaf, or crippled children. An annual appropriation is provided from the State general revenue fund to aid districts in meeting the costs of such classes.

The amount received by any district is the difference between the actual cost of maintaining a special class or classes for physically handicapped children and the cost computed for the instruction of the same number of children of normal needs in the same school grades; provided that such difference shall not exceed, for nine months' instruction, \$375 for the blind and \$300 for the deaf or crippled, and proportionate amounts for those instructed for less than nine months or more than nine months.²⁹ The right to this reimbursement is dependent upon the equipping and conducting of the classes according to standards established by the director of education. Children who can not leave their homes are taught by teachers whose remuneration for this work is financed from this fund.³⁰

Educational equalization fund.—This fund provided by an annual appropriation from the State general revenue fund is administered by the State director of education. The board of education of any school district may make application to the State director of education prior to July 31 to participate in the equalization fund.

The State director of education must then determine by investigation whether or not the following three conditions for participation are being satisfied: (1) The levying of a district school tax for cur-

²⁷ Ohio Sch. Laws, 1922, and F. H. Swift, A History of Public Permanent Common School Funds in the United States, p. 368.

²⁸ Ohio Auditor, An. Rep., 1926, p. 295.

²⁹ Laws of Ohio, 1925, pp. 26-29.

³⁰ Statement furnished by T. H. Winters, Ohio Asst. State Director of Educa., in communication dated Jan. 31, 1928.

rent expenses of at least 8 mills and for all school purposes of at least 9.5 mills;²¹ (2) that the property of the district is assessed at a reasonable portion of its value as determined by the State tax commission;²² (3) that the local administration of the schools of the district is satisfactory.

The State director of education may order as a condition of participation in the equalization fund any adjustments or changes in the school policies of the district and its administration which he regards as necessary.

The State director is required to fix tentatively for districts which participate in the State equalization fund schedules for salaries, contingent expenses, and transportation expenses, provided that such schedules shall not exceed the average of those of villages and rural districts not participating in the fund. If it appears that the tentative schedules fixed by the State director of education are so high that the fund will not meet all applications, then the director is required to lower his schedules and to order such changes in the plans of the schools as will enable them to be operated during the entire ensuing year within the limits of the appropriation for the equalization fund. "The salary schedule for districts participating in the equalization fund shall be uniform and shall be rigidly adhered to. Any district that exceeds the salary schedule from any public funds shall be disqualified for participation in the State educational equalization fund."²³

Determination of district's quota.—The amount granted to any district from the State-equalization fund is the sum necessary to supplement the revenues which the district will receive from other sources, in order to enable the district to maintain its schools on the schedules fixed by the State director of education.²⁴ The funds which the district will receive from other sources, and which must be subtracted from the cost of its approved budget, are the funds derived from the following sources: (1) The State common-school fund, (2) the proceeds of a county compulsory school tax of 2.65 mills, and (3) a minimum district tax which must be levied by every district as a condition of eligibility for participation in the State educational equalization fund. As already explained, the minimum of these two taxes is 9.5 mills.

County equalization fund.—Every county is required by law to levy annually a general property tax of 2.65 mills, the proceeds of

²¹ Laws of Ohio, 1925, p. 481. This minimum of 9.5 mills includes the 2.65 mills county school tax. (Statement furnished author by T. H. Winters, Asst. State Director of Education of Ohio.)

²² *Ibid.*, 1923, p. 316. The commission may order a revaluation of the district before allowing it to participate in the equalization fund.

²³ *Ibid.*, pp. 317-318, sec. 7596-2.

²⁴ *Ibid.*, p. 318, sec. 7597.

which shall be retained in the several counties for the support of schools.²⁵ Although the laws provide no distinctive title for this fund, it is frequently designated in State official documents as the county equalization fund, a title which appears to be justified in view of the purpose of the fund and the method of distribution.

The county equalization fund is distributed semiannually by the county auditor. Each city school district and each exempted village school district receives the full amount of the proceeds of the levy of 2.65 mills in the given district. The proceeds of the tax upon property not included in city districts or in exempted village school districts is apportioned among the remaining school districts as follows: 37.5 per cent of the salary of every teacher, including every teacher giving instruction in trade or technical schools, extension schools, night schools, summer schools, and other special school activities, not exceeding \$900 per teacher is paid from this fund. No district which pays any full-time teacher an annual salary of less than \$800 may share in this distribution. In the case of a superintendent, the quota shall be determined on the basis of the proportion of his working time not given to supervisory duties. To aid districts in meeting the costs of the transportation of pupils, there shall be paid from the county equalization fund to each district 50 per cent of the expense incurred in such transportation. The balance of the county equalization fund available for the class of districts under discussion, and remaining after the above teacher and transportation quotas have been paid, is prorated among all eligible districts within the county, in proportion to the number of their respective aggregate days of attendance.

No school district shall be entitled to receive any portion of the fund until the reports of numbers, salaries, and qualifications of teachers employed, and aggregate days of attendance and expense of transportation of pupils, have been made as required by law.²⁶

Conclusion.—From the account thus far given, it is evident that Ohio is frankly committed to the policy of equalization. The real test of the Ohio plan, as well as that of any other State plan, is the extent to which a satisfactory school program is provided and equalized. The Ohio plan is obviously open to the possible criticism that it fails to guarantee the equalization of any state-wide program but that on the contrary, it definitely provides for the prorating of the equalization fund, should this fund ever prove insufficient to meet the legitimate needs of all eligible districts. It is claimed, however, that in actual practice, there has never been any prorating downward.²⁷

²⁵ Ohio Sch. Laws, 1922, p. 204, sec. 7580.

²⁶ *Ibid.*, p. 214, sec. 7600.

²⁷ For an evaluation of the Ohio plan of apportionment by Asst. State Director of Education see American School Board Journal, April, 1928, p. 140.

CHAPTER XXXIV

OKLAHOMA

Unique features of Oklahoma system of school support.—Oklahoma belongs to that group of States which have accepted the theory that upon the State rests the responsibility of making definite provision for equalizing school revenues, school burdens, and thereby educational opportunities. After experimenting for a number of years with a State equalization fund, provided by an appropriation from the general revenue fund, Oklahoma in 1927 enacted into law the policy of deriving such a fund from the proceeds of a State gross production tax on mineral products. A distinctive feature of the Oklahoma plan is granting the State board of education a large degree of discretionary power in the apportionment of the State equalization fund.

In the past Oklahoma has derived the majority of her State school revenues from the income of the permanent common-school fund, e. g., in 1925 approximately 59 per cent. In that year the appropriation to aid weak districts amounted to only \$500,000. The act of 1927 provides for an equalization fund of \$1,500,000, with the result that the relative importance of the income of the permanent common-school fund will naturally decrease.

State taxes provide revenue for public elementary and secondary schools in Oklahoma through three different funds: (1) Funds derived from taxes levied specifically for schools, the entire proceeds of which are devoted to the same, e. g., State school ad valorem or general property taxes; (2) funds derived from State taxes on a part of which the schools have a definite claim, e. g., the equalization fund created in 1927 by an act which sets aside \$1,500,000 from the proceeds of the gross production tax; (3) appropriations for State educational boards and other State educational projects, to be paid from the State general revenue fund. This fund is derived chiefly from the proceeds of seven types of State taxes which in 1926 made the following contributions: Gross production tax, 48.9 per cent; ad valorem tax, 28.2 per cent; insurance premiums tax, 5.3 per cent; 10 per cent of the proceeds of the automobile license tax, 4.1 per cent; income tax, 2.8 per cent; corporation license tax, 2.7 per cent; and inheritance tax, 0.9 per cent. Obviously, the taxes

contributing to the general revenue fund in 1926 were those collected in 1925. No report is available at the present writing (January, 1928) showing the taxes collected in any more recent year.

The relative importance of the seven types of taxes listed above will undoubtedly undergo marked changes in the next few years, for at least two reasons. Beginning with the fiscal year 1926, all automobile license tax proceeds will be credited to the road fund, and the policy of crediting 10 per cent of such tax receipts to the general revenue fund will be discontinued. And an act passed by the legislature of 1927 made large increases in the rates of State inheritance taxes, so that such taxes will furnish a relatively larger percentage of the general revenue fund than they have in the past. Table 1 presents an analysis of the general revenue fund for the year 1926, showing the major sources from which this fund was derived and the amount and per cent contributed by each source.

TABLE 1.—Analysis of Oklahoma general revenue fund, 1926¹

Source	Amount	Per cent of total
Taxes:		
Gross production.....	\$5,525,557.05	48.9
Ad valorem.....	3,183,023.22	28.2
Insurance premium.....	596,165.69	5.3
Automobile license.....	406,954.08	4.1
Income.....	318,982.42	2.8
Corporation license.....	301,994.59	2.7
Inheritance.....	96,176.18	.9
Total taxes.....	10,488,853.23	92.9
Fees.....	598,627.79	4.5
Miscellaneous receipts.....	298,530.41	2.6
Total.....	11,296,011.43	100.0

¹ Okla. Aud., Bien. Rept., 1926, pp. 7-8.

Types of State Taxes Levied

Ad valorem or general property tax.—A State ad valorem or general property tax is levied on all real estate and personal property not specifically exempted by law, including the property of corporations.¹ After the legislature has made the appropriations for a given year, the State board of equalization determines the amount of revenue that may be expected from sources other than the ad valorem tax. The rate required to meet the balance is then fixed by the State board of equalization as the rate of the ad valorem tax to be levied for the benefit of the State general revenue fund from which the appropriations shall be paid. To this rate is then added one-fourth of 1 mill for common schools and one-fourth of 1 mill for county roads.

¹ U. S. Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 363, sec. 2.

The proceeds of the State school tax are credited to the common school fund and distributed among the counties on the basis of school census. Proceeds of taxes collected for road purposes are returned to the county from which collected.²

Gross production tax.—Under the gross production law, the State levies a tax of 8 per cent of the actual cash value of the gross production of natural gas, petroleum, or other crude oil, less royalty interest, and a tax of one-half of 1 per cent on the gross value produced (less royalty interest) of asphalt and ores bearing lead, zinc, jack, gold, silver, and copper.³ This tax is in lieu of all other taxes, State and local. The owner of any royalty also pays a tax unless his interest is expressly exempted from taxation.⁴

The proceeds of the gross production tax are distributed as follows: (1) One-third is returned to the county from which collected; (2) two-thirds is retained by the State for current expenses of State government and for the State special common school equalization fund. Of the third returned to any county, one-half must be used for the benefit of common schools, and one-half for the construction of permanent roads and bridges.⁵ An act passed in 1927 permits the excise board of any county to appropriate \$10,000 of the proceeds of the gross production tax credited to the county highway fund to be expended for the current expenses of jurors and witnesses of the county district court.⁶

Gross production tax, lint cotton.—In 1927, a law was passed providing for the levying of a gross production tax of one-tenth of 1 per cent upon the gross value of any product manufactured from lint cotton. Twenty-nine thirtieths of the proceeds of this tax shall be divided among the county, the city, or township, and the school district in which the mill producing the taxed product is located. The remaining one-thirtieth of the proceeds shall be credited to the State general revenue fund.⁷ As this is a new tax no record of its proceeds appears in the present account. This law has not yet been put into effect.⁸

Corporation taxes.—All public-service corporations, including transportation and transmission companies, gas, electric light, heating and power companies, water works and water power companies, and all persons or corporations authorized to exercise the right of

² Okla. State Aud., Bien. Rept., 1926, p. 40; F. F. Blachly, *The Financial System of the State of Oklahoma*, p. 5.

³ Rev. Laws of Okla., 1910, sec. 7464, as amended by an act approved Feb. 14, 1916; Okla. State Aud., Bien. Rept., 1926, pp. 37-41; Sch. Laws of Okla., 1925, p. 99, sec. 455.

⁴ F. F. Blachly, *The Financial System of the State of Oklahoma*, p. 8.

⁵ Okla. State Aud., Bien. Rept., 1926, p. 41; Okla. Sch. Laws, 1925, p. 99, sec. 455.

⁶ Session Laws of Okla., 1927, p. 76, ch. 55.

⁷ *Ibid.*, pp. 173-176, ch. 111.

⁸ Statement received Feb. 16, 1928, from Okla. State Supt. of Pub. Inst., John Vaughan.

eminent domain over public roads and ways, are subject to a tax of 4 per cent on their gross receipts in lieu of all other taxes. The proceeds of such taxes are credited to the general fund.

Gross receipts of interstate companies subject to the above tax are that portion of the total receipts that the business done in the State bears to the whole business, unless satisfactory evidence is presented to the corporation commission that some other basis of adjustment is more fair and just.⁹

Business and occupational taxes.—Oklahoma in common with most other States levies State license taxes upon a long list of occupations, professions, and various types of business. In addition to this, fees must be paid to State officials for public services rendered, such as inspection of manufactured products, examination of banks, fees for filing articles of incorporation, etc.

Insurance premiums tax.—Insurance companies pay a variety of fees, and foreign insurance companies, including bond companies, "pay in addition to the entrance fee an annual tax of 2 per cent on all premiums collected in the State, after all cancellations and dividends to policyholders are deducted."¹⁰

Automobile license tax.—An annual license tax or fee shall be paid to the department of highways upon the registration of automobiles, motorcycles, and motor trucks.¹¹ In 1925, 10 per cent of the automobile license taxes collected by the State highway department was credited to the State general revenue fund. Beginning with the fiscal year 1926, all automobile license tax proceeds will be credited to the road fund.¹²

Income tax.—All incomes in excess of \$3,000 are subject to a State income tax varying from 7½ to 20 mills per dollar.¹³

Inheritance taxes.—In 1927, a new inheritance law was passed providing for a new classification of estates and new rates. Under the 1927 act, the rates on unexempted portions of inheritances vary from 1 per cent on such inheritances up to \$25,000, to 16 per cent on inheritances in excess of \$10,000,000.¹⁴

State School Funds

Oklahoma provides six State current school funds which contribute to the support of public elementary and secondary schools, (1) the income (including interest and land rentals) of the permanent common-school fund; (2) the proceeds of the State one-fourth mill ad

⁹ U. S. Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 308, sec. 9.

¹⁰ Ibid., p. 309, sec. 4.

¹¹ Session Laws of Okla., 1927, pp. 182-183, ch. 116.

¹² Okla. State Aud., Bien. Rept., 1926, p. 9.

¹³ Session Laws of Okla., 1921, ch. 44; Okla. State Aud., Bien. Rep., 1926, pp. 33-37.

¹⁴ Ibid., 1927, pp. 176-179, ch. 112.

valorem or general property tax; (3) appropriations for various departments and projects paid from the general revenue fund; (4) union graded and consolidated school district fund; (5) State text-book fund; and (6) special common-school equalization fund created in 1927.

Common-school fund.—The permanent common-school fund of Oklahoma is a fund which has been derived from two major sources: (1) The proceeds of the sales of lands embraced in sections numbered 16 and 36 in each congressional township granted by the United States to Oklahoma for the benefit of common schools upon the State's admission into the Union; (2) a sum of \$5,000,000 also granted to the State upon its admission into the Union.

The grant of \$5,000,000 was in lieu of grants of congressional township school sections in that part of the State composed of what had been Indian Territory. Owing to the fact that the land in Indian Territory was owned by the Indians, Congress was unable to donate from this portion of the State the customary Federal lands, and consequently made this money grant.¹⁵

The condition of the common-school fund at the close of the biennium 1925-26 is shown in Table 2.

TABLE 2.—Condition of the Oklahoma permanent common-school fund, 1926 *

Item	Amount
Investment in farm loans.....	\$19, 452, 505. 25
Unpaid balances on lands sold (bearing 5 per cent interest)....	6, 293, 921. 95
Appraised value of unsold lands.....	5, 207, 787. 50
Total	30, 954, 191. 70

Appropriations From General Revenue Fund

Although the public-school projects which the State finances in part or entirely by appropriations from the general revenue fund may vary from year to year, there are certain projects and departments which remain constant. These include the State board of education, the office and staff of the State superintendent, vocational education, the tuition of orphans resident in institutions which maintain no schools of their own, building aid to consolidated and union graded school districts, and aid to weak districts formerly provided by biennial appropriations from the general revenue fund but beginning with 1927 by the equalization fund. The funds provided for the first two of the above projects, the office of the State superintendent and State board of education, call for no comment. The funds pro-

* This amount was reached by the United States Government by figuring the number of acres of land in the sections in Indian Territory and computing the total value on the basis of \$3.53 per acre. Oklahoma State Auditor, Bien. Rept., 1926, p. 15.

* Okla. State Aud., Bien. Rept., 1926, p. 17.

vided for vocational education, are those furnished by the State to match the Federal subventions under the terms of the Smith-Hughes Act.

Tuition of orphan children.—The education of all children in any orphanage or similar institution which does not maintain a school of its own, rests with the board of education of the school district wherein such institution is located. The State provides an annual appropriation to cover the approved balances from all such institutions reported.

For 1925-26, the State appropriated \$42,000 for this purpose, which constituted 35.9 per cent of \$119,640, the total amount appropriated for that year for this purpose.¹⁶

Building aid.—The proceeds of the sales of all lands embraced in section 33 in Greer County, together with all rentals and sales accruing therefrom, are by law credited to the union graded and consolidated district fund, to assist in constructing or paying for school buildings for consolidated districts or union graded districts.¹⁷

The lands thus set aside in Greer County amounted to 40,480 acres. At the close of the year ending June 30, 1926, the fund was reported as consisting of 5 per cent interest-bearing mortgages amounting to \$144,730.18, and unsold lands appraised at \$30,200, making a total prospective fund of \$174,930.18. The principal and earnings of this fund are alike used, so that in time the fund will be exhausted.¹⁸

To encourage consolidation, the State provides reimbursements for building costs to consolidated school districts and union graded districts. Any consolidated school district which has already constructed and furnished a suitable school building of not less than three rooms, is eligible for a reimbursement of an amount not to exceed one-half the cost of said building, provided that in no case shall such reimbursement exceed \$2,500. This reimbursement is made subject to the following conditions: (1) That the district "has been formed" (maintained a school) for at least three months; (2) that it has employed at least three teachers; (3) that the school has had an actual attendance of at least 130 resident pupils; (4) that the district has furnished free transportation as required by law. The State board of education may decrease the grant for any one district if in its judgment the amount is more than the fair proportion belonging to one district.

Any union graded district which has constructed and furnished a suitable school building of not less than two rooms is eligible for a reimbursement not to exceed one-half the cost of said building, provided that in no case is such reimbursement to exceed \$1,250. This

¹⁶ Okla. Sch. Laws, 1925, pp. 33-34, secs. 147-150.

¹⁷ *Ibid.*, p. 39, sec. 171.

¹⁸ Okla. State Aud., Bienn. Rept., 1926, pp. 16, 17.

reimbursement of \$1,250 is subject to the following conditions: (1) Maintenance of a 6-month school term, (2) provision of two teachers, and (3) attendance of 40 pupils. Transportation is not required, but the State board of education is authorized to decrease the grant. In 1921, the State appropriated \$75,000 from the union graded and consolidated district school fund and the same amount from the general revenue fund, making a total of \$150,000.¹⁹ The annual appropriation for each of the two years 1925-26 and 1926-27 amounted to only \$30,000, and was derived entirely from the union graded and consolidated school district fund.²⁰

State textbook fund.—A law was passed in 1923 which required the State treasurer to set aside "the net amount of money collected by the State insurance commissioner from all foreign insurance companies doing business in the State of Oklahoma (foreign fire insurance companies excepted)" for the purpose of supplying free textbooks to children attending public school in grades 1 to 8, inclusive. The act provided further that there should be set aside from such moneys during the fiscal year 1923-24, \$600,000; and \$350,000 during the following fiscal year, said money to be designated as the State textbook fund.²¹

The amount actually appropriated for the year 1925 amounted to \$650,000, payable from "any moneys in the State treasury not otherwise appropriated," that is, the general revenue fund.

The free textbook law was repealed by popular vote in 1927.

Equalization fund and aid to weak schools.—For a number of years prior to 1927, it had been customary for Oklahoma to make biennial appropriations payable from the general revenue fund to provide aid to weak schools. In 1923, the legislature appropriated \$650,000, and in 1925 appropriated \$500,000. The fund thus provided was to be used exclusively for the payment of teachers' salaries, and was distributed among the more needy districts of the State which had levied a district tax of the maximum legal rate. The bases on which the total fund was apportioned varied with the type of district.²²

Equalization fund created 1927.—In the year 1927, the legislature passed an act appropriating \$1,500,000 for the aid of weak schools. This act was later repealed and a fund to be known as the special common-school (equalization) fund was created, to take the place of the said appropriation.

As stated in a former paragraph, two-thirds of the proceeds of the gross production tax on oils, gas, or other minerals is retained by the State. Formerly, the entire proceeds were credited to the State general fund, from which were made the appropriations already

¹⁹ Session Laws of Okla., 1921, pp. 215-216, ch. 191.

²⁰ Ibid., 1925, p. 113, ch. 66.

²¹ Ibid., 1923, pp. 292-298, ch. 175.

²² Ibid., 1923-24, pp. 121-123, ch. 103; *ibid.*, 1925, pp. 2-4, ch. 2.

described to provide aid for weak schools. The act of 1927 provided that 25 per cent of the proceeds of any gross production tax now or hereafter collected on oil, gas, or other minerals shall be credited to the special common school fund, provided that the amount so credited shall not exceed \$1,500,000 annually, and provided further that the excess over the said amount shall be credited to the general revenue fund of the State.²³

State Taxes as Sources of State Schools Fund

Table 3 presents for 1924-25 an analysis of the public-school moneys provided by the State. From this table, it will be seen that 13.5 per cent of the total State-derived school revenues were the proceeds of the State general property tax, and 27.3 per cent were derived from appropriations paid out of the general revenue fund. In view of the fact that this latter fund is almost entirely composed of the proceeds of State taxes and license fees, we may regard this latter percentage as representing essentially tax proceeds. The State equalization fund created in 1927 does not, of course, appear in Table 3.

TABLE 3.—*Analysis of Oklahoma State-provided public-school receipts, 1924-25¹*

Source	Amount	Per cent
Permanent school fund interest and land rentals.....	\$1,699,353.13	59.2
State 0.25-mill tax.....	386,284.17	13.5
Appropriations from general revenue fund:		
Aid to weak districts ²	500,000.00	
Building aid for consolidated and union districts.....	125,000.00	
Orphans' tuition.....	58,528.00	
Vocational department.....	55,900.00	
State superintendent's office.....	36,439.00	
State board of education.....	9,275.00	
Total.....	785,142.00	27.3
Grand total.....	2,870,779.30	100.0

¹ Okla. State Supt. of Pub. Instr., Bien. Rept., 1926, pp 11-13.

² Supplanted in 1927 by equalization fund.

TABLE 4.—*Oklahoma public-school appropriations from the general revenue fund, 1925-26^a*

Purpose	Amount	Per cent
State department of public instruction:		
Salaries, traveling expenses, etc.....	\$37,915	31.2
Union graded and consolidated school fund.....	30,000	25.1
Tuition of orphan children.....	42,000	35.1
Total.....	109,915	91.4
State board of education:		
Expenses, office equipment and supplies.....	10,325	8.6
Grand total.....	-119,640	100.0

^a Okla. Session Acts, 1925, p. 98, sec. 1, ch. 66, and p. 113, ch. 66.

²³ Session Laws of Okla., 1927, p. 144, sec. 7.

Apportionment of State School Funds

The statements presented in preceding paragraphs make unnecessary any further account of the methods and bases employed in the distribution of any funds save three, namely, the income of the permanent common-school fund, the proceeds of the one-fourth mill general property tax, and the special common-school (equalization) fund.

Common-school fund income and State tax.—The income from the permanent common-school fund,²⁴ together with the proceeds of the State or general property or ad valorem tax of one-fourth of 1 mill, is apportioned among the counties of the State by the State superintendent of public instruction on the basis of school census; that is, the number of children between the ages of 6 and 21 years. The moneys received by the counties are disbursed among their respective constituent school districts on the same basis, namely, school census.²⁵

Equalization fund.—In apportioning the special common-school fund, two general bases are employed: A per-pupil basis, in this case average daily attendance, and the basis of the financial need of the districts.²⁶

All districts applying for aid shall be aided in the order of their weakness as exhibited in their sworn statements as to assessed valuation per child and expenditure per child and other provisions of this act.²⁷

Average daily attendance shall be determined by dividing the number of days actually taught during the school year into the aggregate days of attendance of all pupils; provided, that no school district shall be eligible under the terms of this act which does not provide for at least an 8-month term of school.²⁸

In order to reduce high-school and grade attendance to approximately the same cost level, the total average daily attendance counted for a school shall have added to it the average daily attendance in the high-school grades if such be maintained.

The equalization aim is further evident in the provision that—

In order not to penalize unduly 1 and 2 room schools, the minimum average daily attendance counted for 1-room schools shall be 25, if the actual average daily attendance be that number or smaller. In 2-room schools having an average daily attendance of not less than 30 and not more than 50, the number counted for such schools shall be 50.²⁹

The State fixes as the maximum program which it will equalize from the special common-school fund, a program represented by a maximum expenditure of \$45 per pupil in average daily attendance.³⁰

²⁴ Including interest on investments and rents from school lands.

²⁵ Sch. Laws of Okla., 1925, secs. 4, 12, 23, 201.

²⁶ Session Laws of Okla., 1927, pp. 141-142, ch. 91, secs. 2 and 3 (b).

²⁷ Ibid., p. 142, sec. 3 (d).

²⁸ Ibid., p. 142, sec. 3 (b).

²⁹ Ibid., p. 143, sec. 3 (f).

The law has attempted to limit the benefits of this fund not only to the more needy districts of the State, but to those which measure up to a minimum standard of effort as represented by the levying of local taxes of a fixed rate and by the provision of certain minimum school facilities. Again, the law provides for excluding from the benefits of this fund, districts which expend excessive amounts for athletic instructors or employ an unnecessary number of teachers.

The conditions to be met and the limits imposed may be summarized as follows: (1) Disbursements must not exceed \$1,500,000 annually; (2) no district shall receive aid in any amount, "which, when considered with its local resources and expenses, will cause the total annual expenditure per pupil in average daily attendance to exceed \$45 per pupil"; (3) no district shall receive aid for a school employing two or more teachers for one school when the average daily attendance in said school does not exceed 25 pupils; (4) no school in a city of the first class, employing two or more supervisors, is entitled to aid under the provisions of this act; (5) no district that pays an athletic instructor or coach more than \$125 per month shall participate in this fund; (6) no school is eligible to receive aid which does not provide at least an 8-months school term; (7) no district shall receive aid without first having levied the maximum local school tax of 15 mills for the current year; (8) in extending aid to the separate schools of any county, all of said schools in a county shall be considered together as one district, and if the county shall have levied 2 mills for common schools, the separate schools in said county may receive aid in toto in such amounts as is consistent with the provisions of this act as the State board of education may approve; (9) the State board is authorized to withhold aid from any district when it is apparent, because of small attendance, that transportation of the pupils to an adjacent school would be an advisable program; (10) no district shall receive aid in excess of its actual needs as shown by financial reports forwarded to the State board of education, and as determined by the State board of education.

Conclusion

Although the law sets up, as shown in the summary just presented, a considerable number of conditions which must be met, and limits which must be observed in apportioning the fund, nevertheless, the State board of education is granted considerable leeway in determining the order in which districts shall be aided and the extent to which such aid shall be granted. This discretionary power is embodied in the provision authorizing the State board to take into

account any unusual change in the status of a district during the current year which would affect its daily attendance.³⁰

This discretionary power of the State board of education is evident again in the provision that authorizes the State board to withhold aid from any district when it is apparent that transportation to an adjacent school would be a sounder policy than attempting to maintain a school in the district.³¹

In order to receive consideration for participation in the special common school fund, districts must submit an estimate of their current expenses and current revenue as a basis for State aid.

The approved estimate of the district for the current year for each school district applying for State aid shall be used as a basis of calculation in determining the financial condition of the district, and no district shall be aided in excess of its actual needs, based upon information contained in such reports as the State board of education may require.³²

³⁰ Session Laws of Okla., 1927, p. 142, sec. 8 (b).

³¹ *Ibid.*, p. 143, sec. 8 (e).

CHAPTER XXXV

OREGON.

Types of State taxes.—Oregon levies the following types of State taxes: (1) Corporation taxes; (2) business, occupational, professional, and miscellaneous license taxes and fees; (3) general property taxes; (4) graduated net income taxes; (5) inheritance taxes; (6) motor-vehicle fuel taxes. The constitution forbids the levying of any poll tax. A proposal to levy a tobacco and cigarette tax was rejected by a majority vote at a general election in November, 1926.¹

Of the six types of State taxes the only one employed to provide school revenues is the general property tax. The only appropriations from the State general fund benefiting public elementary and secondary schools constitute too negligible a fraction of the State general fund and of the total school revenues provided by the State, to warrant any attempt to determine the extent to which the various types of taxes contributing to the general fund might be regarded as furnishing indirectly State school revenue.²

State School Funds

The laws of Oregon provide two funds for the support of the public schools of the State: (1) The (permanent) common-school fund and (2) the so-called "State" elementary-school fund.

Common-school fund.—The common-school fund, also styled the irreducible school fund and the State school fund,³ is a State permanent endowment fund, the principal of which must be inviolably

¹ Gen. Laws of Oreg., 1927, p. 14.

² The total receipts credited to the State general fund, 1924-25, amounted to \$15,610,278.13. (Blen. Rept. of the State Treas. of Oreg., 1924-1926, p. 23.) The legislature of 1927 made only three appropriations from the general fund benefiting elementary and secondary public schools directly or indirectly, namely: For the superintendent of public instruction, salaries, staff, office, \$50,100; for State board of vocational education, \$40,000; State textbook commission, \$500. (Gen. Laws of Oreg., 1927, ch. 202 and 445.) These appropriations, totaling \$90,600, were for the biennium 1927-28. The appropriations for one year may be estimated at one-half the biennial appropriation, namely, \$45,300, a sum which is slightly less than three-tenths of 1 per cent of the total general fund.

³ Common-school fund, the title provided by the constitution, Art. VIII, sec. 2, is employed in the Rept. of the State Treasurer, 1927, pp. 24 and 25. Irreducible and State fund are employed in the Oreg. Sch. Laws, 1927, p. 27, sec. 57. State Sch. Fund is used in the index to the Oreg. Sch. Laws, 1927, and elsewhere.

preserved and the income of which must be used for the support and maintenance of elementary and secondary schools.

The laws of Oregon set aside no less than 13 sources,⁴ the moneys derived from which shall constitute the principal of the common or irreducible school fund. Of these the most important are the proceeds of the sale of school lands,⁵ granted by the Federal Government to Oregon upon its admission into the Union. On September 30, 1926, the principal of the fund amounted to \$851,993.65. The income of the fund for the year 1925-26 (including a balance from the previous year of \$50,423.96) amounted to \$480,961.25.⁶

"State" elementary-school fund.—The State law requires that there shall be levied and collected annually in each county on its equalized valuation, a general property tax of 2 mills. The proceeds of the tax are paid into the treasury of the county wherein levied and collected, to be credited later to the "State" elementary-school fund of the county whence they are apportioned among the school districts of the county.

A fund of this type must be carefully distinguished from a fund derived from the proceeds of a State tax, the entire proceeds of which are paid into the State treasury and distributed among the districts of the State by a method which disregards entirely the boundaries of the local units originally providing the revenues composing the State fund.

Despite the fact that this fund is in the laws called a State fund, it would appear that the tax from which it is derived is in reality not a State tax, but a county compulsory 2-mill tax, the proceeds of which are employed not to create a State fund but rather a county school fund.

If the State elementary-school fund of Oregon be classified as a State fund it will be necessary to classify the county elementary-school fund and the county high-school fund of California as State funds, for these funds, like the Oregon State elementary-school fund, are derived from the proceeds of a compulsory tax, the proceeds of which (as in the case of Oregon) are apportioned among the districts and county by a method determined by State law.

Rainey writes: "The 2-mill State elementary tax theoretically is a State tax but in reality is only a county tax, since the proceeds of each county are returned to the county for distribution."⁷

⁴ Eight such sources are specified in the *Oreg. Sch. Laws, 1927, p. 93, sec. 293*. Five additional sources are listed in the *Bien. Rept. of the Oreg. State Treasurer, 1924-26, p. 24*.

⁵ Sections No. 16 and No. 36 in each congressional township.

⁶ *Oreg. State Treasurer, Bien. Rept., 1924-26, pp. 24 and 25*.

⁷ Homer P. Rainey, *The Distribution of School Funds in the State of Oregon; University of Oreg. Pub., Educ. Series, vol. 1, No. 1, p. 67*. Rainey gives a very valuable criticism of Oregon's method of apportioning funds.

Relative Importance of State Funds

The total revenue provided for Oregon public schools for the year 1925-26 amounted to \$26,577,817.64.⁸ Of this total amount, the State (in reality county) elementary-school tax provided \$2,109,095.15,⁹ or approximately 8 per cent (7.9 per cent),⁹ of the total receipts. The income of the irreducible State school fund for the same year amounted to \$385,655.91⁹ or approximately 1.4 per cent⁹ of the total receipts. The balance, approximately 90.7 per cent⁹ of the total receipts was derived from county and district sources. These local revenues together with the so-called State, but in reality county, elementary-school tax provided 98.6 per cent of the total school receipts.

Apportionment of State School Fund

Irreducible school fund.—The State land board apportions the income of the irreducible school fund annually on August 1, "and oftener if deemed advisable," among the several counties of the State in proportion to the school census of each; i. e., in proportion to the number of children between the ages of 4 and 20.¹⁰

On the same basis the quota received by each county is apportioned annually on the first Monday in October by the county school superintendent among the districts within the county.¹¹ At least 85 per cent of the moneys received by school districts as quotas from apportionment of the income of the irreducible school fund shall be applied to the payment of teachers' salaries.¹²

"State" elementary school fund.—It has already been pointed out that this fund is in reality a county fund. The proceeds of the so-called State elementary school tax of 2 mills are paid into and retained in the treasury of the county in which levied and collected.¹³

Immediately on the first Monday in May and at such other times during the year as he may deem advisable, the county superintendent of schools apportions the "State" elementary school fund in the county treasury among the several districts in his county, in proportion to the number of teachers employed in the first eight grades of the public schools in the several districts.

The number of teachers allowed for purposes of apportionment shall not exceed one teacher for each 30 pupils or fraction thereof enrolled in the first eight grades.

⁸ Data taken from Oreg. State Supt. of Pub. Instr. Bienn. Rept., 1927, p. 21.

⁹ Computed.

¹⁰ Oreg. Sch. Laws, 1927, p. 95, sec. 299; *ibid.*, p. 99, sec. 205.

¹¹ *Ibid.*, p. 27, sec. 57.

¹² *Ibid.*, p. 90, sec. 283.

¹³ Oreg. State Levy of Taxes, 1927, p. 10, par. 3.

Suspended districts.—The suspended-district shall be entitled to receive its apportionment on the same basis as if school were in session in the district, provided that the quota thus received by any suspended district shall be used at the discretion of the directors for tuition, transportation, or board of pupils.¹⁴

¹⁴ Oreg. Sch. Laws, 1927, p. 95, sec. 300.

CHAPTER XXXVI

PENNSYLVANIA

Pennsylvania levies no tax specifically for the support of the common schools of the State, but provides all State aid, with the exception of the income from the State (permanent) school fund, by appropriations from the State general fund. An analysis, therefore, of the State general fund is necessary.

Types of Taxes Levied

Pennsylvania levies and collects the following six types of taxes, revenues from which are credited in whole or in part to the State general fund from which appropriations are made benefiting the common schools of the State: (1) Corporation taxes; (2) inheritance taxes; (3) loans taxes; (4) gasoline tax; (5) business and occupational license taxes and fees; and (6) a severance tax on anthracite coal.¹

Table 1 presents an outline of the principal taxes contributing to the Pennsylvania State general fund.

TABLE 1.—*Taxes contributing to Pennsylvania State general fund*^a

Type of tax	Rate and basis of levy
Capital stock.....	5 mills upon the actual value in cash of the capital stock of domestic corporations and of foreign corporations doing business in Pennsylvania. Capital employed in manufacturing is exempt from this tax.
Anthracite coal (severance tax).....	1½ per cent upon the value of anthracite coal when prepared for the market.
Corporate loans.....	4 mills upon the indebtedness of corporations on which interest is paid.
Gross receipts of public utility corporations.....	8 mills on the gross receipts of transportation, telegraph, telephone, electric light, express companies, etc.
Bonus on charters.....	One-third of 1 per cent upon the capital stock of domestic corporations and the capital employed in Pennsylvania by foreign corporations.
Emergency profits.....	One-half of 1 per cent upon the net income of corporations. This was an emergency tax for the calendar years 1923 and 1924 only.
Insurance companies' gross premiums tax:	
Domestic.....	8 mills upon the gross premiums paid domestic insurance companies for business transacted within the Commonwealth.
Foreign.....	2 per cent upon gross premiums received from business done within the State by insurance companies of other States or foreign countries.

^a All data, except where otherwise indicated, taken from Pa. Aud. Gen. Rep., 1923-1925, pp. 8-10.
^b Laws of Pa., 1923, pp. 876-882, No. 333.

¹ The State auditor general classifies this as a corporation tax. By description it is a severance tax levied upon the value of the coal when prepared for the market. (Table 1.)

TABLE 1.—Taxes contributing to Pennsylvania State general fund—Continued

Type of tax	Rate and basis of levy
Bank stock.....	10 mills on the par value, or 4 mills on the actual value, of the shares of the capital stock of State and National banks.
Municipal (borough) loans.....	4 mills upon certificates or other evidences of indebtedness of cities, boroughs, counties, townships, school districts, and other municipalities.
Gasoline tax (liquid fuels).....	1923-1927—2 cents per gallon. 1927-1929 —3 cents per gallon. (1 cent of the tax in each case is an emergency tax.)
Inheritance taxes:	
Collateral.....	5 per cent upon estates or parts of estates passing to strangers, charities, or collateral heirs of decedents who died prior to June 20, 1919.
Direct.....	2 per cent upon estates or parts of estates passing to direct heirs prior to June 20, 1919.
Transfer.....	2 per cent upon estates or parts of estates passing to direct heirs and 10 per cent (5 per cent prior to 1921) on estates passing to strangers, charities, or collateral heirs subsequent to June 20, 1919.

* Laws of Pa., 1927, pp. 201-203, No. 159.

TABLE 2.—Source analysis of Pennsylvania State general fund for the biennium, 1923-1925¹

Source	Amount	Per cent
Corporation taxes:		
Capital stock tax.....	\$35,929,504.57	
Corporate loans tax.....	9,477,641.82	
Public utility gross receipts tax.....	8,322,388.00	
Foreign insurance gross premiums tax.....	7,915,186.07	
Bonus on charters tax.....	3,464,358.45	
Emergency profits tax.....	3,363,777.19	
Bank stock tax.....	3,017,569.05	
Domestic insurance gross premiums tax.....	648,426.39	
Interest and penalties.....	286,020.25	
Total corporation taxes.....	72,424,877.29	53.2
Inheritance taxes (collateral, direct, and transfer).....	24,319,079.83	17.8
Gasoline tax.....	11,791,692.93	8.7
Anthracite coal tax (severance).....	10,694,268.73	7.8
Other taxes:		
License collections of county officers.....	8,864,916.68	
Municipal (borough) loans tax.....	2,018,083.46	
Miscellaneous taxes.....	2,275,041.07	
Fees of public officers.....	1,300,859.56	
License collections by State.....	1,030,361.28	
Total other taxes.....	15,489,261.95	11.4
Other income:		
Interest and refunds.....	330,521.99	
Fines.....	122,749.12	
Miscellaneous income.....	1,090,426.84	
Total other income.....	1,543,697.95	1.1
Grand total receipts available for payment of appropriations.....	136,262,878.68	100.0

¹ Pa. Aud. Gen., Bienn. Rept., 1923-1925, pp. 11-13.

Appropriations from State general fund.—These appropriations are made biennially by the State legislature in the form of "lump sum" appropriations covering projects benefiting the schools of the State, including the normal schools and other special schools which do not come within the scope of this study.

Table 3 presents a summary of the expenditures from the Pennsylvania State general fund benefiting public schools.

TABLE 3.—Expenditures from Pennsylvania general fund directly benefiting the public elementary and secondary schools, biennium 1923-25¹

Purpose	Amount	Per cent
Salaries and expenses of State department.....	\$723, 141. 74	1.3
Salaries and expenses of county superintendents and assistants.....	1, 043, 107. 35	1.9
Vocational education.....	1, 215, 178. 01	2.3
Transportation.....	534, 537. 77	1.0
Education of blind children.....	5, 985. 15	(²)
Consolidated schools closed.....	96, 815. 47	.2
Support of common schools.....	45, 066, 750. 76	83.8
Teachers' retirement funds.....	5, 075, 489. 71	9.5
Total expenditures benefiting public elementary and secondary schools..	53, 761, 095. 96	100.0

¹ Pa. Aud. Gen., Bien. Rept. 1923-1925, pp. 53-64.² Negligible.

State (permanent) school fund.—The income from the State (permanent) school fund is the only source of State school aid other than appropriations from the State general fund. Between the years 1870 and 1911 Pennsylvania maintained no permanent school fund.² By an act of the legislature May 18, 1911, Pennsylvania established a permanent school fund to be officially designated as the "State school fund of Pennsylvania." The sources provided in the original act for creating the principal of this fund were "80 per centum of the net receipts and proceeds derived in any way from, or on account of, the forest reservations, now or hereafter acquired by this Commonwealth together with all water powers and water rights belonging to this Commonwealth in the streams, rivers, lakes, or other waters of this Commonwealth, and all real estate owned by this Commonwealth which is not used for State or other public purposes, all escheated estates in this Commonwealth, and all other money or property which shall in any way accrue to such fund whether by act of assembly, devise, gift, or otherwise."³

The legislature of 1915 added to the above sources "the net receipts and proceeds derived in any way from, or on account of, the forest reservations, now or hereafter acquired by this Commonwealth." Such receipts and proceeds together with the other items enumerated in the preceding paragraph, are the sources provided for increasing the principal of the State (permanent) school fund.⁴

The principal of the State permanent school fund amounted June 1, 1926, to \$1,021,823.82.⁵

At the 1927 session of the general assembly provision was made for a commission to study and recommend plans for a more equitable distribution of State funds for education. The report of this commission is not yet ready for publication. Under the direction of Dr. John A. H. Keith, superintendent of public instruction, the

¹ F. H. Swift, *A History of Public Permanent Common School Funds in the United States*, pp. 388-389.² *Laws of Pa.*, 1911, pp. 431-432.³ *Ibid.*, 1915, p. 825; *Pa. Sch. Law*, 1927, pp. 157-158, sec. 2701.⁴ *Pa. Supt. of Pub. Instr.*, *Bien. Rept.*, 1925-26, p. 80.

commission has actively studied different methods of distributing aid now in practice in several States. Prof. Paul R. Mort, of Teachers College, Columbia University, is associated with the commission, and the "Mort plan" is receiving consideration. The plan described in the present account is that in force at the writing, which is, obviously, the plan in accordance with which State moneys were apportioned and distributed in the years 1924-25 and 1925-26, the years about which the present account centers.

Apportionment of State School Funds

State school fund income.—The laws of Pennsylvania indicate three purposes to which the State council of education may devote the income of the State (permanent) school fund, namely, (1) equalizing educational advantages, (2) advancing moneys to school districts temporarily in need, (3) promoting education in the conservation of natural resources and education in forestry, agriculture, and other industrial pursuits in the public schools. The laws make no further provision which shall restrict or guide the State council of education with respect to the distribution of the income of the State school fund.⁶ Thirty-one thousand dollars of the total income derived from the State school fund for the year 1925-26 was apportioned for equalizing purposes, the balance being added to the principal of the State permanent school fund.⁷

Appropriations from State general fund.—Moneys provided by appropriations from the State general fund are expended according to the provision of the particular appropriation act or the provisions of laws creating or effecting the educational project for which the specific appropriation is made.

Department of public instruction—salaries and expenses.—The appropriation provided for the salaries and expenses of the State department of public instruction and its officials are paid in the form of flat quotas on the basis of the departmental budget.

County superintendents' salaries and expenses.—The minimum salaries and approved traveling expenses of county superintendents and assistants, to the extent of \$500 per individual per year, are paid by the State. The minimum salary of county superintendents varies from \$2,500, to \$4,000, being graduated according to the population of the county over which the superintendent has jurisdiction. The minimum salary of assistant county superintendent is \$2,500. Such officials, upon vote of the school directors in convention assembled, may receive salaries in excess of that provided by the State, but in such cases the excess must be supplied from local funds.⁸

⁶ Pa. Sch. Law, 1927, p. 159, sec. 2704.

⁷ Pa. Supt. of Pub. Instr., Bien. Rept., 1925-26, p. 80.

⁸ Pa. Sch. Law, 1927, p. 67, sec. 1121; *ibid.*, p. 70, sec. 1130; *ibid.*, p. 80, sec. 1210 (8).

Teachers' retirement funds.—Moneys paid to teachers from State retirement or pension funds must be regarded as moneys provided for the benefit of the public schools, and such funds are included in the studies composing the present series. No attempt, however, has been made for individual States to describe, except in the most general terms, the composition of these funds or the methods of apportionment. Pennsylvania, in common with many other States, appropriates from the State treasury funds for the purpose of meeting the State's obligation to the liabilities incurred through its teacher-retirement system.⁹

Closed schools.—As the means of stimulating consolidation, Pennsylvania provides for an annual allotment to school districts of the fourth class of \$200 for each 1-room school permanently closed.¹⁰

Appropriations for blind and deaf.—Blind or deaf children between the ages of 6 and 21 years may be sent, with the approval of the Department of public instruction, to an institution for the blind or deaf. Seventy-five per cent of the costs of the tuition and maintenance of such pupils is paid by the State, the local district in which such pupils reside being held responsible for the remaining 25 per cent of such costs.¹¹

School-building aid.—An act of May 4, 1927, created a fund known as the school building-aid fund, and an appropriation of \$100,000 was provided to constitute this fund. From this fund are granted to third and fourth class school districts moneys to aid such districts to replace school buildings destroyed by any casualty or to purchase sites and to construct new buildings required by the consolidation of any number of 1-room school buildings, when the revenues or credit of the consolidated district or districts are not sufficient to finance the building needs. The amount to be granted is left to the discretion of the State council of education, subject to the following three restrictions: (1) The total State aid shall not exceed 50 per cent of the total cost of grounds and the reconstructed or newly erected buildings; (2) the school site and building plans must be approved by the State superintendent of public instruction; (3) warrants for State aid shall be issued from time to time as the work progresses, at the discretion of the State superintendent of public instruction.¹²

Classification of districts for equalization apportionments.—Appropriations for the support of common schools, vocational education, and transportation of pupils are distributed according to methods involving the classification of districts according to population and valuation per teacher. Table 4 presents in outline form the method

⁹ Pa. Sch. Law, 1927, pp. 240-200, secs. 5601-5619.

¹⁰ *Ibid.*, p. 84, sec. 1210 (19).

¹¹ *Ibid.*, p. 100, sec. 1413.

¹² *Ibid.*, pp. 272-274, sec. 6308.

of classifying school districts for the apportionment of these three types of funds and the plan of apportionment employed.

TABLE 4.—Classification of Pennsylvania school districts and apportionment of funds provided for the support of common schools, vocational education, and transportation

PART I.—CLASSIFICATION OF SCHOOL DISTRICTS

Class	On basis of total population ¹	Class	On basis of true valuation per teacher ²
I	500,000 or more.	A	More than \$200,000.
II	Fewer than 500,000, but not fewer than 30,000.	B	More than \$100,000, but not more than \$200,000.
III	Fewer than 30,000, but not fewer than 5,000.	C	More than \$50,000, but not more than \$100,000.
IV	Fewer than 5,000.	D	\$50,000 or less.

PART II.—APPORTIONMENT OF STATE AID FOR SUPPORT OF COMMON SCHOOLS

NOTE.—The laws prescribe a schedule of minimum salaries with separate minima for elementary teachers, high-school teachers, supervisors, principals, and all other school officials. The salaries in each case are graduated for each district classified according to population.³ Three classes of quotas are paid to districts from the appropriation provided "for the support of common schools." The bases upon which these three classes of quotas are made are set forth below.

1. GRANTS ON BASIS OF TOTAL POPULATION

Class of district	Per cent of elementary teachers' salary costs paid by the State
I.....	25
II.....	35
III.....	35
IV.....	50

2. GRANTS ON BASIS OF TRUE VALUATION PER TEACHER⁴

NOTE.—The grants made on the basis of true valuation per teacher represent a further attempt at equalization; the per cent of salary costs listed below to be paid by the State supersedes the per cent given above on the basis of total population, for districts of all classes which have a low valuation per teacher.

Class of district	Per cent of elementary teachers' salary costs paid by the State
C.....	60
D.....	75

3. STIMULATION AND COMPENSATION GRANTS FOR HANDICAPPED CHILDREN

NOTE.—Districts providing special schools or classes for physically or mentally handicapped children receive additional aid according to the following schedule:

Class of district	Per cent of salary costs of special teachers granted in addition to quotas provided on basis of population or valuation per teacher
I.....	25
II, III, IV.....	30

¹ Pa. Sch. Law, 1927, p. 3, secs. 102-105.

² Ibid., p. 83, sec. 1210 (19); *ibid.*, p. 96, sec. 1406; *ibid.*, p. 189, sec. 3414.

³ *Ibid.*, pp. 77-82, sec. 1210 (1-13).

⁴ *Ibid.*, pp. 82-84, sec. 1210 (19).

APPORTIONMENT OF STATE AID FOR TEACHERS OF SPECIAL CLASSES⁴

In addition to the payments as regularly prescribed for teachers in the common schools, districts may receive in addition for each full-time teacher, supervisor, or principal of special schools or classes, allotments as follows: To districts of the first class, 25 per cent of minimum salaries and to other districts, 30 per cent of the minimum salaries prescribed for elementary teachers in the respective districts. Part-time teachers of special classes are reimbursed fractionally in such amounts proportionate to the time for which such persons are employed.

Limitation.—The total amount paid to any school district, for any such teacher, supervisor, or principal employed in special education shall not exceed 80 per cent of the salary actually paid to such person.

APPORTIONMENT OF STATE AID FOR EXTENSION CLASSES⁴

The law prescribes minimum salaries for teachers, supervisors, and principals employed in the extension schools and classes of the commonwealth for the education of adults and legally employed minors not designated as continuation or other vocational schools. Reimbursement to such districts is the same per cent of the minimum salary as is paid to such districts for reimbursement of full-time teachers.

PART III.—APPORTIONMENT OF STATE AID FOR VOCATIONAL EDUCATION⁵

NOTE.—State aid for vocational education is given in addition to State aid for the support of common schools outlined above.

Districts of Class I receive State aid amounting to 25 per cent of the sum expended during the previous school year for the salaries of teachers of vocational and allied subjects. Districts of Classes II, III, and IV receive a certain per cent of the amount expended during the previous school year for the salaries of teachers of vocational and allied subjects, on the basis of true valuation per teacher, according to the schedule about to be given. It will be seen that under this plan of apportionment each district aided in Classes II, III, and IV is subject to a dual classification, first on the basis of total population, and second on the basis of true valuation per teacher.

Class of district	Additional salary grant—per cent
A	40
B	45
C	50
D	55

Limitation.—No district shall receive a reimbursement of more than 80 per cent of any one teacher's salary from Federal or State funds or from both.

Additional aid.—(1) Districts of the Fourth class shall be reimbursed to the extent of 20 per cent of the sum expended during the previous year for the salaries of teachers of academic subjects in approved rural community vocational schools. (2) Reimbursement for part-time and evening schools. The State reimburses districts to the extent of two-thirds of the amount expended during the previous year for the salaries of teachers and supervisors of vocational and allied subjects in part-time and evening schools. (3) Union classes in Class IV districts. When two or more Class IV districts unite for the

⁴ Pa. Sch. Law, 1927, pp. 82-84, sec. 1210 (19).

⁵ Ibid., pp. 188-190, sec. 3414.

purpose of maintaining vocational education as a part of the approved program, the State shall pay \$500 annually to such union. (4) Continuation schools. The State reimburses districts 20 per cent of the salaries of regular teachers and 40 per cent of the salaries of part-time teachers employed in compulsory general continuation schools.

PART IV.—APPORTIONMENT OF STATE AID FOR TRANSPORTATION *

NOTE.—The State reimburses districts for moneys expended during the previous year for transportation costs. Quotas apportioned as transportation aid are distributed in the form of flat grants per district sufficient to cover a certain percentage of transportation expenditures. The basis of such grants is the true valuation per teacher employed (see Part I of the present table).

Class of district	Per cent of total transportation costs returned by the State
B.....	50
C.....	60
D.....	55

RESTRICTIONS.—(1) The amount paid by the State as a transportation reimbursement shall not exceed \$1 per day per pupil. (2) Class B districts entitled to a reimbursement of 50 per cent of transportation costs shall not receive more than \$3,000 each. Districts of Classes C and D shall not receive more than \$4,000 each.

Additional aid.—Districts may include as a reasonable charge an amount representing the annual depreciation in value of conveyances used for transportation, such depreciation charge not to exceed 15 per cent of the cost of conveyances or \$100 annually for each vehicle.

Conclusion.—Table 4 shows that although these grants are apportioned according to plans which give certain recognition to the principles of equalization the application of equalization principles is far from complete. Any system of State aid which classifies districts on the basis of total population and assumes that districts having the greatest population are necessarily in less need of State aid is unsound. Although such classification may be fairly satisfactory in many districts, it will violate the principles of equalization in no small number of cases.

An earlier paragraph of the present account has called attention to the commission appointed by the last general assembly and to the work of this commission, now in progress.

* Pa. Sch. Law, 1927, pp. 94-96, sec. 1406; *ibid.*, 211-212, sec. 3705.

CHAPTER XXXVII

RHODE ISLAND

State School Funds

Rhode Island maintains a permanent school fund, the income from which may be expended for the support of the public schools of the State. All current State aid other than the income from the permanent school fund is provided by appropriations from the State general treasury.

Permanent school fund.—The permanent school fund of Rhode Island was established in 1828 by an act which appropriated \$5,000 as the nucleus of a permanent school fund. Various sources have been provided for increasing the principal of this fund.¹ Three sources are at present provided for increasing the principal of the permanent school fund, namely: (1) Duties paid by auctioneers, (2) money appropriated to any town for the support of public schools and forfeited by such town, (3) any balance of that portion of the income of the permanent school fund remaining unexpended at the close of any year.

The laws provide that the State board of education may use as much of the income from the State permanent school fund as may be deemed advisable as an emergency fund for the support of the public schools, the balance remaining unexpended to become a part of the principal of the fund.² The total income from the permanent school fund amounted to \$12,721.25 for 1926. Of this amount, \$2,314.49 was expended for the support of public schools and the balance of \$10,406.76 was added to the principal of the fund. This latter amount with the \$1,801.64 from duties paid by auctioneers made a total of \$12,208.40, which was added to the principal of the permanent school fund for 1926.³

Taxes as sources of appropriations from State general treasury.—All current State aid⁴ for public schools, except the income from

¹ For a history of this fund see Charles Carroll, Public Education in Rhode Island, Ch. VIII, 333-386.

² R. I. Sch. Laws, 1923, pp. 50-51, ch. 41, sec. 5.

³ R. I. Gen. Treas., An. Rept., 1926, pp. 19-20 and 190.

⁴ Rhode Island official documents use the term "support" where in the present chapter "aid" is used. "Aid" is commonly understood to mean partial maintenance; "support" to mean complete maintenance.

the permanent school fund, is provided by appropriations from the State general treasury. Such a condition suggests an analysis of revenues and the taxes contributing thereto, since such taxes may be considered as being levied indirectly and partly for the support of public schools.

Rhode Island levies the following six types of taxes, the proceeds of which are paid into the general treasury: (1) Corporation taxes, (2) bank taxes, (3) direct State taxes, (4) motor-vehicle fuel tax, (5) estate and inheritance taxes, and (6) license taxes and fees.

Corporation taxes.—In addition to the general property tax upon corporation estates, taxes on corporations are levied as follows:

(1) Corporate excess tax. Every manufacturing, mercantile, and business corporation pays, in addition to taxes on real estate and tangible personal property, a tax of 40 cents upon the value of its "corporate excess." Corporate excess is defined as "the amount obtained by taking the average value of the capital stock during the preceding calendar year, adding thereto the amount of bonds and other indebtedness incurred by the acquisition of real estate or of tangible personal property and adding also any other indebtedness returned by the corporation as a measure of value, and from the total of these items deducting the value of exempt property and the value of real estate and tangible personal property located within the State as last assessed for State or local taxation."⁵

(2) Public service corporations pay taxes upon their gross earnings from business transacted within the State, the rates varying from 1 to 3 per cent, depending on the type of corporations.⁶

(3) Insurance companies pay 2 per cent upon their gross premiums after deductions allowed by law.⁷

(4) Franchise tax. Every mercantile, manufacturing, and business corporation pays an annual franchise tax upon its authorized capital stock of an amount which when added to any tax paid by it in the same year upon its corporate excess shall equal \$2.50 upon each \$10,000 or fraction thereof of such capital.

(5) Bank taxes. Savings banks, State banks, and trust companies pay 40 cents upon each \$100 deposited therewith and on each \$100 of reserved profits and other profits after deductions allowed by law. Deposits in national banks are taxed at the rate of four-tenths of 1 per cent upon the amount of such deposits on the last business day of June.⁸

⁵ Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 397; Pub. Laws of R. I., 1923, pp. 9-12, ch. 422.

⁶ Ibid. R. I. Bd. of Tax Commissioners, Bien. Rept., 1925-26, pp. 42-43.

⁷ Ibid., p. 308; Pub. Laws of R. I., 1926, pp. 537-537, ch. 809.

⁸ Ibid., pp. 397-398.

Direct (general property) taxes.—Town (and city) taxes include taxes on general property for two purposes and at the following rates: (1) For State general purposes, a tax of 9 cents per \$100 assessed valuation (9 mills on the dollar), and (2) for State highways, a tax of 3 cents per \$100 assessed valuation (3 mills). The proceeds of both levies, as collected with other town (and city) taxes, are paid by towns and cities into the State general treasury.⁹

Motor-vehicle fuel tax.—The State levies a tax of 1 cent upon each gallon of motor vehicle fuel, the proceeds of which are paid into the State general treasury.¹⁰

Estate and inheritance taxes.—The State levies taxes upon the net estates of decedents after certain deductions allowed by law, the rate being 1 per cent upon the excess value of each said estate over \$10,000. Receipts from these taxes are applied to general State purposes. An additional tax is levied on all net estates in excess of \$250,000, the rates being graduated according to the amount of the estate, the proceeds to be applied to the State debt.¹¹

License taxes and fees.—The State collects various license taxes and fees for privileges granted and services rendered by the State.¹²

TABLE 1.—Source analysis of Rhode Island State revenue receipts, 1926^a

Source	Amount	Per cent
Corporation taxes:		
Corporate excess tax.....	\$1,252,523.00	.....
Gross earnings tax on public service corporations.....	550,084.23	.....
Insurance premium taxes.....	580,240.59	.....
Franchise and minimum tax on domestic corporations.....	31,352.69	.....
Fees for corporation charters.....	24,781.05	.....
Total corporation taxes.....	2,438,981.56	25.93
Bank taxes:		
Savings and participation accounts in saving banks, State banks, and trust companies.....	1,196,466.82	.....
Interest-bearing deposits in national banks.....	40,253.34	.....
Total bank taxes.....	1,236,720.16	13.15
Direct (general property) taxes.....	1,405,580.81	14.95
Motor vehicle fuel tax.....	503,424.23	5.35
Estate and inheritance taxes.....	412,106.88	4.39
Motor vehicle licenses.....	1,898,577.54	20.19
Municipal license fees.....	22,036.62	.23
Fines and costs from courts.....	230,210.60	2.45
Rent of oyster grounds.....	16,399.19	.17
Miscellaneous receipts.....	1,238,748.26	13.18
Total.....	6,727,064.13	60.02
Grand total.....	9,402,765.95	100.00

^a R. I. Bd. of Tax Commissioners, Bien. Rept., 1925-26, pp. 38-40.

^b Composed principally of institutional and department receipts.

⁹ Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 394; R. I. Gen. Treas., An. Rept., 1926, p. 9.

¹⁰ Pub. Laws of R. I., 1925, pp. 234-238, ch. 679.

¹¹ Ibid., 1926, pp. 538-571.

¹² Bu. of the Census, Digest of State Laws relating to Taxation and Revenue, 1922, pp. 398-400.

TABLE 2.—Source analysis of Rhode Island current State aid for public schools, 1926¹

Source	Amount	Per cent
Appropriations from the State general treasury:		
Commissioner of education and assistants.....	\$11,763.25	2.2
Examination of teachers.....	3,989.76	.8
Teachers' institutes, lectures, and addresses.....	820.56	.2
Teachers' pensions (noncontributory).....	87,500.00	16.7
Support of public schools.....	300,984.00	57.3
High and graded schools.....	57,000.00	10.8
Supervision of public schools.....	33,235.00	6.3
Industrial education.....	17,000.00	3.2
Medical inspection in public schools.....	6,000.00	1.1
School apparatus.....	4,829.18	.9
Total appropriations from State general fund.....	523,121.75	99.5
Payments from emergency fund (income from permanent school fund) for support of public schools.....	2,314.49	.4
Grand total current State aid.....	525,436.24	99.9

¹ R. I. Gen. Treas., An. Rept. 1926, p. 19. Only the items benefiting the public elementary and secondary schools have been included in Table 2. Does not include expenditures for education of blind and imbecile children.

State taxes as sources of school revenue.—In 1926 Rhode Island provided from the State general treasury school appropriations totaling \$523,121.75, which was approximately 99.5 per cent of all public-school moneys provided by the State, and 5.6 per cent of the total general revenues (\$9,402,765.95) of that year.

Table 1 shows that the State general revenue fund for 1926, excepting court fines, oyster-ground rents, and miscellaneous moneys, consisted of the proceeds of State taxes. Bearing in mind that bank taxes are corporation taxes, it will be seen that 39.08 per cent of the total fund was furnished by corporation taxes. Next in order of importance stand motor-vehicle license fees, which furnished 20.19 per cent; general property taxes, 14.95 per cent.

Finally it may be observed that the chief source of State school appropriations is the State general revenues and that approximately 84 per cent of the money is derived from State taxes, which in order of importance are corporation (including bank), motor-vehicle license, and general property taxes.

Apportionment of State Aid¹³

Supervision of public schools.—State reimburses towns one-half the proportional amount of salary paid, not to exceed \$1,000 for any town or city.

Industrial education.—State pays not exceeding one-half cost of instruction of courses in vocational education when approved by State board of education.

¹³ R. I. Sch. Laws, 1923.

High and graded schools.—Graded schools: To each town consolidating three or more ungraded schools and maintaining a graded school of two or more departments with an average number belonging of not fewer than 20 pupils to each department, \$100 annually for each department so maintained. For any ungraded school consolidated with a graded school, \$100 annually. High schools: To any town maintaining a high school or paying high-school tuition, \$35 for each pupil in average daily attendance for the first 25 pupils and \$25 for each such pupil for the next 25 pupils.

Medical inspection in public schools.—State pays one-half cost of such inspection when approved by the State board, not to exceed \$250 per year for any town or city.

School apparatus.—State reimburses towns one-half amount paid for reference works and apparatus, not to exceed \$200 in any one year for any town.

Support of public schools.—(1) Per school grants on the following basis of the number of schools: Up to the fifth school of a town, \$300; sixth to the tenth school, \$250; eleventh to the fifteenth school, \$200; and the sixteenth to the twentieth school, \$150. Grants to a town of 20 schools would total \$4,500, as follows: Five schools at \$300, \$1,500; 5 schools at \$250, \$1,250; 5 schools at \$200, \$1,000; 5 schools at \$150, \$750. (2) Per capita grants of \$1.50 for average attendance in the preceding school year. Conditions: For teachers' salaries only. Town must levy local school tax of 30 cents per \$100.

Emergency fund (income of permanent school fund).—No income or any part thereof may be apportioned or expended by the State board of education for the "support of public schools" in any town or towns. The State board may expend said income or such portion thereof as may be necessary for making surveys of such schools. Upon the request of the school committee of any town in which the taxable property is not adequate at the average rate of taxation for school support throughout the State to provide, with the moneys that may be apportioned from the general treasury, an amount sufficient to provide and maintain public schools of a high standard, the State board of education at its discretion may assume supervision, control, and management of the schools of the town; provided that the town appropriates a sum equivalent to 30 cents on each \$100 of the assessed valuation of the town.

TABLE 3.—Apportionment of Rhode Island current State aid for public elementary and secondary schools classified as to major purpose, 1926¹

Purpose	Amount ²	Per cent
I. Administration and supervision (9.5 per cent):		
State commissioner and assistants.....	\$11,763.25	2.2
Teachers' institutes, lectures, and addresses.....	820.56	.2
Expenses involved in examination of teachers.....	3,999.76	.8
Supervision of public schools.....	33,235.00	6.3
II. Teachers' pensions (noncontributory) (16.7 per cent).....	87,500.00	16.7
III. Stimulation (16 per cent):		
Industrial education.....	17,000.00	3.2
High and graded schools.....	57,000.00	10.8
Medical inspection in public schools.....	6,000.00	1.1
School apparatus.....	4,829.18	.9
IV. General relief (57.3 per cent):		
Support of public schools.....	300,984.00	57.3
V. Equalization (0.4 per cent):		
Emergency fund (income of permanent school fund).....	2,314.49	.4
Total State aid.....	525,436.24	99.9

¹ Rhode Island Sch. Laws, 1923.

² Rhode Island general treasurer, An. Rept., 1926, p. 19. Only the items benefiting the public elementary and secondary schools have been included.

CHAPTER XXXVIII

SOUTH CAROLINA

South Carolina is among those States which are attempting to decrease gradually their dependence upon the general property tax as a source of revenue. In 1921 South Carolina modified radically her State system of taxation and began a movement which has on the one hand tended to increase her dependence upon inheritance taxes, income taxes, corporation taxes and special taxes on the sale of nonessential commodities as sources of State revenue; and on the other hand to decrease her dependence upon the general property tax. In 1921 the State was levying a general property tax of 12 mills; in 1926 the rate levied was only 5¼ mills.¹

Formerly South Carolina levied a 1-mill general property State school tax; the proceeds of which were divided equally between the State and the county in which collected. This tax has been discontinued and now South Carolina levies no State tax of any sort specifically for the benefit of schools. In 1926, all State aid, except a negligible sum derived from the income of permanent funds,² was furnished by appropriations from the State general fund. In 1926 these appropriations totaled \$3,434,780.42.³

The State general fund must be analyzed, therefore, with a view to determining the types of taxes which contribute to this fund and the relative importance of each as a provider of revenue.

Types of State taxes levied.—South Carolina levies the following major types of taxes and fees, the revenues from which are credited in whole or in part to the State general fund: (1) General property taxes; (2) income taxes; (3) inheritance taxes; (4) corporation special taxes; (5) business license taxes; (6) insurance license tax; (7) gasoline tax; (8) automobile license fees; (9) soft-drinks tax; (10) admissions tax; (11) documentary tax; (12) manufacturers' tax. The rates and provisions affecting the taxes just named have been changed from time to time by succeeding legislatures. The provisions presented in Table 1 are the most recent available to the author. In Table 2 is presented a statement of State treasury receipts for the year 1926.

¹ S. C. State Tax Commission, An. Rept., 1926, pp. 13-14.

² The exact amount was \$14,989.45, S. C. State Treas., An. Rept., 1926, p. 20.

³ S. C. Comp. Gen., An. Rept., 1926, p. 21.

TABLE 1.—South Carolina State taxes, 1926

Type of tax or fee	Rate and basis
General property ¹	5¼ mills per dollar of assessed valuation.
Income: ²	
Personal.....	Graduated tax on net incomes of individuals, 1 per cent to 5 per cent after exemptions provided by law.
Corporation.....	4 per cent on net incomes.
Inheritance ³	Graduated, 1 per cent to 14 per cent. Rate dependent upon value of estate and degree of relationship of beneficiary.
Corporation special: ⁴	
Public utility.....	3 mills upon gross incomes plus 3 mills upon each dollar of the true value of property used in the State.
Other than public utility—	
Domestic.....	2 mills upon each dollar of paid-in capital stock.
Foreign.....	2 mills upon each dollar of the value of property used in the State.
Business license ⁵	Stamps of various values required to be placed upon such articles as cigars, cigarettes, tobacco, cartridges, candy, playing cards, glassware, and sporting goods.
Insurance license ⁶	License fees, \$15 to \$100, depending on type of company. Foreign companies pay in addition a graduated tax of 1 per cent to 2 per cent upon gross premiums, depending upon per cent of reserve invested in the State.
Gasoline ⁷	5 cents per gallon.
Auto license ⁸	\$9 to \$800, depending upon weight of vehicle.
Soft drinks ⁹	20 per cent upon retail selling price.
Admissions ¹⁰	1 cent upon each 10 cents of paid admissions to places of amusement.
Documentary ¹¹	Stamp tax upon documents and instruments.
Manufacturers ¹²	One-tenth of 1 per cent upon the entire receipts from articles manufactured in whole or in part within the State and upon the value of the products of all mines within the State.
Mining tax.....	See manufacturers' tax.

¹ S. C. Tax Commission, An. Rept., 1926, p. 14.

² S. C. Income tax act of 1926, Bul. of S. C. Tax Com., income tax div.

³ Acts of S. C., 1924, pp. 982-916, No. 538.

⁴ Ibid., 1922, No. 531; *ibid.*, 1926, No. 475, sec. 84.

⁵ Ibid., 1927, No. 73, sec. 7.

⁶ U. S. Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 410.

⁷ Acts of S. C., 1925, p. 51, No. 34. Gasoline taxes and auto license fees do not contribute to the general fund and so are not included in Table 2. (Suggestion to authors from W. G. Query, chairman, South Carolina tax commission, in communication dated Feb. 18, 1929.)

⁸ Ibid., 1927, No. 73, secs. 1-5, 11, 12.

⁹ Ibid., 1923, p. 21, No. 11, sec. 11.

TABLE 2.—Source analysis of South Carolina State general fund, 1926¹

Source	Amount	Per cent
General property taxes.....	\$2,394,853.49	22.4
Income taxes.....	1,560,082.43	14.6
Corporation special taxes.....	1,151,876.26	10.8
Soft drinks tax.....	999,943.81	9.3
Business license fees.....	904,802.33	8.6
Insurance license fees.....	340,025.85	3.2
Manufacturers' tax.....	306,299.68	2.9
Documentary tax.....	273,108.83	2.6
Inheritance taxes.....	257,199.40	2.4
Admissions tax.....	197,473.14	1.8
Recreation tax.....	6,006.74	(²)
Departmental fees and licenses.....	767,537.17	7.2
State penitentiary.....	164,661.00	1.5
Sinking fund receipts.....	695,897.49	6.4
Reimbursement highway fund.....	100,000.00	.9
Appropriation reimbursement.....	303,545.00	2.8
Miscellaneous and unclassified receipts.....	289,501.02	2.7
Total.....	\$10,702,818.64	100.0

¹ S. C. Compt. Gen., An. Rept., 1926, p. 6.

² The following items have been excluded as not belonging in the present table: (1) Cash in treasury, Jan. 1, 1926, \$4,358,234.73; (2) received borrowed money, \$4,004,062.80; (3) received borrowed money (renewal), \$1,000,000, and (4) Federal aid, \$1,602,189.80; total, \$10,964,487.33.

³ Negligible.

State School Funds

The State treasurer includes in his statement of special accounts the following four school funds: (1) One-mill school fund; (2) State special (dispensary) school fund; (3) State permanent school fund; (4) trust fund for free schools.⁴ As will appear later, the fourth item "trust fund for free schools" belongs to two parishes.

One-mill school fund.—The report of the State treasurer for 1926 shows a balance credited to the discontinued 1-mill school tax of \$485.06, with no receipts or transfers for the year.⁵

State special (dispensary) school fund.—The constitution provides that "all net income to be derived by the State from the sale of licenses for the sale of spirituous, malt, vinous, and intoxicating liquors and beverages" shall be devoted to the public schools of the State. The revenue from such income is credited to the State special school fund. According to the report of the State treasurer, no payments were made from this fund during 1926 and no moneys were credited to it except a small amount of interest. At the close of the fiscal year the total fund, including accrued interest, amounted to \$7,355.43.⁶

State (permanent) school fund.—State permanent school funds in South Carolina are only of negligible importance as sources of school revenue, and receive little consideration in any official document including the laws. The only reference to permanent school funds in the General School Law of South Carolina is contained in the following quotation from the State constitution:

All gifts to the State where the purpose is not designated, all escheated property, the net assets or funds of all estates or copartnerships in the hands of the courts of the State where there have been no claimants for the same within the last 70 years, and other money coming into the treasury of the State by reason of the twelfth section of an act entitled "An Act to Provide a Mode of Distribution of the Moneys as Direct Tax from the Citizens of this State by the United States in Trust to the State of South Carolina," approved the 24th day of December, in the year 1891, together with such other means as the General Assembly may provide, shall be securely invested as the State school fund, and the annual income thereof shall be apportioned by the General Assembly for the purpose of maintaining the public schools.⁷

The principal of the State school fund was reported as amounting on December 31, 1926, to \$66,757.95. Thirty-one thousand dollars of this principal is invested in State stock bearing 4 per cent interest and \$35,757.95 in State stock bearing 4.5 per cent interest. The interest on this stock, payable by appropriation from the State gen-

⁴ S. C. State Treas. An. Rept., 1926, p. 20.

⁵ S. C. Gen. Sch. Laws, 1924, p. 20.

⁶ Constitution, Art. XI, sec. 11; Gen. Sch. Laws, 1924, pp. 6-7.

eral fund, should amount to \$2,849.11. The interest reported by the State treasurer for 1926 was \$3,311.73. For a number of years this interest has not been apportioned but has been allowed to accumulate, and at the close of the fiscal year 1926 amounted to \$12,378.38.⁷

Trust fund for free schools.—No document available to the writer contained any account of the origin of this fund. At the close of the fiscal year 1926 the principal amounted to \$50,500, and the income derived from the productive bonds in which the principal was invested amounted to \$2,654.25.⁸ The accrued interest on the trust fund for free schools is paid annually to two parishes in the State, the parish of St. Helena, in Beaufort County, and the parish of St. Luke, in Jasper County.⁹

Appropriations from general fund.—Each year the general assembly makes appropriations benefiting public schools for specific educational purposes. The moneys provided by such appropriations are expended in conformity with the provisions of the appropriations act or in conformity with the laws governing the project for which the appropriation was made. An analysis of educational expenditures paid from the State general fund for 1926 is presented in Table 3.

TABLE 3.—Analysis of South Carolina State educational expenditures, 1926¹

Purpose	Amount	Per cent
Administration and supervision:		
Board of education.....	\$1,107.00	
Superintendence and records.....	17,244.18	
School improvement association.....	6,939.87	
Board of examiners.....	8,017.36	
Supervision of high schools.....	6,815.07	
Supervision of elementary grades.....	2,968.82	
Printing for public schools.....	6,388.65	
Total.....	49,480.95	1.5
Vocational education.....	101,077.94	3.0
Public night schools.....	53,510.06	1.6
Aid for construction of buildings.....	187,225.00	5.5
Aid for school libraries.....	5,000.00	.1
Aid under 6-0-1 law (State equalization fund).....	2,989,423.44	88.3
Total.....	3,336,236.44	98.5
Grand total.....	3,385,717.39	100.0

¹ S. C. State Compt. Gen., An. Rept., 1926, pp. 56-57.

The major portion of State aid is credited to "aid under 6-0-1 law." The moneys appropriated to this item constitute a State equalization fund. All except approximately 12 per cent of State provided moneys are devoted to purposes of equalization.

⁷ S. C. State Treas. An. Rept., 1926, p. 20.

⁸ *Ibid.*, p. 20.

⁹ Statement contained in personal letter from Walter E. Duncan, comptroller general of South Carolina, dated Jan. 16, 1922.

State Taxes as Sources of School Revenue

It has been shown (see Table 2) that all but a small proportion of the revenues constituting the State general fund are the proceeds of various State taxes. It has been indicated further that the interest on the State permanent school fund is paid by an appropriation from the State general fund. Again it has been noted that the income of the only permanent fund deriving its income from productive investments, namely, the trust fund for free schools, is not available for general distribution throughout the State, but is limited to two parishes. On the basis of these facts it is evident that all State revenues provided and distributed at the present time by South Carolina for the benefit of public schools are derived from the proceeds of State taxes. The expenditures presented in Table 3 constituted approximately 31.6 per cent of the total State general fund of 1926. (See Table 2.)

Apportionment of State School Funds

Earlier paragraphs have shown that (1) no method is provided in the law for distributing the income of the State (permanent) school fund, and (2) that the income of this fund, as well as the 1-mill school fund and the State special school fund, are at the present time merely carried forward on the books of the State and are not apportioned among the schools. The present account will therefore concern itself only with the method of distributing the various classes of appropriations payable from the State general fund. These appropriations may be grouped into three major classes:

GROUP I.—Grants for State administration and supervision; provided to pay the costs of the State department of education.

GROUP II.—Stimulation grants provided with a view to inciting local school corporations to provide certain facilities, such as libraries, night schools, courses in vocational education, and satisfactory buildings.

GROUP III.—Equalization grants, designed to even the inequalities in school burdens and school revenues resulting from inequalities in taxable property.

Appropriations for administration and supervision.—Table 3 has shown that 1.5 per cent of the State moneys provided for the benefit of public schools in 1926 were used for meeting the costs incurred by the State board of education and its officials. Moneys devoted to administration and supervision are not, of course, distributed throughout the State but are paid in the form of flat sums applicable to salaries and expenses involved in the discharging of the functions

presented in Table 3 under the major head "Administration and Supervision."

Vocational education.—The law provides "that there shall be appropriated annually out of the State treasury for the promotion of vocational education in agricultural subjects, industrial subjects, and home economics a sum not less than the amount which may be apportioned to the State of South Carolina from the funds appropriated by the Congress of the United States" in accordance with the provisions of the so-called Smith-Hughes Act.¹⁰

Detailed consideration of policies which are of Federal origin is excluded from this series of studies. Suffice it to say that in South Carolina, as in other States, moneys appropriated to match Smith-Hughes subventions are paid out in the form of salary grants for teachers and directors of vocational studies.

Public night schools.—The State pays the salary and expenses of a State supervisor of adult schools, and provides salary quotas to aid in the payment of the salaries of teachers in such night schools.¹¹

Building aid.—For each \$100 provided by a district for the erection of a school building the State grants \$50 under the following restrictions: (1) No one school shall receive from the State a sum equal to more than one-fourth the cost of the building when completed, equipped, and ready for occupancy; (2) State-aid building grants are limited to the following maxima graduated according to the number of classrooms per school:¹²

Number of classrooms	State grant
One	\$400
Two	600
Three	800
Four	1,000

Library aid.—The State matches with amounts ranging from \$5 to \$25 funds raised by any school district for school libraries and equipment.¹³

Equalization fund—aid under 6-0-1 law.—The act "to provide for the payment of the salaries of school-teachers in all the public schools in South Carolina and to appropriate funds to meet same," which is generally known as the 6-0-1 law, is one of the most constructive and progressive pieces of school legislation ever enacted by a South Carolina Legislature. At one sweep it repeals the five State-support laws and completely changes the system of disbursing funds for schools. The passage of the act ushers in the most radical change in the State's educational system since 1869 when a State system of public schools was first established. The law may be epitomized as follows: After requiring each county to use its 3-mill constitutional tax and to levy a 4-mill ad valorem

¹⁰ S. C. Gen. Sch. Law, 1924, p. 64, sec. 2735.

¹¹ S. C. Compt. Gen., An. Rept., 1924, p. 57.

¹² S. C. Gen. Sch. Law, 1924, pp. 49-50, sec. 2632.

¹³ *Ibid.*, pp. 57, 58, and 110, secs. 2686, 2688, 1815a.

tax, the State supplements these two sources of revenue by direct State appropriation and pays the salaries of all public-school teachers under a given schedule for the first six months, provided the district or county runs its school or schools an additional month.

Commenting upon the operation of the law in the year 1924, the State superintendent of education in his annual report for that year wrote as follows:

The salary budget as submitted by the county superintendents of education to the State superintendent of education in October totals \$5,892,424.13. . . . The proceeds of the 3-mill and the 4-mill tax, after deducting 5 per cent for building reserve and noncollectible items, amounts to \$2,819,704.51. Deducting these two items of revenue from the salary budget and adding the Charleston excess which is not available for distribution leaves \$3,092,537.59, which is the amount necessary to carry out the requirements of the law.

Since the total expenditure for State appropriations for schools last year was \$2,920,699.80, it is seen that only a nominal increase will be necessary for the present scholastic year.

The State appropriations for schools have grown from \$405,889.66 in 1918 to \$2,920,699.80 in 1924, an increase of 620 per cent. Last year the increase in State appropriations was \$1,068,984.18 over the previous year.¹⁴

Summary.—The contributions of the State to any purpose other than equalization are negligible. More than 88 per cent of the State moneys is devoted to equalization. Next in importance to the equalization fund is the aid granted for construction of school buildings. All other funds represent less than 5 per cent of the moneys expended for public schools and administration and supervision by the State.

¹⁴ State Supt. of Educ., An. Rept., 1924, pp. 17-18; S. C. Gen. Sch. Law, 1924, pp. 87-91.

CHAPTER XXXIX

SOUTH DAKOTA

South Dakota maintains three types of funds or classes of funds for the benefit of the public elementary and secondary schools of the State, namely: (1) The State permanent common-school fund, officially known as the permanent school fund; (2) the State common-school interest and income fund; (3) appropriations from the State general fund.

Permanent school fund.—The constitution of South Dakota provides for the creation of a permanent school fund to be known as the permanent school fund and devotes to the principal the following sources: (1) All proceeds of the sales of public lands granted to the State by the United States Government; (2) a certain per cent (5 per cent) to be fixed by law, of the State's share of the proceeds of the sales of lands owned by the Federal Government lying within the State; (3) the proceeds of property escheating to the State; (4) the proceeds of gifts or donations to the State for public schools and not otherwise appropriated by the terms of the gift; (5) all property otherwise acquired for the maintenance of public schools by the State.¹

In common with other public-land States, South Dakota, upon her admission into the Union, was granted by the United States Government for the benefit of public schools section 16 and section 36 in each congressional township or indemnity lands in lieu thereof. According to the most recent report of the commissioner of schools and public lands, the total of school and indemnity lands granted to South Dakota amounts to 2,820,365.54 acres. Of this total acreage only 601,422.32 acres have been sold, leaving unsold 2,218,943.22 acres.² The proceeds of the sales of these school lands have furnished the major portion of the moneys constituting the principal of the permanent school fund which on June 30, 1926, amounted to \$14,932,919.09. The income from the lands and investments belonging to this fund are credited to the State common-school interest and income fund of which they compose the major part.³

¹ Constitution of S. Dak., Art. VIII, sec. 2.

² S. Dak., Commissioner of Sch. and Pub. Lands, *Bienn. Rept.*, 1924-1926, pp. 6-7.

³ S. Dak. State Aud., *An. Rept.*, 1926, pp. 99-100.

State interest and income fund.—This fund is composed of moneys derived from the five following sources: (1) Interest on investments and moneys belonging to the permanent school fund; (2) interest on sales contracts of lands belonging to this fund; (3) leases of State school lands; (4) interest on daily balance; (5) fines.⁴ None of the moneys furnished by these five sources are even in part derived from the proceeds of taxes.

State general fund appropriations.—South Dakota levies no State tax of any sort specifically to provide revenues for the support of public schools, but makes appropriations from the State general fund for a number of specific educational projects.⁵ The total State general fund for 1926 amounted to \$6,043,764.03. Since no less than 5.4 per cent of this fund and 17.4 per cent of the total public-school moneys provided by the State were appropriated from the State general fund, it is necessary to enter upon an analysis of this fund and a brief account of the taxes contributing thereto.

Types of State Taxes

The State of South Dakota levies five major types of taxes, the proceeds of which are credited in whole or in part to the State general fund: (1) General property taxes; (2) corporation taxes; (3) inheritance taxes; (4) taxes on moneys and credits; (5) miscellaneous license taxes and fees.

General property tax.—The legislature levies State general property taxes of definite rate for certain specified projects. The aggregate rate levied for 1925-26 was 2.73 mills on each dollar of assessed valuation, distributed as follows: For general State expenses, 1.5 mills; for interest and sinking fund, 1.22 mills; Missouri River bridges, 0.01 mill.⁶ The proceeds from the total State levy are first credited to the State general fund, and then the amounts levied for each of the specified projects are later transferred to the same.

Corporation taxes.—Corporations are for the most part taxed upon their general property. Two exceptions are made to this general policy: Insurance companies pay, in lieu of all other taxes, from 1 per cent to 2.5 per cent upon their gross premiums, the rate depending upon the class of insurance company.⁷ Express companies pay, in lieu of all other taxes, a tax of a fixed number of mills upon gross earnings from business done within the State. Formerly the

⁴ S. Dak. State Aud. An. Rept., 1926, p. 100.

⁵ Laws of S. Dak., 1925, pp. 26, 49, 50.

⁶ S. Dak. Dept. of Finance, Div. of Taxation, An. Rept., 1927, p. 8.

⁷ Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 421.

rate was 5 mills, but this rate was increased to 6 mills by the legislature of 1927.⁸

Inheritance taxes.—The State levies inheritance taxes varying from 1 to 20 per cent upon the net proceeds of an inheritance after deducting certain exemptions provided by law. The rate levied depends upon the degree of relation of the heir and the value of the inheritance or transfer.⁹

Tax on moneys and credits.—For purposes of assessment and taxation moneys and credits constitute a separate class of property. The laws provide for the levy of a State tax of 4 mills on each dollar of the true and cash value of all money and credits. This tax is in lieu of all other taxes upon this class of property.¹⁰

Miscellaneous license taxes and fees.—The State collects license taxes and fees for an extensive list of services rendered or privileges granted by State departments and State officials.¹¹

TABLE 1.—Source analysis of South Dakota State general fund, 1926¹

Source	Amount	Per cent
Received from taxes:		
State general property taxes.....	\$4,533,474.48	75.0
Corporation taxes.....	367,595.96	6.1
Inheritance tax.....	160,197.21	2.7
Moneys and credits tax.....	73,815.98	1.2
Miscellaneous license taxes and fees.....	142,830.77	2.4
Minor miscellaneous taxes.....	17,958.55	.3
Total receipts from taxes.....	5,295,872.95	87.7
Other income:		
Received from State institutions.....	340,324.15	5.6
General fund appropriation returned by cement commission.....	275,000.00	4.6
Returned to general fund by twine plant.....	100,000.00	1.7
Interest.....	25,548.28	.4
Miscellaneous income.....	7,018.65	(²)
Total other income.....	747,891.08	12.3
Grand total receipts of State general fund.....	6,043,764.03	100.0

¹S. Dak. State Treas., An. Rept., 1926, pp. 4-5.

²Negligible.

³Items listed as State aid from Federal Government, \$11,700, and sale of revenue warrants, \$3,500,251—total, \$3,511,951—were not included in the present table of current State revenues.

Analysis of State public-school fund.—In an earlier paragraph attention was called to the fact that 17.4 per cent of the total moneys provided for public schools by the State of South Dakota in the year 1926 were furnished by appropriations from the State general fund. In the same year 82.6 per cent of all State-provided public-school moneys was derived from the State common-school interest.

⁸Laws of S. Dak., 1925, pp. 75-76, ch. 90; *ibid.*, 1927, p. 27, ch. 47.

⁹Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, pp. 420-421; Laws of S. Dak., 1923, pp. 92-93, ch. 107.

¹⁰Laws of S. Dak., 1923, pp. 93-95, ch. 108.

¹¹Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, pp. 421-423.

and income fund. In the year 1926 this latter fund amounted to \$1,551,593.81. Of this total fund approximately \$80,000 was derived from the proceeds of fines and certain miscellaneous moneys, the remainder, amounting to approximately \$1,470,000, was furnished by the income from assets belonging to the permanent school fund. From this it will be seen that by far the most important source of State public-school support in South Dakota is the permanent school fund.

The relative importance of these two major sources, namely, the common-school interest and income fund and appropriations from the State general fund, is shown in Table 2.

TABLE 2.—*South Dakota State aid for public elementary and secondary schools year ending June 30, 1926*

Source	Amount	Per cent
State common-school interest and income fund:¹		
Interest from investments.....	\$716,999.84	
Interest from sales contracts.....	279,467.37	
Leasing.....	455,172.49	
Fines.....	78,649.41	
Miscellaneous.....	3,254.41	
Interest on daily balance.....	20,050.29	
Total from State interest and income fund.....	1,551,593.81	82.6
Expended from State general fund:²		
State department.....	\$ 51,785.25	
State rural schools ³	\$111,150.00	
State consolidated schools ⁴	\$ 30,300.00	
Vocational home economics.....	\$ 36,050.23	
Normal training in high schools ⁴	\$ 35,400.00	
Teachers' cottages ⁴	\$ 2,940.00	
Aid of common schools.....	\$33,882.06	
Do.....	\$25,000.00	
Total expended from appropriations⁵.....	326,507.54	17.4
Grand total State aid.....	1,878,101.35	100.0

¹ S. Dak. State Aud., An. Rept., 1926, p. 100.

² The amounts are the amounts expended, not the amounts appropriated by legislative act. The appropriation acts did not segregate all items.

³ S. Dak. State Supt. of Pub. Instr., Bien. Rept., 1924-1926, p. 294.

⁴ The legislature of 1927 failed to appropriate any moneys for these four items. (Laws of S. Dak., 1927 special session, p. 11; Sch. Laws of S. Dak., 1927, p. 2.)

⁵ S. Dak. State Aud., An. Rept., 1926, p. 32.

⁶ Expenditure for Americanization and rehabilitation, totaling \$7,182.88, has been excluded as not benefiting the public elementary and secondary schools.

State Taxes as Source of State School Funds

A comparison of the data presented in earlier paragraphs and in Table 1 and in Table 2 may be summarized as follows: 17.4 per cent of the total moneys provided by the State for public schools in the year 1926 were furnished by appropriations payable from the State general fund and 87.7 per cent of the State general fund was derived from the proceeds of State taxes. Of the types of taxes contributing to the State general fund by far the most important is the general property tax which in the year 1926 provided 75 per cent of the

moneys composing this fund. South Dakota levies no State school tax. State school funds derived indirectly and only partly from the proceeds of State taxes through the appropriations from the State general fund constitute a relatively minor proportion of the State moneys provided for schools. The all important source of State school revenue in South Dakota is the income of the permanent school fund.

Apportionment of State School Funds

Permanent school fund income.—The income from this fund is credited to and apportioned as the State common-school interest and income fund. The State common-school interest and income fund is apportioned annually by the commissioner of school and public lands among the school districts of the State on the basis of school census—namely, the number of persons resident within said districts under 21 and over 6 years of age.¹²

Appropriations for State department.—Appropriations from the State general fund for the benefit of the State department of public instruction are paid out in the form of fixed amounts to meet the cost of salaries and other expenses necessary for the maintenance of the department.

Rural-school aid.—A rural school which meets the State requirements regarding site, building, equipment, teacher certification, course of study, and maintenance of a school term of nine months is designated as a State rural school. Each such school is entitled to receive from the State a flat annual grant of \$150.¹³ In 1925-26 the State appropriated \$111,150 to provide aid for rural schools.

Consolidated-school aid.—State consolidated schools are classified into three classes—first class, second class, and high schools, depending on the size of the district, the number of acres of the school site, the number of classrooms, number and qualifications of teachers, and type of curriculum offered. All State consolidated schools must maintain a 9-month session and provide transportation for pupils. The State makes annual grants to consolidated schools in the form of flat quotas, the amount of the grant in each case depending upon the class of the school, as follows: To schools of the first class, \$400; to schools of the second class, \$250; to high schools, \$600.¹⁴ In the year 1926 the total appropriated by the State to aid consolidated schools amounted to \$30,300.

¹² S. Dak. Sch. Laws, 1927, p. 133, sec. 7580, and p. 134, sec. 7591.

¹³ Ibid., pp. 113-114, sec. 3; ibid., p. 117, sec. 7.

¹⁴ Ibid., pp. 114-116, sec. 4, and p. 117, sec. 7.

State aid for vocational home economics.—South Dakota accepted the provisions of the Federal Smith-Hughes Act providing for Federal subventions for vocational education in public schools and the training of vocational teachers.¹⁵ During the year 1925-26 all State aid for secondary vocational education was spent for vocational home economics. Other types of vocational education maintained in public schools were aided from Federal subventions.¹⁶

Appropriations for high-school normal-training departments.—The State superintendent of public instruction has authority, subject to certain limitations, to approve one or more 4-year accredited high schools in each county as schools authorized to give normal-training courses. The State makes annual grants to aid such schools in meeting the costs of their respective normal-training courses. Such grants are given in the form of flat quotas graduated according to the number of pupils enrolled in such training courses, as follows: For an enrollment of 5 to 10 pupils, \$500; more than 10 and fewer than 20 pupils, \$700; 20 or more pupils, \$1,000.¹⁷ Grants provided on the basis of the number of pupils enrolled must be regarded as per pupil grants. In the year 1926 South Dakota appropriated \$35,400 for high-school normal-training courses.

Teachers' cottages.—The State makes a flat grant of \$500 to any district which shall erect a suitable teachers' cottage or home in accordance with plans and specifications approved by the superintendent of public instruction.¹⁸

Compensation tax grants.—Under the title "Aid of common schools" the State makes two appropriations to compensate school districts containing nontaxable State lands—namely, (1) lands belonging to State endowment and indemnity lands and (2) nontaxable Indian lands.

The appropriation provided to compensate districts containing indemnity and endowment lands is distributed among such districts in proportion to the number of acres of nontaxable lands contained within each district, subject to certain conditions and limitations. (1) The district must levy a school tax of at least 6 mills. (2) It must contain at least 2,500 acres of such nontaxable lands within its boundaries. (3) The districts containing between 2,500 and 5,000 acres of such nontaxable lands shall receive annually not more than 3 cents an acre. (4) Districts containing more than 5,000 acres of such lands shall not receive more than 5 cents per acre annually.

¹⁵ S. Dak. Sch. Laws, 1927, pp. 17-18, sec. 7409.

¹⁶ S. Dak. State Supt. of Pub. Instr., Bien. Rept., 1924-1926, pp. 19, 22, 294.

¹⁷ S. Dak. Sch. Laws, 1927, pp. 120-122, secs. 1-6.

¹⁸ *Ibid.*, 1927, p. 117, sec. 7.

The appropriation provided to compensate districts containing nontaxable Indian lands is distributed among such districts in proportion to the acreage of such nontaxable lands contained within each district, subject to certain conditions and limitations. (1) The district must levy a school tax of at least 6 mills. (2) The district must contain at least 1,500 acres of such nontaxable lands. (3) No district shall receive annually more than 8 cents per acre.^{1a}

^{1a} Session Laws of S. Dak., 1925, pp. 49-50.

CHAPTER XL

TENNESSEE

Tennessee derives the major portion of all State support for public schools from the proceeds of State taxes which reach the schools through three channels: (1) The proceeds of two State taxes levied specifically for schools, namely, a State general property 8-cent rural school tax and a State tobacco tax; (2) interest on the State debt to the State permanent school fund paid from the proceeds of State taxes;¹ (3) 33 $\frac{1}{3}$ per cent of the gross revenues of the State which are composed chiefly, though not entirely, of the proceeds of the State taxes.

Taxes Levied Specifically for Schools

General property taxes.—In the year 1926 Tennessee levied a State general property tax of an aggregate rate of 25 cents on each \$100 of assessed valuation, distributed as follows: Regular State taxes, 12 cents; University of Tennessee tax, 5 cents; rural school tax, 8 cents.²

Tobacco tax.—The State requires the payment of a privilege tax of 10 per cent of the total selling price of manufactured tobacco in any and all forms. When first levied only a portion of the proceeds of this tax was devoted to the support of public schools. Later, however, the entire proceeds of the tax were devoted to education. The history of this tendency may well be summarized.

In 1925 an act was passed providing "that in addition to the one-third of the revenue derived from this tax (tobacco tax) that under the present law will accrue to the general school funds, that the further sum of \$250,000 from the revenue of this tax shall be used as a special fund to provide an 8-months school term in the rural schools of the State."³

An act approved June 28, 1927, devotes the entire proceeds of the State tobacco tax to educational aid as follows: \$800,000

¹ "The State pays annually out of its taxes 6 per cent interest on the State bonded debt, which constitutes the permanent school fund." F. H. Swift, *A History of Public Permanent School Funds in the United States*, p. 394.

² Tenn. Dept. of Finance and Taxation, *Bienn. Rept., 1924-1926*, p. 41.

³ Pub. Acts of Tenn., 1925, pp. 2-6, ch. 2.

annually to an equalization fund to provide an 8-months school term in the rural elementary schools of the State; \$200,000 annually to the high schools of the State to supplement the high-school fund; (3) the residue, or so much thereof as may be necessary, to amortize a bonding fund of not less than \$500,000 for building and repairing rural schoolhouses; (4) the remainder to amortize a State university building fund in such amount as said remainder will warrant.⁴

The rural school building fund mentioned under (3) was created by the legislature of 1927 which passed an act providing that there shall be established a State building fund to be derived from the proceeds of State bonds amounting to \$1,000,000, such fund to be distributed among the counties of the State under the conditions set forth in the act. The interest on these bonds shall be paid and the bonds when due shall be retired by annual allotments from the proceeds of the State tobacco tax.⁵

A considerable number of States provide that a certain per centum of the proceeds of one or more taxes shall be devoted to the support of free public schools. At least four States, Georgia, Kentucky, Missouri, and Tennessee, have extended this policy so as to give public schools a claim on a fixed per centum of all State revenues. Georgia provides that 50 per cent of all revenues received by the State from all sources of income or taxation shall be used and expended for common schools.⁶ Kentucky devotes to the support of public schools 69 per cent of the proceeds of the State general property tax and certain corporation taxes.⁷ Missouri and Tennessee both devote one-third of the State receipts to the support of public schools. Tennessee provides that 33 $\frac{1}{3}$ per cent of the gross revenues of the State shall be set aside for public schools. This provision is subject to several possible interpretations. Tennessee, like Georgia, has not followed the practice of devoting to public schools a fixed proportion of all public revenues, but, like Georgia, allocates the proceeds from certain specific taxes and funds or accounts to specific purposes other than schools. Table 1 shows the allocation of State revenues for the biennium 1925-26.

⁴ Pub. Acts of Tenn., 1927, pp. 9-13, ch. 2.

⁵ Ibid., 1927, pp. 274-282, ch. 98.

⁶ Ga. Sch. Code, 1923, p. 38, sec. 109.

⁷ Ky. Acts, 1926, p. 740.

TABLE 1.—Tennessee State receipts allocated to specific purposes, 1924-1926¹

Source	Amount
Rural school general property tax levy.....	\$2,706,952.18
University of Tennessee general property tax levy.....	1,692,581.94
Highway general property tax levy ²	25,558.85
State fair general property tax levy ³	1,909.56
Gasoline privilege tax (for highways).....	6,087,482.03
Motor-vehicle registration fees (for highways).....	6,398,770.52
Federal and other aid (for specific projects or departments) ⁴	13,699,888.64
Total receipts allocated to specific purposes.....	30,611,143.72
"Actual receipts for general purposes".....	15,086,901.61
Total gross receipts for the biennium.....	45,698,045.33

¹ Tenn. Dept. of Finance and Taxation, *Bien. Rept.*, 1924-1926, p. 27.

² These 2 items are receipts from delinquent taxes collected from the 1922 assessment when Tennessee levied a 5-cent highway general property tax and a 1-cent State fair general property tax. (See *ibid.*, p. 41.)

³ This item includes all Federal aid for different State projects and also the revenues from a majority of State boards, departments, and institutions, each of which is granted a prior claim upon its receipts. (See *ibid.*, pp. 39-40.)

Table 1 shows that moneys totaling \$30,611,143.72 were allocated to specific purposes before an amount was reached which the State department of finance and taxation terms "actual receipts for general purposes." The principal sources of revenue contributing to this fund for State general purposes are (1) general property taxes, (2) corporation privilege and license taxes, (3) tobacco taxes, and (4) inheritance taxes.

In view of the fact that the schools are entitled, in addition to all other moneys, to 33 $\frac{1}{3}$ per cent of the "actual receipts for general purposes" amounting for the biennium 1924-1926 to \$15,086,901.61, it is necessary to consider the four types of taxes just named which provide the major portion of these receipts for general purposes.

Taxes Levied for General State Purposes

General property tax.—The aggregate rate of the State general property tax in 1926 was 25 cents on each \$100 of assessed valuation, 12 cents of which was credited to the fund for general State purposes.

Corporation taxes.—Corporations, like individuals, are subject to general property taxes. The value of intangible property is reached by an assessment of capital stock and bonded debt. Two types of taxes are levied upon corporations in addition to the general property or ad valorem tax: (1) Privilege taxes, collected from public utility corporations, insurance companies, and building and loan associations (the basis and rate of tax dependent on the type of corporation)⁵ and (2) an annual excise tax of 3 per cent of the net earnings of all corporations organized for profit under the laws of the State.⁶

⁵ Bu. of the Census, *Digest of State Laws Relating to Taxation and Revenue*, 1922, p. 480.

⁶ Pub. Acts of Tenn., 1923, pp. 84-87, ch. 21.

Tobacco tax.—The provisions of the present tobacco tax law have been summarized in an early section of the present account. The data presented in Table 2 are for the biennium 1924-1926, during part of which time the law in effect was that of 1925. Figures showing the distribution of the proceeds of the tobacco tax under the 1927 law are not now available.

Inheritance taxes.—The State levies inheritance taxes of rates varying from 1 to 10 per cent, depending upon the amount of the inheritance or transfer and the degree of relationship of the recipient.¹⁰

TABLE 2.—Source analysis of Tennessee receipts available for general State purposes, 1924-1926¹

Source	Amount	Per cent
General property taxes (12 cents levy).....	\$6,203,971.96	41.1
Corporation taxes:		
Privilege taxes.....	4,089,203.63	
Excise taxes.....	1,447,671.80	
Total.....	5,536,875.43	36.7
Tobacco tax.....	1,517,671.42	10.0
Inheritance tax.....	928,795.25	6.2
Miscellaneous unclassified receipts.....	617,110.71	4.1
Interest on deposits.....	282,476.84	1.9
Total.....	3,346,054.22	22.2
Grand total.....	15,086,901.61	100.0

¹ Tenn. Dept. of Finance and Taxation, Bien. Rept., 1924-1926, pp. 29-32.

Permanent school fund income.—“An act to establish and maintain a uniform system of public schools” passed in 1873, provided that—

The permanent school fund of the State shall be the \$1,500,000 ascertained and declared by section 946 of the code and recognized by the constitution of the State to be the permanent school fund. To this shall be added the interest which has accrued on the same and not paid by the State, amounting on January 1, 1873, to \$1,012,500.

For this total amount of \$2,512,500 a certificate was issued and signed by the governor providing for the payment of interest at the rate of 6 per cent annually. In reality this \$2,512,500 is nothing more than a permanent State debt recognized by the legislature,¹¹ and the interest on this fund, amounting in the year 1925-26 to \$150,750,¹² is in reality paid from the proceeds of State taxes.

General State school fund.—The State general school fund is a current fund provided for the benefit of public schools, normal

¹⁰ Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, pp. 429-430.

¹¹ J. H. Goldthorpe, Public-School Finance in Tennessee, in Studies in Public-School Finance, the South, p. 145.

¹² Tenn. Compt. of the Treas., Bien. Rep., 1924-1926, pp. 116-118.

schools, the State polytechnic school, and the normal school for negroes. The law providing for the creation of this fund devotes to it the following moneys and sources: (1) Interest on the permanent school fund; (2) 33 $\frac{1}{3}$ per cent of the gross revenue of the State; (3) the proceeds of an annual State general property tax of 8 cents on each \$100 of taxable property; (4) proceeds of public lands, escheated property, and any other sources of school revenue provided by law; (5) any additional moneys appropriated by the general assembly for public schools or derived from State taxes hereafter levied for school purposes.

The act creating a general school fund provides further that not more than \$80,000 shall be distributed annually to each of the three (white) normal schools, \$65,000 to the Agricultural and Industrial Normal School for Negroes, and \$70,000 for the polytechnic school, "exclusive of any special appropriation in the general or miscellaneous bills for plant improvements and extensions; and any residue remaining from the several allowances on a percentage basis hereinbefore provided shall accrue to the elementary schools."¹²

The official reports for the year 1925-26 show no moneys credited to the general State school fund from the items mentioned under groups (4) and (5) above, except certain proceeds from tobacco taxes granted to the schools in addition to the usual 33 $\frac{1}{3}$ per cent.

TABLE 3.—Source analysis of Tennessee general State school fund, year 1925-26¹

Source	Amount ²	Per cent
Interest on permanent school fund.....	\$150,750.00	3.6
33 $\frac{1}{3}$ per cent of gross revenues, including one-third of tobacco tax.....	2,298,523.67	55.6
Eight-cent general property tax levy.....	1,286,621.07	31.1
Tobacco tax in addition to one-third.....	400,000.00	9.7
Total general State school fund.....	4,135,894.74	100.0

¹ Tenn. Compt. of the Treas., Bien. Rept., 1924-1926, pp. 116-118.

² The items here indicated are the totals of amounts credited to the State general school fund from each source as of July 1, 1925, and Jan. 1, 1926.

³ The total receipts available for general purposes as given in Table 2 (\$15,086,001.61) are for the biennium 1924-1926. The 33 $\frac{1}{3}$ per cent here credited to the general State school fund is for one year of the biennium, 1925-26.

⁴ The laws of 1925 provided for only \$250,000 to be credited to the public schools from the proceeds of the tobacco tax in addition to the usual 33 $\frac{1}{3}$ per cent. The additional amount here credited is probably due to an overlapping of the tax and school years.

Division of General State School Fund

The law which established the State school fund provides for its division into 10 distinct funds, each fund to be devoted to specific educational purposes. The legislature provides for an appropriation for the State department of education payable from the general State school fund, after which the balance of the fund is divided on a

⁵ Tenn. Pub. Sch. Laws, 1925, p. 42, sec. 93.

percentage basis into nine subsidiary funds according to the following percentage basis:

TABLE 4.—Division of funds derived from Tennessee General State school fund¹

[NOTE.—Appropriation for State department is subtracted and the remainder is divided in proportion stated]

Fund	Per cent of general State school fund
Elementary school fund.....	73
High-school fund.....	5 $\frac{1}{4}$
Vocational education fund.....	3 $\frac{1}{4}$
Teachers' colleges.....	8 $\frac{1}{4}$
Polytechnic Institute.....	2 $\frac{1}{4}$
Agricultural and Industrial Normal College.....	2
County superintendents' salary fund.....	2 $\frac{1}{4}$
Consolidation and supervision fund.....	2 $\frac{1}{2}$
Rural-school libraries fund.....	$\frac{1}{2}$
Total.....	100

¹ Compiled from Tenn. Pub. Sch. Laws, 1925, pp. 43-44, sec. 94.

The amount allocated to each of the 10 funds into which the general State school fund is divided, for the year 1925-26, and the amount expended from each such fund for said year, are shown in Table 5.

TABLE 5.—Allotments and expenditures from Tennessee general State school fund, 1925-26

Fund	Amount allocated ¹	Amount expended ²
State department.....	\$22,400.00	\$22,400.00
Elementary school fund.....	2,765,038.04	2,900,024.00
Equalizing fund (tobacco tax, in addition to one-third).....	400,000.00	310,500.00
High-school fund.....	213,525.83	204,325.93
Vocational-education fund.....	429,972.31	129,972.31
Teachers' colleges.....	270,000.00	(?)
Polytechnic Institute.....	70,000.00	(?)
Agricultural and industrial normal college.....	70,000.00	(?)
County superintendents' salary fund.....	83,553.63	83,004.01
Consolidation and supervision fund.....	92,837.36	48,557.50
Rural-school libraries funds.....	18,567.47	12,360.35
Total.....	4,136,694.74	3,711,744.10

¹ Tenn. Compt. of the Treasury, Bien. Rept., 1924-1926, pp. 116-118

² Tenn. Dept. of Educ., An. Rep., 1926, pp. 134-137.

³ The expenditures of the State department were not indicated in the department report, consequently the amount allotted was considered as the amount expended.

⁴ Amounts unexpended from funds other than the high-school fund and funds for institutions of higher learning revert to the elementary-school fund for distribution. This accounts for the excess of expenditures over the amount allotted.

⁵ In separate laws provision is made for the additional amount from the tobacco tax and for a part of the elementary-school fund to be used for equalizing purposes. Since the expenditures for equalization did not amount to the sum provided by the tobacco tax for this purpose, it is assumed that none of the elementary-school fund was used for equalizing purposes.

⁶ The expenditures for vocational education as indicated by the State department report included both State and Federal moneys. It was necessary, therefore, to indicate the amount allotted from State funds.

⁷ These items for institutions of higher learning are excluded from consideration in the present study.

Allotments to institutions of higher learning.—During the year 1925-26 allotments totaling \$410,000 were allowed from the general

State school fund for the three State teachers colleges, the Tennessee Polytechnic Institute, and the normal school for negroes.¹⁴ The total State general school fund for the year 1925-26 amounted to \$4,135,894.74 (see Table 3). Deducting from this total \$410,000, the aggregate of the allotments just noted, there remains as the fund available for public elementary and secondary schools \$3,725,894.74.

State Taxes as Sources of School Revenue

The data and discussion presented in preceding paragraphs make unnecessary any prolonged consideration at this point of the importance of State taxes as sources of school funds in Tennessee. Practically all State provided current school funds, including the interest on the State permanent school fund, are derived from the proceeds of State taxes.

Apportionment of State School Funds

Permanent school fund income.—The income from the permanent school fund is credited to the general State school fund and apportioned as a part of this fund.

General State school fund.—The general State school fund is subdivided into no less than 10 separate funds. Each of these funds is apportioned on a separate basis. A description of the apportionment of the State general school fund therefore involves a description of the methods employed in apportioning the 10 funds into which the State general fund is divided.

State department of education appropriation.—The legislature provides for a fixed sum to be deducted from the general State school fund prior to the division of this fund into the nine subsidiary funds shown in Table 4.¹⁵

Elementary school fund.—The elementary school fund is apportioned annually among the counties of the State by a method which involves three major steps—I, II, and III.

I. There shall be distributed among the counties of the State a per capita grant based on the average daily attendance in the county and city public elementary schools. The amount to be received by any county depends upon the rate of the county school tax, as follows:

If county tax rate on each \$100 assessed valuation shall be—	State grant per unit of average daily attendance
Less than 30 cents	\$5.00
Not less than 30 cents, but less than 40 cents	6.00
Forty cents or more	7.00

¹⁴ Tenn. Compt. of the Treas. Bienn. Rept., 1924-1926, pp. 116-118.

¹⁵ Pub. Sch. Laws of Tenn., 1925, p. 43, sec. 94.

II. Equalization fund.—The balance of the elementary school fund remaining after the apportionment has been made on the basis of average daily attendance, or so much of the balance as may be necessary, shall be used as an equalizing fund to enable the various counties of the State to provide a minimum school term of eight months in rural elementary schools. A special allotment from the proceeds of the State tobacco tax is also specifically set aside for this purpose. (See paragraph on tobacco tax.) The equalization fund is distributed in such a manner as to meet such costs of an approved minimum program as are not met from all other State and county funds.

Minimum program.—The minimum program is based upon a budget approved by the State. This budget shall cover the salaries of teachers and principals of rural elementary schools for a term of eight months at salaries not exceeding those prescribed in the State salary schedule. The number of teachers and principals shall not be in excess of one teacher for every 25 pupils in average daily attendance, except that in sparsely settled communities or in other communities on account of mountains, watercourses, or other physical conditions, where it is necessary to employ more than one teacher to each 25 children, an additional teacher may be allowed upon approval of the State board of education. The approved budget may include costs for operating expenses not exceeding 15 per cent of the amount allowed for teachers' salaries.

Requirements—sources of county revenue.—In order to share in the equalizing fund a county must comply with all the provisions of the act creating this fund, including the furnishing of the data required by the State commissioner of education and shall set aside for the support of schools the following revenues: (1) A county elementary-school tax of not less than 50 cents on each \$100 of taxable property in the county, including any tax for elementary schools levied by the legislature and retained in the county, and excluding the State 8-cent school tax; (2) a poll tax of \$1; (3) all privilege taxes; (4) fines allowed by law.

Determination of county quota.—If in any one year the revenues derived from the sources named in the preceding paragraph, together with those derived from State school funds distributed to the county on a per capita basis, are insufficient to meet the costs of the approved county school budget, there shall be apportioned to such county from the State equalizing fund a sum sufficient to cover the deficit.

Uses.—The entire apportionment to the county from the county and State funds for elementary schools shall be used exclusively for the payment of salaries and operating expenses.¹⁶

¹⁶ Pub. Sch. Laws of Tenn., 1925, pp. 44-45, sec. 95.

The law provides further that should the equalization fund be insufficient to meet all claims, balance of such fund "shall be and is hereby appropriated out of any general State funds not otherwise appropriated."

The law provides further for grants for elementary schools which maintain a school term of less than eight months or which pay salaries less than that fixed by the State salary schedule. In such cases the State grant from the equalizing fund shall be proportioned to the length of school term maintained and to the salary paid.

"Nothing in this act shall be construed as preventing counties from providing longer terms than eight months or paying salaries to teachers at higher rates than fixed in the State salary schedule."¹⁷

III. *Balance on basis of average daily attendance.*—Any balance remaining in the elementary school fund after meeting the claims of the per capita apportionment and the needs of the equalizing fund, shall be distributed among the counties and cities of the State in proportion to the average daily attendance in the elementary schools.¹⁸

Distribution by county officials.—The county superintendent, on or before the 1st day of July of each year, shall certify to the county trustee the average daily attendance of the schools under his direction and of the city schools in his county, and the county trustee shall distribute all elementary school funds, State and county, except the equalizing fund for county elementary schools * * * to the county and city, or cities, in proportion to the average daily attendance as thus certified to him.¹⁹

County high-school fund.—The high-school fund is distributed annually among the counties by a twofold method as follows: (1) To each county is apportioned a flat grant of \$1,000; (2) the balance is apportioned among the counties of the State in proportion to the average daily attendance in public county high schools.²⁰

Vocational education.—To take advantage of the Federal subventions for vocational education and industrial rehabilitation, Tennessee sets aside annually 3½ per cent of the general State school fund. The funds for vocational education provided by the State are apportioned in accordance with principles and policies provided by the Federal Smith-Hughes Act and the Rules and Regulations of the Federal Board for Vocational Education.

County superintendents' salary fund.—In the division of the general State school fund, 2.25 per cent or such part thereof as may be necessary, is constituted a fund to be used by the State for the benefit of the salaries of county superintendents. There shall be paid

¹⁷ Pub. Sch. Laws of Tenn., 1925, pp. 46-47, sec. 97.

¹⁸ Ibid., p. 46, sec. 97.

¹⁹ Ibid., p. 48, sec. 98.

²⁰ Ibid., p. 43, sec. 94.

from the county superintendents' salary fund to each county in the State an amount equal to that paid by the county toward the salary or compensation of the county superintendent; provided, that no county shall receive annually for this purpose more than \$1,000, and no county shall receive any grant from the State county superintendents' salary fund unless such county shall be paying to its county superintendent at least \$500 per year.²¹

Special building fund.—The act creating the special building fund provides that this fund shall be distributed among the counties of the State in the form of per capita grants based on average daily attendance. Such grants shall be graduated according to the rate of the county school tax for current expenses, as shown in the following summary.

TABLE 6.—Method of apportioning Tennessee State special building fund¹

County tax rate on each \$100 valuation	Grant per capita of average daily attendance	Minimum grant	Maximum grant
Less than 40 cents.....	\$1.....	\$5,000, but not to exceed \$5 per unit of average daily attendance.	\$7,500
40 cents and less than 50 cents.....	2.....	\$7,500, but not to exceed \$6 per unit of average daily attendance.	12,500
50 cents or more.....	Proportionate amount of balance of fund.	\$10,000, but not to exceed \$7 per unit of average daily attendance.	17,500 ²

¹ Pub. Acts of Tenn., 1927, pp. 274-282, ch. 88.

Requirements.—In addition to levying the taxes indicated in the preceding summary, it is provided that no county shall receive any grant from the special building fund until it shall appropriate for the building and repair of rural public schoolhouses an amount equal to \$1 per capita of average daily attendance in the elementary schools of the county, provided that no county shall be required to appropriate a sum larger than that it receives from the State for this purpose, and provided further that each county shall be required to contribute a sum equal at least to one-half the grant it is entitled to receive from the special building fund.²²

All moneys received from the special building fund shall be used exclusively for the building and repair of rural public-school buildings.²³

²¹ Pub. Sch. Laws of Tenn., 1925, p. 43, sec. 94.

²² Ibid., p. 270, ch. 88, sec. 5 (3).

²³ Ibid., p. 281, sec. 6.

CHAPTER XLI

TEXAS

Types of State taxes levied.—Texas levies a State general property tax and a State poll tax specifically for the benefit of public elementary and secondary schools. The public schools are entitled also to one-fourth of the proceeds of State occupation taxes. Additional school support is provided by legislative appropriations payable from the State general fund which is largely composed of the proceeds of State taxes. Proceeds of State taxes, therefore, accrue to the benefit of public schools in no less than three ways. The only other important source of State school support is the State permanent school fund which will be considered only to determine the importance of State taxes in comparison with other types of State school revenues.

State School Taxes

General property tax.—The constitution of Texas provides that there shall be levied annually a State general property or ad valorem tax for the benefit of public schools, the rate of which shall not exceed 35 cents on each \$100 of taxable property.¹ The State has levied the maximum constitutional rate since the year 1919.²

Poll taxes.—In accordance with the provisions of the State constitution, Texas levies annually for the benefit of public schools a tax of \$1 on every inhabitant of the State between the ages of 21 and 60 not specifically exempted by law.³

Occupation taxes.—The following types of taxes are classified as occupation taxes: (1) Taxes upon the gross receipts of public utilities; (2) taxes upon the gross premiums of insurance companies; (3) a tax upon dealers in gasoline equal to 1 cent for each gallon of gasoline sold; (4) taxes upon miscellaneous occupations. As noted in an earlier paragraph, the constitution provides that one-fourth of the proceeds of State occupation taxes shall be devoted to public schools.

¹ Constitution, Art. VII, sec. 3; Tex. Pub. Sch. Laws, 1927, p. 1.

² Tex. Compt. of Pub. Accts., An. Rept., 1927, pp. 74-75.

³ Constitution, Art. VII, sec. 3; Tex. Pub. Sch. Laws, 1927, p. 1.

Such moneys are credited to the State available school fund. The remaining three-fourths of the proceeds of gasoline taxes are credited to the highway fund, and the remaining three-fourths of all other occupation taxes are credited to the State general fund.⁴

State School Funds

Texas maintains six State funds for the benefit of public elementary and secondary schools: (1) State permanent school fund; (2) State available school fund; (3) free textbook fund; (4) vocational-education fund; (5) rural-aid fund; (6) State department fund.

State permanent school fund.—The State of Coahuila and Texas was organized in 1827. In 1836 Texas established itself as an independent republic. In 1845 Texas became one of the United States. The first constitution made provisions looking toward a permanent State school fund. In 1850 the legislature directed the comptroller to issue \$36,000 in 5 per cent State bonds and place such bonds to the credit of the common free-school fund. In 1854 the legislature set aside \$2,000,000 of United States 5 per cent bonds in the State treasury as a fund to be known as the special school fund. These bonds were received from the United States under the provisions of the "Compromise of 1850."

As the result of an act passed in 1854 and subsequent acts, approximately 36,000,000 acres of land were donated by Texas to encourage the construction of railroads. By subsequent acts the State grants to railroads were amended to reserve alternate sections for the free-school fund. The constitution of 1876 set apart these alternate sections as a part of the perpetual school fund of the State and provided that in the future one-half of the proceeds of the sales of public lands shall be added to this fund.

In 1883, 2,000,000 acres more were granted to free schools as the result of an effort to gain the consent of the legislature to grant 1,000,000 acres to the State university in lieu of lands of which it had been unjustly deprived.

Sources of increase.—The constitution, as amended September 25, 1883, provided for a perpetual public-school fund to be composed of the following funds and lands: (1) All funds, lands, and other property heretofore set apart and appropriated for the public schools; (2) all the alternate sections of lands reserved by the State out of grants heretofore made or that may hereafter be made to railroads or to any other corporations; (3) one-half of the public do-

⁴Tex. Compt. of Public Accts., An. Rept., 1927, pp. 8, 95-97.

main of the State; (4) all moneys that may accrue to the State from the proceeds of the sales of any portion of the public domain.⁵

An analysis of the principal and income of the State permanent school fund for the year 1926-27 is presented in Table 1.

TABLE 1.—Analysis of principal and income of Texas State permanent school fund, 1926-27¹

Assets	Principal	Income
Land notes.....	\$46,915,674.20	\$1,441,034.79
City, county, and district bonds.....	27,453,922.14	1,357,839.28
State bonds.....	2,722,000.00	87,003.00
Railroad bonds.....	1,686,567.17	12,612.02
Cash.....	421,350.58	.....
Total.....	79,199,514.09	2,899,091.09

¹ Tex. Compt. of Pub. Accts., An. Rept., 1927, pp. 32, 34.

² Tex. Ed. Survey Rept., Financial Support, 1925, p. 74. This item taken from the report just cited is there quoted from the report of the land commissioner under date of Aug. 31, 1920. All other items of principal are as of Aug. 31, 1927.

State available school fund.—All current funds thus far described, including the income of the permanent school fund, are credited to a fund known as the available school fund and after a deduction for free textbooks has been made are apportioned among the school districts of the State on the basis of the number of scholastics—that is, the number of resident children between the ages of 7 and 18.⁶ The term scholastics, as employed by Texas, is a synonym for the more commonly employed term school census.

Free textbook fund.—The constitution requires the State board of education to set aside out of the proceeds of the State general property school tax a sum sufficient to provide free textbooks for the children attending the free public schools of the State.⁷ It is scarcely necessary to note that the proceeds of this State property general school tax not devoted to providing free textbooks are distributed as a part of the available school fund. Various limits have been set as to the proportion of the proceeds of the State general property school tax which may be used by the State board of education for free textbooks. According to present law not more than 7 cents of the 35-cent tax on each \$100 of taxable valuation shall be used for this purpose.⁸

Vocational-education fund.—Texas accepted the terms and provisions of the Smith-Hughes Act providing Federal subventions for the benefit of vocational education in the various States. It has been

⁶ Constitution, Art. VII, sec. 2; Tex. Pub. Sch. Laws, 1924, p. 7. For a more complete account see F. H. Swift, *History of Public Permanent School Funds in the United States*, pp. 400-405.

⁷ Tex. Pub. Sch. Laws, 1927, pp. 60-61, sec. 172; *ibid.*, pp. 57-58, sec. 165.

⁸ Constitution, Art. VII, sec. 3; Tex. Pub. Sch. Laws, 1927, p. 1.

⁹ Tex. Gen. Laws, 1925, p. 218, ch. 66.

the policy of Texas to appropriate from the State general fund an amount sufficient to match the Federal subventions. The customary appropriation for this purpose, amounting to \$312,409.38 for each of the years included in the biennium 1925-1927, was vetoed by the governor. As a consequence the responsibility for providing the moneys to match the Federal subventions has been placed for these two years on the school districts themselves.⁹ The appropriation for the biennium 1927-1929 was not vetoed, and as a consequence the districts will again receive State aid for Smith-Hughes work.¹⁰

Rural-aid fund.—For a number of years each succeeding legislature has made an appropriation for the benefit of rural schools. The appropriation provided for each of the years included in the biennium 1925-1927 was \$1,500,000.¹¹ As will appear later, the rural-aid fund and the State vocational-education fund (when appropriated) are the only funds not apportioned on the basis of the number of scholastics (school census).

Appropriations for State department of education.—Texas, in common with the other States in the Union, makes appropriations to pay the salaries and necessary expenses of the State department of education. The appropriations provided for each of the years included in the biennium 1925-1927 totaled \$100,820.¹² This total includes an appropriation of \$21,000 for State supervision of vocational education.

The legislature, in its extra session of 1926, made a special appropriation of \$3,500,000 to increase the State apportionment from the available school fund for each scholastic for the year 1926-27 from \$11.50 to \$14.¹³ The amount actually expended from this appropriation for the purpose just described equaled \$2,333,333.33.¹⁴

Analysis of State School Funds

A source analysis of all State funds provided by Texas for public schools for the year 1926-27 is presented in Table 2.

⁹ Tex. State Supt. of Pub. Instr., Bien. Rept., 1924-1926, p. 15.

¹⁰ Tex. Gen. Laws, 1927, p. 279.

¹¹ Ibid., 1925, pp. 292-297, ch. 113; *ibid.*, 1927, p. 173.

¹² Ibid., pp. 548-549.

¹³ Ibid., 1926, extra session, pp. 37-38, ch. 19.

¹⁴ Tex. Compt. of Pub. Accta., An. Rept., p. 12.

TABLE 2.—Source analysis of Texas State aid for public schools, 1926-27

Source	Amount	Per cent
State school taxes:		
General property taxes.....	\$11,670,752.77	47.6
Poll tax.....	928,839.54	3.8
Occupation taxes (one-fourth part)—		
Gross receipts.....	1,946,918.72	
Gross premiums.....	525,689.38	
Gasoline.....	2,487,905.52	
Miscellaneous.....	76,558.45	
Total (one-fourth occupation taxes).....	5,037,072.07	20.6
Miscellaneous collections.....	4,353.32	(¹)
Total from taxes.....	17,651,017.70	72.0
Income from permanent funds and deposits:		
Permanent school fund.....	2,899,091.09	
Interest on State deposits.....	45,057.41	
Total.....	2,944,148.50	13.0
Appropriation from State general revenue fund:		
Support of free schools.....	2,333,333.33	
Rural school aid.....	1,500,000.00	
State department.....	100,820.00	
Total appropriations.....	3,934,153.33	16.0
Grand total.....	24,529,319.53	100.0

¹ Tex. Compt. of Pub. Accts., An. Rept., 1927, pp. 8-9.

² Negligible.

³ See Table 1.

⁴ Tex. Compt. of Pub. Accts., *op. cit.*, p. 10.

⁵ Tex. Gen. Laws, 1926, extra session, pp. 37-38, chap. 19; Tex. Compt. of Pub. Accts., An. Rept., 1927, p. 12.

⁶ *Ibid.*, 1925, pp. 292, 548-549.

Taxes Contributing to General Revenue Fund

Texas levies five types of taxes, the proceeds of which are credited in whole or in part to the State general revenue fund, namely; (1) general property taxes; (2) occupation taxes; (3) franchise taxes; (4) inheritance taxes; (5) poll taxes.

General property taxes.—The aggregate rate of the State general property tax for the year 1926-27 amounted to 67 cents on each \$100 of taxable property distributed as follows: (1) For the general revenue fund 25 cents; (2) for the confederate pension fund 7 cents; (3) for the available school fund 35 cents. The proceeds of these taxes are credited to the funds for which levied.¹⁵

Occupation taxes.—An earlier paragraph has presented the general provisions regarding occupation taxes and has indicated that three-fourths of the proceeds of State taxes levied upon the gross receipts of public utility corporations and upon the gross premiums of insurance companies and upon certain miscellaneous occupations are credited to the State general revenue fund.¹⁶

¹⁵ Tex. Compt. of Pub. Accts., An. Rept., 1927, pp. 74-75.

¹⁶ *Ibid.*, p. 8.

Corporation franchise taxes.—Domestic corporations pay an annual franchise tax upon their authorized capital stock; foreign corporations, upon that proportion of their capital stock which the gross receipts returned from business operations within the State bears to the total gross receipts of the corporation.¹⁷

Inheritance taxes.—The State levies on all inheritances not specifically exempted by law, graduated taxes of rates varying from 2 per cent to 12 per cent, the rate being determined by the amount of the inheritance or transfer and the degree of relationship of the heir or recipient.¹⁸

Poll taxes.—In addition to the State poll tax of \$1 levied for the benefit of schools and already described, the State levies and collects a poll tax of 50 cents, the proceeds of which are credited to the State general fund.¹⁹

TABLE 3.—Source analysis of Texas general revenue fund, 1926-27¹

Source	Amount	Per cent
Occupation taxes:		
Gross receipts of public utilities.....	\$5,858,819.00	
Gross premiums of insurance companies.....	1,636,575.84	
Miscellaneous occupation taxes.....	229,676.35	
Total occupation taxes.....	7,725,070.19	37.4
General property tax.....	7,675,266.09	37.2
Franchise taxes.....	1,724,466.81	8.4
Inheritance taxes.....	1,394,891.06	6.8
Departmental receipts.....	1,223,309.60	5.9
Poll tax.....	465,437.80	2.2
Miscellaneous collections.....	289,402.73	1.4
Interest on deposits.....	148,352.70	.7
Total.....	12,921,126.79	62.6
Grand total.....	20,646,196.98	100.0

¹ Tex. Compt. of Pub. Accts., An. Rept., 1927, pp. 8-11. Only those items have been included in the present table which are credited to the general fund and are therefore available for appropriation from this fund.

From Table 3 it will be seen that the two most important sources of the general revenue fund are the proceeds of the occupation taxes and the State general property tax. In 1926-27 these two taxes together furnished approximately 75 per cent of the general revenue fund. The tax standing next in importance, the corporation franchise tax, furnished less than one-fourth as large a proportion of the general revenue fund as either the general property tax or occupation taxes. The proportion furnished by the remaining sources varied from 0.7 per cent derived from interest on deposits to 6.8 per cent derived from inheritance taxes.

¹⁷ Bu. of Census, Digest of State Laws, relating to Taxation and Revenue, 1922, p. 446, sec. 9.

¹⁸ Ibid., p. 445, sec. 8.

¹⁹ Ibid., p. 445, sec. 7.

Apportionment of State School Funds

State available school fund.—Table 2 presents an analysis of State school funds for the year 1926-27. All State school revenue included in this table with the exception of the appropriations from the State general revenue fund for rural school aid and the State department of education are credited to and thus constitute the available school fund. The constitution requires that there shall be set aside from the proceeds of the State general-property tax levied for the benefit of the available school fund an amount sufficient to provide free textbooks for the schools of the State. The law limits the textbook fund to one-fifth of the proceeds of the State general property school tax which, in the year 1926-27, would have been approximately \$2,336,000. The amount actually transferred in this year to the textbook fund was \$2,141,096.25.²⁰ After making the transfer required by the constitution and the laws to the free textbook fund, the balance of the available school fund is apportioned among the counties of the State on the basis of the number of scholastics—that is the number of children between the ages of 7 and 18 years.²¹ In the year 1926-27 the amount apportioned on the basis of school census (number of scholastics) amounted to \$18,886,657,²² which includes \$2,333,333.33 appropriated from the State general-revenue fund for the available school fund.

Free textbook fund.—The free textbook fund is expended by the State textbook commission.²³

Vocational education fund.—When such appropriations are provided they are expended in accordance with the provisions of the Federal Smith-Hughes Act and the Rules and Regulations of the Federal Board for Vocational Education.

Rural aid fund.—State aid granted under the rural aid law is expended in accordance with the provisions embodied within the appropriation acts passed by each succeeding legislature. These provisions differ from year to year. Provisions of the 1927 act represent the policies most recently adopted or accepted, although the appropriation included in Table 2 was apportioned in accordance with the 1925 act. The law provides that there shall be appropriated for the year 1927-28, \$1,600,000, or so much thereof as may be necessary to carry out the provisions of the rural aid act, and a similar sum subject to the same conditions for the year 1928-29.²⁴ This appropriation is to be expended for the following purposes: District

²⁰ Tex. Compt. of Pub. Accounts, An. Rept., 1927, p. 32.

²¹ Tex. Pub. Sch. Laws, 1927, pp. 60-61, sec. 172; *ibid.*, pp. 57-58, sec. 185.

²² Tex. Compt. of Pub. Accounts, An. Rept., 1927, p. 32.

²³ Tex. Gen. Laws, 1925, pp. 417-434, ch. 176.

²⁴ Tex. Pub. Sch. Laws, 1927, p. 90, ch. 13, sec. 251.

equalization grants, county equalization grants, rural high-school aid, courses in agriculture and home economics, bonuses for consolidation, reimbursements for transportation and tuition. The method and bases employed in apportioning quotas available for these purposes are shown in Table 4. The amounts to be distributed from the rural aid fund for each major purpose are not given in any available report.

TABLE 4.—*Distribution of Texas rural-aid fund classified as to major purpose, 1927¹*

Equalization:

District equalization grants—

State supplements district funds from State and county sources and local 75-cent general property tax to provide sufficient funds to maintain school not to exceed nine months. Detailed regulations regarding number of scholastics, number of teachers, wages, site, building, equipment, course of study, etc.

County equalization grants—

\$12,500 per year to each county maintaining a county equalization fund. No district to receive more than \$1,000 for any one year from equalization grants.

Stimulation:

Rural high-school aid—

\$500 annually to any rural district of not less than 40 square miles and not more than 700 scholastics establishing and maintaining a high school in accordance with provisions contained in the act.

Agriculture and home economics—

\$300 for equipment and \$100 annually to any district giving courses in agriculture, home economics, and related subjects.

Consolidation—

\$1,000 bonus to any districts effecting consolidation.

Compensation:

Transportation—

One-half the cost of transportation, amount not to exceed \$300 for each auto truck required. Grants made to rural high schools and consolidated schools.

Tuition—

State aids in payment of tuition of rural high-school pupils. Total expended under this section not to exceed \$100,000.

¹ Tex. Gen. Laws, 1927, pp. 105-110, ch. 36.

CHAPTER XLII

UTAH¹

Income tax and poll taxes not levied.—No State, county, or municipal poll taxes are levied in Utah.² The constitution specifically empowers the legislature to provide for a State income tax, but thus far Utah has never employed this type of tax.

Types of State taxes levied.—Utah levies the following types of State taxes and fees: (1) General property taxes; (2) cigarette stamp tax; (3) gasoline and motor fuel tax; (4) inheritance taxes; (5) corporation license tax; (6) license taxes and fees levied upon a considerable number of occupations, professions, and business activities. The general property tax levied on mines is administered in such a manner that in the last analysis this tax becomes a tax levied on the net value of annual products. This matter will be given further consideration in a subsequent paragraph.

One of the striking characteristics of the Utah system of school support is the almost entire absence of special appropriations from the State general fund. The only such appropriation made is a small appropriation for salaries and other costs of the State board of education, amounting in 1924-25 to \$19,735, and constituting two-tenths of 1 per cent of the total receipts for public elementary and secondary schools.

The moneys required to match Federal subventions granted under the Smith-Hughes Act are furnished, with certain negligible exceptions, entirely by the school districts. In the year 1924-25 Utah expended for vocational agriculture \$45,963. Of this sum the State provided \$147.15. The total expenditure for vocational home economics amounted to \$60,890, of which the State provided \$2,482. School districts furnished for vocational agricultural education

¹ All data in this section, unless otherwise specifically indicated, have been taken from the author's account, *Financing Elementary and High Schools (in Utah)*, published as Chapter XI in *Survey of Education in Utah*, U. S. Bur. of Ed. Bul., 1926, No. 18, pp. 398-506. The data in this account were checked by State officials before publication. Data for 1924-25 are presented for Utah for the following reasons: (1) The legislature of 1927 passed no law in any way affecting the system of taxation and the system of school support in force in 1925; (2) the author's study of Utah's system of school support published in 1925 had the advantage of first-hand criticism from the officials of the various State departments of Utah.

² Digest of State tax laws, . . . corrected to and including Laws of Utah, 1925, State board of equalization and assessment, Blen. Rept., 1925-26, p. 180, sec. 7.

\$34,445, for vocational home economics \$56,410, and all moneys provided for vocational trade and industrial education and part-time general continuation education not derived from Federal subventions. Nowhere in the State laws appears any act appropriating moneys to match the Federal grants for vocational education.³

The general fund of the State supplies a negligible portion of the school funds of the State, and an analysis of its sources is not required for this account. Attention will be confined, therefore, to the State taxes levied specifically for the benefit of State school funds.

State School Funds

Utah provides the following four types of funds for the benefit of elementary and secondary schools: (1) The permanent school fund, officially known as the State school fund; (2) the State district school fund; (3) the State high-school fund; (4) appropriations.

State school fund.—Upon her admission into the Union, Utah was granted by the Federal Government for the support of public schools sections 2, 16, 32, and 36 in each congressional township, amounting to approximately 5,844,000 acres. The State constitution provides for the creation of a perpetual fund to be called the State school fund and devotes to this fund the following moneys and lands: (1) The proceeds of all common-school lands granted by the United States to the State; (2) the proceeds of escheats and forfeitures; (3) unclaimed fees or dividends of corporations; (4) the proceeds of the sales of timber, mineral, or other property from school or State lands other than those granted for specific purposes; (5) 5 per cent of the net proceeds of the sales of public land lying within the State. To these five sources Utah, by an act passed in 1923, added a sixth, namely, grants from the Federal royalty fund, originating in an act of Congress approved February 23, 1920. This act grants to certain public-land States 37.5 per cent of the moneys paid to the United States as bonuses, royalties, and rentals for the lease of lands owned by the United States and containing deposits of nonmetallic minerals.

The aggregate income derived from the invested principal of the State school fund, from moneys on deposit, and from school lands belonging to the fund is known as the State school land interest and rental fund. On June 30, 1926, the principal of the State school fund, exclusive of unsold school lands, was reported as amounting to \$5,002,450.88, and income for the year 1924-25 as \$368,166.48, a sum

³ Data taken from Federal Board for Vocational Education, Ninth An. Rept., 1925, Tables 8-11, pp. 150-153.

which, amounted to \$2.64 per school census child 6 to 18 years of age. The value of 4,500,000 acres of unsold school lands (surveyed and unsurveyed) estimated at \$2.50 per acre, amounts to \$11,250,000, making the total prospective value of the fund \$16,252,450.88.

State district-school fund.—The State district-school fund is derived from a State general property tax levied in accordance with the constitutional provision which requires that there shall be levied and collected annually a State tax of a rate sufficient to provide an amount which, added to any other State funds available for district-school purposes, shall equal \$25 for each person of school age (6 to 18 years) in the State, as shown by the last preceding school census.

It will be seen that the rate is not fixed by constitution or law, but is determined annually upon the basis of two factors, namely, the number of children of 6 to 18 years of age reported by the last preceding school census and the amount available from the State school land interest and rental fund.

It would seem to be the intention of the constitution to provide each school district with \$25 for the education of each child of school age, but owing to a number of defects in the law the fund has never done this. The law is defective first in making the basis of the State district school fund the previous year's census which is practically always smaller than the school census in the year in which the money is distributed. Thus in 1925 the school census was 139,457 children, but the district-school fund was provided on the basis of 137,650 children, the census of the preceding school year. It is asserted, moreover, that the State board of equalization, in its eagerness to keep down the State tax rates, frequently overestimates the amount which will be realized from the income of the State permanent school fund and from tax sale redemption proceeds. Again, in making school census the basis of computing the amount of money to be provided, the law excludes children attending public kindergartens, despite the fact that all school districts of a population of 2,000 and upward are required to maintain kindergartens for children 4 to 6 years of age.

In the year 1924-25 the State school land interest and rental fund provided \$2.64 per school-census child and the State district school fund \$21.61, making a total of \$24.25, which is \$0.75 less per child than the amount contemplated in the constitutional provision.

State high-school fund.—The State high-school fund, provided to aid districts in maintaining high schools, is derived from an annual State general property tax of fixed rate, namely, 0.2 mill. In 1925 this tax yielded \$123,700.76 and provided a quota of \$5.03 for each high-school pupil in attendance 20 weeks.

In the year 1924-25 Utah's total receipts from all sources—Federal, State, and district—for public elementary and secondary schools amounted to \$9,984,337.67. Of this total 64.5 per cent was derived from district funds (including both revenue and nonrevenue receipts), 0.47 per cent from Federal funds, and 35.03 per cent from State funds. Table 1 presents a source analysis of State receipts.

TABLE 1.—Source analysis of Utah State school funds, 1924-25¹

Fund	Amount	Per cent ²
State land and interest fund	\$368, 166. 48	3. 69
Appropriation to State board of education	19, 735. 00	. 20
State general property taxes:		
4.8 mill tax—for State district-school fund	3, 013, 447. 52	30. 18
0.2 mill tax—for State high-school fund	91, 806. 39	. 92
Other State funds	4, 202. 00	. 04
Total	3, 497, 357. 39	35. 03

¹ For source analysis of all funds, see Survey of Education in Utah, Bur. of Ed. Bul., 1926, No. 18, pp. 455 and 456.

² That is, per cent of total public-school receipts from all sources—Federal, State, and district.

State Taxes as Sources of School Revenue

General property tax.—It has been indicated in the preceding paragraphs that the only type of State tax contributing directly or indirectly to public schools is the State general property tax. A State general property tax is the sole source of the State district-school fund and of the State high-school fund. Moreover, it is the only source of State aid⁴ other than the income of the State (permanent) school fund. Out of the total school receipts provided by the State in the year 1924-25 88.8 per cent was derived from the proceeds of State general property taxes.

Tax on mines.—State taxes on mines are technically general property taxes but the method employed in assessing and taxing mines makes the general property tax, in part at least, a tax on the net value of annual products.

Mines are assessed on a surface valuation of \$5 per acre of all land attached to the mine. In addition to this valuation is an assessed valuation equal to three times the net value of the annual products of the mine. On these two valuations the State levies and collects all general property taxes levied, which include the State general property tax for the district-school fund, the high-school fund, as well as for all other State funds derived from State general property taxes.⁵

⁴ Excluding, of course, the appropriation for the State board of education, payable from the State general fund.

⁵ Digest Utah Tax Laws, 1925, State Bd. of Equalization and Assessment, Bien. Rept., 1925-26, p. 176.

Apportionment of State School Funds

State district fund and land interest and rental fund.—The State district-school fund and the State land interest and rental fund are combined and apportioned as one fund. This combined fund is apportioned among the districts of the State in proportion to the number of children 6 to 18 years of age. Practical considerations have made it necessary to adopt a method of apportionment somewhat different from that provided in the laws. The following statement was furnished by the State superintendent of public instruction:

Not all the proceeds of the State district school fund are apportioned among the districts, for certain general costs of the school system are paid from this fund, the most important of which are as follows: (1) The actual and necessary expenses of members of the State textbook commission; (2) the expenses of members of the State board of education, who receive \$4 per day for the time actually spent in the performance of duties and are reimbursed for traveling expenses incurred in attending board meetings; (3) clerical assistance for the State board of education to the extent of \$250 per year; (4) one-third of the salary of the supervisor of vocational rehabilitation, and the director of public libraries; (5) the salaries of the supervisors of grammar grades and junior high schools; (6) the cost of blank forms, school registers, and summaries of the opinions and rulings of the State superintendent; (7) the salary and expenses of the superintendent of public instruction; (8) the traveling expenses of the deputy of the State superintendent when attending meetings as the superintendent's representative; (9) the salaries of the staff of the State department of education; (10) the compensation and expenses of the architect or expert employed by the State to examine plans and specifications of school buildings.

In like manner the salary of the State high-school inspector is paid out of the State high-school fund and the salaries of the supervisors of vocational education are paid one-half from the State high-school fund and one-half from the Federal Smith-Hughes subvention.

The school census is taken between October 15 and 30 of the year in which the distribution is made, and census reports must be filed by November 10. The combined income of the State district-school fund and the land interest and rental fund are thereafter apportioned in two installments.

In January the auditor informs the State superintendent of the amount standing to the credit of the State district-school fund on December 31. Within 10 days after receiving this information the State superintendent apportions the State fund among all school districts upon the basis of the school census and certifies such apportionment to the State auditor. Thereupon the auditor draws his

warrant on the State treasurer in favor of each district for the amount to which it is entitled. In April the auditor informs the State superintendent of the amount to the credit of the State district fund as of March 31. Thereupon the same procedure is followed as in the case of the January apportionment.

Requirements for participation.—The law sets up certain conditions which must be met by every district in order to receive its quota of the State district-school fund, namely, (1) the maintenance of the schools required by law during the preceding year for a period of at least 20 weeks; (2) the submission to the State superintendent of all reports required by law. No teachers, supervisors, nor superintendents shall receive compensation from any public funds who, at the time of employment, are not the holders of certificates issued in accordance with the regulations of the State board of education.

High-school fund.—In the year 1925 the State high-school fund furnished less than 1 per cent (0.92 per cent) of Utah's total school receipts. This fund, as already noted, is derived from the proceeds of a State general property 0.2-mill tax.

The salaries and traveling expenses of the State high-school inspector are paid out of the State high-school fund. The remainder of the fund is apportioned among the school districts of the State upon the basis of the number of pupils who attended high school for a period of at least 20 weeks.

The fund is apportioned in two allotments. In January the State board of education apportions 70 per cent of the high-school fund among the districts upon the basis of the estimated number of students who will attend high school during a period of 20 weeks. In June the board apportions the remainder of the high-school fund among the school districts upon the basis of the number of high-school pupils who have actually attended high school for at least 20 weeks. In 1925 the State high-school fund amounted to \$123,700.76 and provided a quota of \$5.03 for each high-school pupil attending 20 weeks.

Requirements.—The law requires that all high schools claiming any benefit from the State high-school fund must be inspected at least once a year.

Uses.—“None of either of said funds (State and county school funds) shall be used otherwise than for the payment of teachers, except as” expressly provided otherwise in the law.

CHAPTER XLIII

VERMONT

Taxes levied specifically for schools.—Vermont levies two types of taxes specifically for schools: (1) A State general property school tax levied upon the towns, and (2) three minor State license fees.

State school tax.—The State levies for the support of public schools a tax of 10 cents on the dollar upon the grand list. Such tax is apportioned by the State treasurer for collection to the several towns, according to their respective grand lists.¹ The grand list of a town district consists of 1 per cent of the appraised value of the real and personal estate taxable therein, added to the taxable polls therein.² This tax approximates a State general property 1-mill tax. The distinctive feature is the inclusion of ratable polls in the base on which the tax is levied, a practice followed by Massachusetts also.

License fees for schools.—The State also devotes to the public schools the proceeds of license fees upon peddlers, auctioneers, circuses, and menageries. Other sources of State school revenue are the income of the permanent school fund and moneys annually available for educational purposes by appropriation from the State general revenue fund.³

Permanent school fund.—The permanent school fund owes its origin to an act of 1906 which provided for combining in one fund four already existing funds, namely: The school fund, established 1825, \$234,900.44; the United States deposit fund, established by an act passed November 17, 1837, \$669,086.78; the Huntington fund, established 1884, \$211,131.46, and the Civil War claims fund of 1904, \$240,000. The aggregate principal of the fund thus created amounted to \$1,355,118.68.⁴

The school fund of 1825 and the Huntington fund have been borrowed by the State. The State has issued certificates of indebtedness to cover its debt to each and pays annual interest on the former at 4 per cent and on the latter at 6 per cent.⁵

¹ Vt. Sch. Laws, 1925, p. 68, secs. 1366-1367.

² *Ibid.*, p. 60, sec. 1331.

³ *Ibid.*, p. 69, sec. 1369.

⁴ For a history of each of the above-mentioned funds see F. H. Swift, *A History of Public Permanent Common School Funds in the United States*, pp. 408-415.

⁵ Vt. State Treas., *Bien. Rept.*, 1924-1926, p. 39; Vt. Sch. Laws, 1925, p. 65, secs. 1352-1353.

The laws provide that the United States deposit fund may be loaned to the towns, the towns to pay interest upon such loans at the rate of 5 per cent. Moneys belonging to this fund and returned by the towns to the State become a part of the permanent school fund.^a On July 1, 1926, only \$213,086.34 was still due from the towns.^b

The permanent school fund consists of two divisions: (1) A non-productive portion which has been loaned to the State or the towns and upon which these corporations pay interest; and (2) a productive portion which is invested in productive securities. Table 1 presents a summary of the permanent school fund as of July 1, 1926.

TABLE 1.—Vermont permanent school fund, principal and income, July 1, 1926

Investments	Amount of principal ^c	Income ^d	Per cent of income
Nonproductive portion:			
Certificate of indebtedness, account of school fund of 1825 (4 per cent).....	\$234,900.44	\$9,396.01	18.4
Certificate of indebtedness, account of Huntington fund (6 per cent).....	211,131.46	12,667.88	30.7
Loaned to towns from United States deposit fund at 5 per cent.....	213,086.34	10,703.61	17.6
Total nonproductive portion.....	659,118.24	32,767.50	53.6
Productive portion:			
City, State, and National bonds (other than Vermont) ^e	711,393.65	28,400.00	46.4
Cash.....	2,763.13		
Total productive portion.....	714,156.68	28,400.00	46.4
Total permanent school fund.....	1,373,275.02	61,167.50	100.0

^a Vt. State Treas., Bien. Rept., 1924-1926, p. 39.

^b Ibid., p. 42, income is credited to the consolidated school fund.

^c The report does not itemize the sources of this amount. The sources would be the Civil War claims fund, \$240,000, the balance from the United States deposit fund not loaned to the towns, and miscellaneous minor sources.

Consolidated school fund.—The laws provide that “the income of the permanent school fund, receipts from the State school tax, and the moneys annually available for educational purposes, and the moneys covered into the State Treasury on account of taxes and fees received for the licensing of peddlers, auctioneers, circuses, and menageries, shall constitute the consolidated school fund.”

All distributive State aid is included in this fund.

Teachers' annuity fund.—Three sources contribute to this fund: (1) Assessments levied on members; (2) a State appropriation to match assessments, and (3) interest. The second item, the State's appropriation of \$21,083.54 for the year 1925-26, is the only one that will receive consideration in the present account of State aid.^g

^d Vt. Sch. Laws, 1925, p. 63, sec. 1343; *ibid.*, p. 66, secs. 1354-1355.

^e Vt. State Treas., Bien. Rept., 1924-1926, p. 39.

^f Vt. Sch. Laws, 1925, p. 69, sec. 1360.

^g Vt. State Treas. Bien. Rept., 1924-1926, p. 44.

TABLE 2.—Source analysis of Vermont State aid for public schools, 1925-26

Source	Amount	Per cent
Received from taxes:		
State school tax (general property).....	\$288,341.78	44.9
Appropriated from State general revenue fund to consolidated school fund..	262,456.77	40.8
Appropriated from State general revenue fund to teachers' annuity fund....	21,083.54	3.3
Interest from nonproductive portion of permanent school fund.....	32,767.50	5.1
License fees.....	9,535.00	1.5
Total received from taxes and State general revenue fund.....	614,184.59	95.6
Interest from productive portion of permanent school fund.....	28,400.00	4.4
Total State aid.....	642,584.59	100.0

¹ Vt. State Bd. of Ed., Bien. Rept., 1924-1926, p. 49.

² Vt. State Treas., Bien. Rept., 1924-1926, p. 44.

³ This item is classified as income received from taxes because the moneys to pay this interest are derived from taxes levied by the State or towns. (See Table 1 and preceding discussion.)

⁴ 87.2 per cent of the State general revenue fund was derived from State taxes. (See Table 4.)

Appropriations from State general revenue fund.—An examination of the data presented in Table 2 shows that appropriations totaling \$283,540.31 were made from the State general fund for the benefit of the public schools, and that these items constituted 44.1 per cent of the total aid provided by the State, and 10.5 per cent of the total State general revenue fund for 1925-26. (See Table 4.) Such a condition necessitates an analysis of the State general revenue fund and the taxes contributing thereto since these taxes must be considered as indirect sources of school revenue.

Types of Taxes Contributing to State General Revenue Fund

Vermont levies only two types of major taxes, revenues from which are credited to the State general revenue fund: (1) Corporation taxes, and (2) inheritance taxes.

Corporation taxes.—Certain classes of corporations (see Table 3) are not taxable on the "grand list" as described under the heading "general property school tax" in a preceding section, but are taxed separately for the payment of State expenses on different bases.¹⁰ Table 3 shows the corporations so taxed and the bases and rates of taxation.

¹⁰ Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 404.

TABLE 3.—Vermont State corporation taxes¹

Corporation	Basis and rate of levy
Railroad, telephone, steamboat, car, and transportation companies.	1¼ per cent upon the appraised value of properties.
Telegraph companies.....	\$1 per mile of poles and one wire and 75 cents per mile for each additional wire. ²
Sleeping, parlor, and dining car companies.	1¼ per cent of the value of the property owned and used by these companies in the State. ³
Express companies.....	\$16 per mile of railroad in the State over which they transport property.
Insurance and guaranty companies.....	2 per cent per annum on the gross amount of premiums and assessments collected on their business in the State.
Banks and trust companies.....	Seven-tenths of 1 per cent on the average amount of deposits and accumulations after deductions allowed on property and certain classes of investments.

¹ Except where otherwise specifically indicated, data in Table 3 are taken from Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 464.

² Laws of Vt., 1927, p. 21, No. 22.

³ Ibid., 1925, p. 39, No. 27.

Inheritance taxes.—Direct inheritance taxes are levied and collected by the State on all amounts in excess of \$10,000, the rates varying from 1 to 5 per cent, depending upon the amount of transfer. The rate of the State collateral inheritance tax is 5 per cent.¹¹

TABLE 4.—Source analysis of Vermont State general revenue fund, 1925-26¹

Source	Amount	Per cent
Corporation taxes ²	\$2,136,744.72	78.8
Inheritance taxes (collateral and direct).....	228,740.22	8.4
Departmental and miscellaneous receipts.....	203,965.88	7.5
Institutional receipts.....	79,711.94	3.0
Miscellaneous license taxes and fees.....	45,890.38	1.7
Interest on bank balances.....	16,129.63	.6
Total general revenue fund.....	2,711,182.77	100.0

¹ Vt. State Treas., Bien. Rept., 1924-1926, pp. 31-38.

² Includes corporation license taxes and charter fees in addition to the taxes outlined in Table 3.

Importance of State taxes as sources of school revenue.—From Table 2 it is evident that 95.6 per cent of State aid for public schools in 1925-26 was derived from the proceeds of taxes and appropriations from the State general revenue fund. The State general property school tax provided 44.9 per cent of the State school aid. General property taxes were the source also of the interest paid by the State and towns on loans from the nonproductive portion of the permanent school fund. Such interest constituted 5.1 per cent of the total State aid in 1925-26. If we add to these two items the 1.5 per cent furnished by State license fees, we discover that 51.5 per cent of the total aid furnished by the State in the year 1925-26 was derived directly from taxes and fees.

Appropriations from the State general revenue fund contributed, in 1925-26, 44.1 per cent of the total State aid. That the moneys appropriated were for the most part derived from the proceeds of State corporation and inheritance taxes is evident from Table 4.

¹¹ Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 463.

This table shows that in the year 1925-26, 87.2 per cent of the State general revenue fund was furnished by State taxes as follows: From corporation taxes, 78.8 per cent, and from inheritance taxes, 8.4 per cent.

Apportionment of State School Funds

The consolidated school fund comprises all distributive State aid. The State legislature by enactment specifies the amount of this fund which shall be expended for each educational purpose privileged by law to share in the consolidated fund. It is further provided, however, that—

if the amount specified for any particular purpose is more than is required therefor, the excess shall be added to the fund apportioned for that year for the purpose of equalizing educational opportunities and advantages; and provided further that if the amount so specified is less than is required therefor, said board may, in its discretion, use for that purpose such portion of such equalizing fund as may be necessary.¹²

This accounts, no doubt, for the fact that although \$30,000 was specified for the equalization fund,¹³ only \$13,368.08 of this amount was expended for this purpose.

Table 5 presents the apportionment of the Vermont consolidated school fund, classified as to major purpose.

State grants fulfill three major purposes and have therefore been grouped in three major classes: (1) Grants for administration and supervision; (2) stimulation grants; (3) equalization grants. Obviously, the same grant often fulfills more than one major purpose. Thus grants for standardizing rural schools might be classified either as stimulation grants or as equalization grants. In each case an attempt has been made to classify the grant according to what appears to be its dominant purpose. The classification is based entirely upon the writer's own subjective interpretation.

TABLE 5.—*Apportionment of Vermont State consolidated school funds, 1925-26—Grants classified as to major purpose*

Purpose	Amount*	Per cent	Basis of apportionment
1. Administration and supervision:			
State department.....	\$14,395.58	2.8	Salary and expense quotas of State administrative officers.
Salaries of supervising principals, town and union superintendents.	99,038.99	19.0	State reimburses town three-fourths of amount paid, not to exceed \$40 for each full-time teacher employed, or maximum of \$500 per year for supervising principal or \$2,000 per year for town superintendent. Union superintendents: three-fourths of salary paid, maximum amounts paid by State determined by number of teachers: 25 to 30 teachers, \$1,700; 31 to 35 teachers, \$1,800; 36 to 45 teachers, \$1,900; and 46 or more teachers, \$2,000. ^b

* Vt. State Board of Educ., *Bienn. Rep.*, 1924-1926, p. 49.

^b *Laws of Vt.*, 1927, pp. 37-38, No. 26.

¹² *Vt. Sch. Laws*, 1925, pp. 69-70, secs. 1870-1871.

¹³ *Ibid.*, p. 70, sec. 1871 (15).

TABLE 5.—Apportionment of Vermont State consolidated school funds, 1925-26—
Grants classified as to major purpose—Continued

Purpose	Amount	Per cent	Basis of apportionment
1. Administration and supervision— Continued.			
Deputy commissioners and State helping teachers.	\$17,178.29	3.3	Salary and expense quotas. ^a
Summer schools and educational meetings.	2,500.00	.5	Expense quotas.
2. Stimulation:			
Manual training, domestic econ- omy, and agriculture in high schools.	18,200.00	3.5	\$200 for each such course or department maintained by high school. ^b For high schools which do not receive aid under Smith-Hughes grants. ^c
Vocational courses in junior high schools.	14,641.56	2.8	To equalize facilities and burden of main- tenance. ^d
Rural teachers' salaries.....	138,575.69	26.6	State reimburses districts difference be- tween actual salary paid and \$8 per week; teachers must meet qualifications pre- scribed by State board of education. ^e
Standardizing rural schools.....	19,135.89	3.5	To aid schools in meeting requirements for standard schools.
3. Equalization:			
Advanced instruction (high schools.)	89,675.89	17.2	Per pupil grants to towns maintaining high schools or paying tuition for advanced instruction, based upon the "grand list" ^f of the town as follows: ^g Grand list— \$5,000 or less, \$25 per pupil per year; \$5,000 to \$7,000, \$20 per pupil per year; \$7,000 to \$10,000, \$15 per pupil per year; \$10,000 to \$15,000, \$10 per pupil per year; over \$15,000, no grant.
Transportation and board of pupils.	94,792.12	18.2	If grand list of town district does not exceed \$5,000, all costs paid by State. In town districts with grand list in excess of \$5,000, State and town district bear expense in ratio 5,000 bears to the grand list of dis- trict. State aid not to exceed \$20 per year per pupil for transportation and \$1 per week per pupil for board. ^h
Equalization fund.....	13,368.08	2.6	Aid to towns in equalizing expense of rural elementary schools based on percentage actually expended in maintenance of common elementary schools. ⁱ
Total amount apportioned.....	\$ 521,502.09	100.0	

^a Vt. Sch. Laws, 1925, p. 10, sec. 1181.

^b Ibid., p. 46, sec. 1278.

^c Vt. State Board of Educ., Bien. Rep., 1924-1926, p. 32.

^d Vt. Sch. Laws, 1925, p. 52, sec. 1299.

^e Ibid., p. 20, sec. 1208.

^f Ibid., pp. 48-49, sec. 1233.

^g Ibid., p. 43, sec. 1271.

^h Ibid., p. 70, sec. 1371 (15).

ⁱ Amount expended for teacher training, \$99,822.87, is not included.

Although only 2.6 per cent of Vermont's total State aid to public schools was devoted to what is specifically an equalization fund, in reality 38 per cent of State aid fulfills this purpose. Of the remaining grants, 36.4 per cent are devoted to purposes of stimulation, 25.6 per cent to purposes of administration and supervision.

CHAPTER XLIV

VIRGINIA

State taxes provide funds for public elementary schools in Virginia through three different types of funds: (1) Funds derived from State taxes levied specifically for schools; (2) proceeds of taxes on a part of which the schools have a definite claim, e. g., capitation taxes, the proceeds of which are divided between State and local school funds, and State inheritance taxes, the proceeds of which are credited as follows: One-third to the State school fund; one-third to the State general revenue fund; one-third to local school funds; (3) educational appropriations paid from the State general revenue fund composed chiefly of the proceeds of State taxes.

In 1927 nine types of State taxes contributed to the State general revenue fund as follows: General property tax, income tax, taxes on public-service corporations, license taxes on professions, occupations, business activities, etc., insurance-premium tax, inheritance tax, tax on moneys, tax on bank stock.¹

The relative importance of the nine types of taxes will undergo marked changes in the next fiscal year as the result of putting into effect an act known as the segregation act, passed on March 31, 1926.² This act segregates for purposes of local taxation only: (1) All taxable real estate; (2) all tangible personal property, including the tangible personal property of public corporations, excepting only the rolling stock of steam railroads; (3) the capital of merchants.³ In consequence of the segregation act the State general revenue fund will no longer receive contributions from any State general property tax, but will draw its revenues chiefly from taxes on corporations, insurance premiums, intangible personal property, including capital, money, bonds, and other evidences of debt.

The analysis of State school revenues presented in Table 3 is based upon the most recent data available, namely, data for the year ending June 30, 1927. It must be borne in mind that the segregation act of 1926 was not yet effective at the time the taxes contributing to the general revenue fund of 1927 were levied.

¹ Taxes composing the general revenue fund in 1927 were those collected in 1926.

² Va. Gen. Assembly, Acts 1926, pp. 955-998, ch. 576. (See Table 4.)

³ I. e., the capital of a merchant whose business is confined to a local community and so distinguished from the capital of corporations chartered and taxed by the State.

Although it is necessary, therefore, in our account of moneys actually provided, to base our consideration upon moneys collected under the old law, the tax system to be described in subsequent paragraphs will be the one brought into existence by the segregation act of 1926.

Types of State Taxes Levied

I, Taxes Levied Specifically for Schools

Ad valorem or general property tax.—Section 135 of the State constitution requires that there shall be levied annually for the support of schools of the primary and grammar grades a general property tax of not less than 10 cents nor more than 50 cents on each \$100 of assessed valuation, the proceeds thereof to be distributed among the school districts of the State on the basis of school census, i. e., the number of children between the ages of 7 and 20 years.⁴

For a number of years prior to 1918 the general assembly had levied the minimum tax of 10 cents on each \$100, but in 1918 provision was made for levying an additional tax of 4 cents on each \$100 to be distributed in the same manner as the proceeds of the constitutional minimum tax.⁵

As already noted, the segregation act of 1926 reserves real estate, tangible personal property, and the capital of merchants for local taxation. For this reason and in order to carry out the purposes embodied in the constitutional provision requiring a State general property school tax, the general assembly enacted that beginning with the year 1926 and each year thereafter there shall be appropriated from the State revenue a sum equal to that which would be produced by a State ad valorem tax of 10 cents on each \$100 of assessed valuation, the amount thus appropriated to be apportioned among the school districts of the State on the basis of the number of children between the ages of 7 and 20 years.⁶ The same general assembly repealed the 4-cent special general property school tax.

Poll tax.—The constitution requires that the general assembly shall levy a State capitation tax of \$1.50 on each male resident not less than 21 years of age, except those pensioned by the State for military services. One dollar of this tax "shall be applied exclusively in aid of the public free schools in proportion to school population" and the balance of 50 cents shall be returned to the county or city in which collected to be appropriated as the proper authorities

⁴ Constitution, sec. 135, Va. Sch. Laws, 1923, p. 6.

⁵ Va. Gen. Assembly, Acts 1918, p. 569, ch. 384.

⁶ *Ibid.*, Acts 1926, p. 995, ch. 576.

of the same shall respectively determine.⁷ In practice, this latter amount is used for the support of the public free schools of the county or city.⁸

II. Taxes Upon Which Schools Have a Partial Claim

Inheritance tax.—Virginia levies State inheritance taxes of rates varying from a minimum of 1 per cent of the net value of any estate not in excess of \$50,000 to a maximum of 20 per cent of the amount by which the net estate exceeds \$10,000,000.⁹ Formerly the entire proceeds of inheritance taxes were devoted to the support of public schools, one-half being retained and distributed by the State and one-half being returned to the counties and cities in which collected. In 1924 the inheritance tax was amended so as to provide that the proceeds shall be credited as follows: One-third to the State general revenue fund, one-third to the State public free school fund, and one-third to the counties and cities in which collected.¹⁰

The act provides that the moneys placed to the credit of the State public free school fund shall be apportioned according to school population and that the one-third returned to the counties and cities shall be used for public free schools of primary and grammar grades, and further that if the amount placed to the credit of the State free school fund in 1924 and 1925 shall be less than the amount placed to the credit of said fund during the year 1923 any such deficit shall be made up from the one-third credited to the State general revenue fund.¹¹

III. State Taxes Contributing to School Support through the General Revenue Fund

Since certain State school appropriations are paid from the general revenue fund, it follows that taxes, the proceeds of which are credited to this fund, must be regarded as contributing in part to the support of schools and, to that extent, sources of school revenue. As previously explained, the system of taxation about to be described is that established in consequence of the segregation act of 1926.¹²

Under the system of taxation put into effect by the segregation act of 1926 the State general revenue fund will receive proceeds from a long list of taxes which may for convenience sake be divided into eight major groups as shown in Table 1.

⁷ Constitution, sec. 173, Va. Sch. Laws, 1923, p. 7.

⁸ Va. Aud., Rept., 1927, p. 16.

⁹ Va. Gen. Assembly, Acts 1926, pp. 826-827, ch. 489.

¹⁰ Ibid., 1924, pp. 460-467, ch. 305.

¹¹ Ibid., p. 467, subsec. 18.

¹² Ibid., 1926, pp. 955-998, ch. 576.

TABLE 1.—General classification of State taxes contributing to the general revenue fund, 1927-28¹

Group	Composed of taxes on—
I	Intangible personal property.
II	Rolling stock of steam railroads.
III	Insurance companies.
IV	Franchises of corporations.
V	Contracts and agreements.
VI	Professions, occupations, business activities.
VII	Net income of individuals and corporations.
VIII	Bank stock.

¹ Classification given in present table represents system in effect after the segregation act of 1926.

Group I. Taxes on intangible personal property.—The classes of property included in this group and the rates to be levied thereon are shown in Table 2.

TABLE 2.—Classification of Virginia State taxes on intangible personal property 1927¹

Property taxed	Rate on assessed valuation
	<i>Mills</i>
Bonds, notes, and evidences of debt not specifically exempted ²	5.0
Capital used in business.....	8.5
All moneys not used as capital.....	2.0
Shares of stock in foreign corporations ³	5.0
All bonds of political subdivisions of the State of Virginia.....	3.5

¹ Compiled from Va. Gen. Assembly, Acts, 1926, ch. 576.

² Exemptions include United States bonds, Virginia State bonds, and bonds of political subdivisions of the State of Virginia.

³ That is, corporations outside of the State of Virginia.

⁴ That is, number of mills on the dollar; rates in the law are stated in terms of cents on each \$100.

⁵ Rate in 1926 10 mills; thereafter 8.5 mills.

Group II.—The rolling stock of steam railroads is taxed at the rate of \$2.50 on each \$100 of assessed valuation.¹³

Group III. Insurance companies.—A specific license tax of \$200 is levied on all insurance companies for the first year. Thereafter an annual license tax is levied on the net premiums, the rates varying with the type or class of insurance company.¹⁴

Group IV. Franchise taxes on public-service corporations.—Virginia levies franchise taxes on the following nine classes of public-service corporations: (1) Railroad and canal corporations; (2) electric railways; (3) express companies; (4) steamship companies; (5) public-utility corporations, including water, heat, light, and power companies; (6) car companies, including refrigerator, oil, stock, fruit, and other car companies, except those included in (7);

¹³ Va. Gen. Assembly, Acts 1926, p. 957, ch. 576, sec. 2207.

¹⁴ U. S. Census Bu., Digest of State Laws Relating to Taxation and Revenue, 1922, p. 476.

(7) sleeping-car, dining-car, and parlor-car companies; (8) telegraph companies; and (9) telephone companies.¹⁵

Group V. Tax on contracts and agreements.—A special and additional tax "of 2 cents upon each \$100 of consideration is levied annually upon deeds, mortgages, leases, contracts, or agreements."¹⁶

Group VI. Business and occupational taxes.—In 1927, approximately 9 per cent of the State general revenue fund was derived from the proceeds of State taxes and license fees levied upon a long list of occupations, professions, and business activities.¹⁷

Group VII. Tax on net income of individuals and corporations.—The State levies an annual tax of 3 per cent on the net income of corporations and a graduated tax on the net income of individuals, excluding only such portions of income as are specifically exempted by law.¹⁸

Group VIII. Bank stock tax.—The State levies an annual tax of \$1.10, and any incorporated town may levy an additional tax of 88 cents, upon the actual value of each \$100 share of all bank stock.¹⁹

State School Funds

Virginia maintains three general classes of State funds for the benefit of public schools: (1) The State permanent school fund, known as the literary fund; (2) the State public free school fund derived from: (a) Moneys provided to carry out the constitutional provision requiring the levy of a State general property tax of not less than 10 cents on each \$100; (b) two-thirds of the proceeds of the State poll tax; and (c) one-third of the proceeds of the State inheritance tax; (2) State appropriations payable from the general revenue fund for a considerable number of specified projects, such as administrative expense of the State board of education, establishment, maintenance, and supervision of rural schools, high-school departments of agriculture and home economics, physical education, school libraries, and teacher-pension funds.

The total of such special appropriations for the year ending June 30, 1927, together with payments from the income of the literary fund and the proceeds of the State general property tax, poll tax, and inheritance tax are shown in Table 3. The first three amounts in Table 3 are all credited to the State public free school fund and are distributed among the school districts of the State on the basis of the number of children between the ages of 7 and 20 years.

¹⁵ Va. Gen. Assembly, Acts 1926, pp. 983-994, ch. 576.

¹⁶ Ibid., p. 994, sec. 6.

¹⁷ For a complete summary of the occupations, etc., see U. S. Census, Digest of State Laws Relating to Taxation and Revenue, 1922, pp. 477-480, sec. 10.

¹⁸ Va. Gen. Assembly, Acts 1926, pp. 960 and 973, ch. 576, sec. 9.

¹⁹ Ibid., pp. 981-982, sec. 18.

TABLE 3.—State payments for the support of public free schools, 1926-27¹

Source	Amount	Per cent
General property tax, 14 cents on each \$100 of assessed valuation ²	\$2,700,167.83	80.4
Poll tax (State school fund share) ³	614,166.33	11.3
Inheritance tax (State school fund share) ⁴	154,129.02	2.8
Literary fund income ⁵	180,159.18	3.4
Special appropriations from State general revenue fund ¹	1,709,800.00	32.2
Total.....	5,490,422.36	100.0

¹ Va. Aud. of Pub. Accts., Rept., 1927, p. 30, Table 24.

² Ibid., p. 65, Table 22, computed. This includes both the constitutional tax of 10 cents and an additional tax of 4 cents on each \$100 of assessed valuation.

³ Ibid., pp. 65-70, computed.

⁴ Ibid., p. 17.

In 1926-27 approximately 32 per cent of the total moneys paid by the State for the support of public schools was derived from the State general revenue fund. With the abolition of the State general property tax, in conformity to the provisions of the segregation act of 1926, the moneys heretofore provided by this tax will be derived from an appropriation from the general revenue fund. Had this act been in force at the time the moneys provided by the State for payments to public schools in the year 1926-27, an additional 50.4 per cent of the State-furnished moneys would have been derived from the general revenue fund, making a total of 82.6 per cent to be thus furnished.

The State auditor estimates that \$2,723,120 must be appropriated from the State general revenue fund in the year 1927-28 to replace the proceeds of the State general property tax.²⁰ This amount is only a little less than that provided for 1926-27 from the proceeds of the general property tax of 14 cents on each \$100 of assessed valuation.

The literary fund.—The literary fund is a permanent State school fund maintained for the benefit of the public free schools of the State. The constitution sets aside the following seven sources, the moneys derived from which shall constitute the principal of the literary fund:²¹ (1) The proceeds of the sales of all public lands donated by Congress for public free school purposes; (2) escheats; (3) waste and unappropriated State lands; (4) forfeitures; (5) donations; (6) State fines; (7) such other sums as the general assembly may appropriate. The constitution provides that the annual interest on the literary fund shall be distributed in the same manner as the current State public free school fund (that is, on the basis of school population 7 to 20 years of age.²²) The principal of this fund was reported April 12, 1927, as amounting to \$5,546,766.²³

²⁰ Va. Aud. of Pub. Accts., Rept., 1927, p. 9.

²¹ Va. Sch. Laws, 1923, p. 6, Constitution, sec. 134.

²² Ibid., p. 6; Constitution, sec. 135.

²³ Statement in letter dated Apr. 12, 1927, to F. H. Swift from D. E. Lancaster, sec. Va. State Bd. of Educ.

State Taxes as Sources of Public-School Funds

The system of State taxation for school purposes should be considered in the light of the most recent provisions. State school funds are therefore analyzed on the basis of the provisions of the segregation act of 1926, rather than on the basis of collections prior to the 1926 segregation act.

The State auditor in his annual report for the year 1927 presents data which make possible such an analysis. These data are presented in Table 4.

TABLE 4.—*Anticipated State revenues to be credited to State general revenue fund for the year ending February 29, 1928,¹ and available for appropriations to public schools*

Source	Amount	Per cent of total ²
Taxes on—		
Personal property, intangible.....	\$3,049,715.92	16.5
Corporations.....	5,228,697.88	28.4
Net income, personal and corporation.....	3,428,754.76	18.6
Licenses on professions, occupations, etc.....	1,919,575.70	10.4
Insurance premiums.....	1,428,682.90	7.8
Bank stock.....	829,203.94	4.5
Inheritances, resident and nonresident.....	479,230.48	2.6
Fees.....	726,009.96	3.9
Omitted taxes.....	302,359.51	1.6
Miscellaneous tax receipts.....	354,508.97	1.9
Total from taxation.....	17,946,940.02	97.3
Receipts from other than taxation.....	492,631.26	2.7
Grand total—all sources.....	18,439,571.28	100.0

¹ Va. Aud. of Pub. Accts., Rept., 1927, pp. 7-8. Estimate of receipts during the appropriation year ending Feb. 28, 1928.

² Computed on the basis of the estimated receipts without making any deductions for delinquent taxes.

With the exception of the income from the literary fund, all moneys to be hereafter provided by the State for the benefit of the public elementary and secondary schools of Virginia will be derived from State taxes.

Table 3 shows that approximately 3 per cent of the State-provided revenues would be derived from the proceeds of inheritance taxes and approximately 11 per cent from the proceeds of poll taxes, leaving approximately 86 per cent to be derived from other sources.

The State auditor estimates (see Table 4) that in 1928 approximately 97.3 per cent of the revenues composing the State general revenue fund and, therefore, available for State public-school appropriations, will be derived from the proceeds of State taxes. The taxes furnishing the aforesaid 97.3 per cent may be ranked in the order of the relative importance of their contribution to the general revenue fund as follows: Taxes on (1) Corporations, 28.4 per cent; (2) net income, 18.6 per cent; (3) intangible personal property, 16.5 per cent; professional, occupational, and business license fees

and taxes, 10.4 per cent; insurance premium tax, 7.8 per cent; fees, 5 per cent; bank stock tax, 4.5 per cent; inheritance taxes, 2.6 per cent; omitted taxes and miscellaneous tax receipts, 3.5 per cent.

Apportionment of State School Funds

Literary-fund income and State public-free-school fund.—The constitution provides that the income of each of these funds shall be distributed among the counties of the State on the basis of the school population, that is, the number of children between the ages of 7 and 20 years.²⁴

State appropriations for special projects.—Approximately one-third of the moneys provided by the State for the benefit of public free schools are composed of legislative appropriations payable from the State general fund for the support of certain specified projects. The five classes of projects for which such appropriations were provided and the sums appropriated for the same for the year 1926-27 are shown in Table 5.

TABLE 5.—*Major classes of special school appropriations from the Virginia State general revenue fund, 1926-27*¹

Group	Purpose	Amount
I	Maintenance of public free schools.....	\$1,414,800
II	Maintenance of high schools.....	200,000
III	Promotion of vocational education.....	100,000
IV	Support of agricultural high schools and home economics departments in high schools.....	45,000
V	Teachers' pensions.....	10,000
	Total.....	1,769,800

¹ Va. Gen. Assembly, Acts, 1926, p. 151-154, ch. 136.

Fund for maintenance of public free schools.—This appropriation is devoted to and apportioned for no less than four major projects, namely, (1) elementary schools, (2) physical education, (3) school libraries, (4) Indian schools. The elementary-school fund is devoted to three projects—rural elementary schools, vacation schools, and the training and care of blind children under 8 years of age.

Vacation-school fund.—From the appropriation for the elementary-school fund, which in 1926-27 amounted to \$440,000, there is first set aside \$20,000, to be devoted to the cost of establishing and maintaining 6-week vacation schools for improving the education of school children and reducing adult illiteracy.^{25 26}

The method of apportioning the vacation-school fund is determined by the regulations of the State board of education. In 1919 the State

²⁴ Va. Sch. Laws, 1923, p. 6; Constitution, sec. 135.

²⁵ Va. Gen. Assembly, Acts, 1926, p. 151-154, ch. 136.

²⁶ Va. State Supt. of Pub. Instr. Rept., 1919, p. 21.

board provided that this fund should be employed to pay two-thirds of the salaries of teachers in vacation schools, the remaining third being paid by the local community.²⁵

Blind babies' fund.—From the elementary-school fund \$5,000 shall be set aside annually to be used and distributed under the direction of the Virginia Commission for the Blind for the training and caring for blind children under 8 years of age who are not in State schools for the blind.²⁶

Rural elementary-school fund.—The balance remaining in the elementary-school fund after setting aside the amounts devoted to the vacation-school fund and to the blind babies' fund shall be distributed throughout the State for the benefit of rural schools according to regulations determined by the State board of education. Under the regulations in force at present, the money is distributed in the form of annual bonuses to approved standard rural schools as follows: For 1-room, 2-room, and 3 or more than 3-room rural elementary schools, \$150, \$225, and \$300, respectively, provided that no county shall receive more than \$6,000 in any one year. The balance remaining in the rural elementary-school fund after the above distribution has been made shall be prorated among the counties on the basis of the number of elementary teachers employed. In the year 1922-23 the apportionment on this basis provided \$16 per teacher.²⁷

Physical education fund.—From the appropriation provided for the maintenance of public free schools \$25,000 shall be set aside annually for the purpose of encouraging and aiding physical education in the public elementary schools and public high schools of the State. Out of this fund the State pays an amount not to exceed one-half of the annual salary of each director of physical education.^{28 29}

Library fund.—From the fund provided for the maintenance of free schools a sum of \$10,000 shall be set aside annually to be distributed as follows: When \$15 is subscribed privately for a school library, then the city or county board of education must appropriate \$15 and the State must appropriate \$10 from the library fund. However, any city or county school board is not required to appropriate moneys for more than five libraries in any one school year.^{30 31}

Indian school fund.—Four thousand five hundred dollars is set aside annually from the fund for the maintenance of public free schools to be used by the State board of education for the support of Indian schools of the State.³²

²⁵ Va. Gen. Assembly, Acts, 1928, p. 151-154, ch. 136.

²⁶ Va. State Supt. of Pub. Instr. Rept., 1919, p. 21.

²⁷ Va. State Supt. of Pub. Instr. Rept., 1923, p. 14.

²⁸ Va. Sch. Laws, 1923, p. 47.

²⁹ *Ibid.*, p. 60.

Balance of free school maintenance fund.—After the amounts listed in the immediately preceding paragraphs, and totaling in the year 1926-27, \$479,500, have been set aside from the appropriation provided for the maintenance of public free schools, the balance is prorated and distributed among the counties and cities of the State on the basis of school population 7 to 20 years of age.²⁸

High-School Fund

Home-economics fund.—As shown in Table 5, for the year 1926-27 the State provided an appropriation of \$200,000 for the maintenance of high schools. From this total appropriation a definite sum is first set aside to encourage the teaching of home economics in high schools and known as the home-economics fund. The sum thus set aside in 1926-27 amounted to \$15,000.²⁹ No data available indicate the method of apportioning this fund.

High-school fund proper.—The balance remaining in the high-school fund after setting aside the home-economics fund is distributed to standard approved high schools in the form of fixed amounts. According to the most recent published regulations, the amounts distributed are as follows: (1) To each 4-year high school an amount not to exceed \$1,000; to each 2-year high school organized as a junior high school according to the plans of the State board of education an amount not to exceed \$800.³⁰

Vocational Education Fund

For promoting and encouraging vocational education in the high schools of the State and for preparing teachers of vocational subjects, the State provides an annual appropriation which in the year 1926-27 amounted to \$100,000.³¹ The aid given to high schools is for the purpose of paying in part the salaries of teachers or directors of vocational subjects. In 1920-21 the portion of such salaries borne by the State amounted to two-thirds.³²

Agricultural High-School Fund

In the year 1926-27 \$45,000 was set aside as the agricultural high-school fund "for the purpose of aiding in the maintenance of agricultural high schools and departments of home economics in high schools."³³ This provision results in making available for the encouragement of departments of home economics two distinct funds, the home-economics fund and the agricultural high-school fund.

²⁸ Va. Gen. Assembly, Acts, 1926, p. 151-154, ch. 136.

²⁹ Va. Sch. Laws, 1923, p. 42.

³⁰ Va. Bd. of Educ., High Sch. Rept., 1920, p. 21.

Teachers' Pension Fund

The State maintains a teachers' pension fund composed in part of deductions from the salary of each teacher employed in the State and in part of moneys appropriated by the General Assembly for the benefit of this fund. In 1926-27 the State appropriation amounted to \$100,000.²⁵

The facts presented in the immediately preceding paragraphs are summarized in Table 6. Certain details stated in the text are not repeated.

TABLE 6.—Appropriations made by Virginia General Assembly for school purposes, 1926-27^a

Fund	Projects aided	Amount	Method of distribution
I. Public free school maintenance fund.	(1) Six classes of special projects, named below; (2) (Balance) aid for public free schools.	\$1,414,800	After setting aside the six special funds listed below, the balance is apportioned among the counties and cities on basis of population 7-20 years.
<i>Six special funds set aside from I</i>			
1. Elementary school fund.	Rural elementary schools.....	440,000	(1) \$25,000 is first taken for vacation school fund and for fund for care and training of blind children. (2) Annual bonuses are given to standard 1, 2, and 3 room rural schools. (3) The balance is prorated among the counties on the number of elementary teachers. ^b
2. Vacation school fund.	Six-week vacation schools for children and for adult illiterates. ^c	20,000	Method of distribution fixed by State board of education. ^d
3. Blind babies' fund.	Training and care of blind children under 8 years old not in State schools for blind.	5,000	Money used under direction of Virginia Commission for the Blind.
4. Physical education fund.	Encouragement and aid of physical education in public schools.	25,000	Not to exceed one-half of annual salary of (1) each physical education director and of (2) each school physician or nurse. ^e
5. Library fund.	For maintenance of libraries in public schools.	10,000	If \$15 is subscribed privately for a school library, the city or county board of education must appropriate \$15 and State must appropriate \$10. ^f
6. Indian school fund.	Maintenance of schools for Indians.	4,500	State board of education assumes support of these schools.
II. High-school fund.	Maintenance of public high schools.	200,000	\$15,000 first taken from total for home economics fund. Remainder distributed in form of flat quotas, graduated to length of curriculum. ^g
Home economics fund.	To encourage home economics teaching in high schools.	15,000	(^h)
III. Vocational education fund.	To promote vocational education in high schools and to prepare teachers of vocational subjects.	100,000	According to regulations of the State board of education. ^h
IV. Agricultural high-school fund.	Maintenance of agricultural high schools and departments of home economics in high schools.	45,000	(ⁱ)
V. Teachers' pension fund.	To provide for retirement funds for public-school teachers.	10,000	One per cent of each teacher's salary added to State appropriation.

^a Present table does not include State school fund derived from constitutional general property tax for schools or school share of poll tax and inheritance tax. Unless otherwise indicated all data have been taken from Virginia General Assembly, Acts 1926, p. 151-154, ch. 136.

^b Va. State supt. of pub. instr., Report, 1923, p. 14.

^c Ibid., 1919, p. 21.

^d Ibid.

^e Va. Sch. Laws, 1923, p. 47.

^f Ibid., p. 60.

^g Ibid., p. 42.

^h Va. bd. of educ., High Sch. Rept., 1920, p. 21.

ⁱ Method not described in laws nor in any available document.

²⁵ Va. Gen. Assembly, Acts, 1926, p. 151-154, ch. 136.

CHAPTER XLV

WASHINGTON

The laws of Washington define school age as between 4 and 21 years in districts of the first and second classes, and as between 5 and 21 years in districts of all other classes.¹

The public schools are guaranteed a definite amount for each pupil of school age, for the State board of equalization is required by law to levy a State general property tax, which, with the income from the permanent fund and any other available State sources, will provide \$20 for each child of school age in the State.²

No State income or poll tax.—Washington levies no State income tax, and the power to levy a poll tax, since the repeal of the 1921 law in 1923, is delegated to the towns and cities.³

Types of State Taxes Levied

The following six types of taxes are levied by the State: (1) General property tax, (2) corporation tax, (3) inheritance tax, (4) mine products tax, (5) liquid fuel (gasoline) tax, and (6) business, occupational, professional, and miscellaneous license taxes and fees.⁴

None of these taxes, except the general property tax, contributes any revenue directly or indirectly to the public elementary or high schools of the State. Consequently, the general property tax is the only tax which will be considered in detail in this account.

General property tax.—The general property tax is a levy upon all real and personal property in the State. The major portion of the general property tax is collected for specific funds. The mill rate for each fund and the per cent of the total general property tax levied for each fund is given in Table 1.

¹ Wash. Code of Pub. Instr., 1923, Art. XVIII, sec. 587, p. 255, and note 3, p. 256.

² Ibid., Art. II, sec. 760, p. 385.

³ Wash. Session Laws, 1923, p. 1.

⁴ Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1923, pp. 482-493.

TABLE 1.—Analysis of Washington general property tax, 1926

Fund	Rate in mills ¹	Per cent
State general.....	3.000	22.5
State school.....	5.778	43.3
Military.....	.200	1.5
Capitol building construction.....	.500	3.7
Veterans' compensation bond retirement.....	1.000	7.5
Institutions of higher education.....	2.862	21.5
Total.....	13.340	100.0

¹ Minutes of State Bd. of Equalization, 1926, pp. 82-83.

State School Funds

Washington maintains only two State school funds for providing aid to public kindergartens, elementary schools, and high schools, namely, the permanent school fund and the current State school fund. Subventions from the Federal Government for vocational education under the Smith-Hughes Act will not be considered in the present account, because such revenues are placed in the custody of the State treasurer and disbursed in the manner provided in the Federal act. All responsibility for providing the quotas for vocational education which must be raised within the State is placed upon the districts.^a

The permanent school fund.—The principal of the permanent school fund, also known as the common-school fund, has been derived chiefly from the proceeds of the sales of congressional township school sections granted to the State by the Federal Government upon its admission into the Union. The sources for increasing the principal of this fund provided by the State laws are: (1) Appropriations and donations from the State or from individuals; (2) proceeds from the sales of State or school lands or timber, stone, minerals, or other property from these lands; (3) 5 per cent of the proceeds of the sales of public lands (federally owned lands) within the State; (4) certain minor sources. Only the income from this fund can be used. This income is credited to current State school fund to be apportioned with other State school revenues.^a

Current State school fund.—This is the name officially applied to the fund from which all public-school appropriations are made. The basis for determining this fund has been indicated in the opening paragraph of the present account. The sources of this fund, the amount from each source, and the per cent of the total State school revenue from each source are given in Table 2.

^a Wash. Code of Pub. Instr., 1923, Art. V, sec. 267, p. 104, and sec. 272, p. 106.

^a Ibid., Art. 1, sec. 748, p. 331, and sec. 758, p. 334.

TABLE 2.—Analysis of Washington current State school fund, 1926

Source	Amount ¹	Per cent
Permanent school fund investments.....	\$834,517.14	10.1
Commissioner of public lands.....	282,342.92	3.4
Fines, penalties, etc.....	175,510.13	2.1
Interest on deposits.....	17,374.90	.2
Total indirect revenue.....	1,309,745.09	15.8
Amount to be raised by State tax (est.).....	6,977,714.91	84.2
Grand total.....	8,287,460.00	100.0

¹ Minutes of State Bd. of Equalization, 1926, p. 6.

Apportionment of State School Funds

All current State school revenues are credited to the current State school fund from which all State apportionments are made. The current State school fund is apportioned among the counties of the State by the superintendent of public instruction on or before the 20th day of July, October, December, January, March, April, May, and June.⁷ The quota received by each county must within 10 days be apportioned by the county superintendent of schools among the districts of the county.⁸ State funds and county school funds are apportioned at the same time. State funds are apportioned entirely upon a pupil basis which will be discussed later. Two-thirds of all county funds are distributed on a pupil basis and one-third on a teacher basis. State school funds are apportioned by the State superintendent of public instruction among the counties and by the counties to the districts on exactly the same basis.⁹ All such apportionments are made on the basis of the total days of attendance.

In the computation of State attendance grants Washington gives separate consideration to attendance upon the following nine types of institutions: (1) Elementary schools, (2) high schools, (3) night schools, (4) kindergartens, (5) parental schools, (6) schools for defectives, (7) private schools, (8) consolidated districts, and (9) teachers' institutes. The bases upon which grants are made to each of these nine classes of institutions are described in the following paragraphs:

Elementary schools.—Actual number of days attendance, provided that each school district shall be credited with at least 2,000 days attendance.¹⁰

High schools.—One and one-half times the actual number of days attendance, with a bonus of \$100 for each high-school grade maintained.¹¹

⁷ Wash. Code of Pub. Instr., 1923, sec. 763, p. 387.

⁸ Ibid., sec. 773, p. 342.

⁹ Ibid., sec. 778, p. 334.

¹⁰ Ibid., Art. II, sec. 765, p. 338.

¹¹ Ibid., Art. II, sec. 769, p. 341.

*Kindergartens.*¹²—One-half the actual number of days attendance.

*Night schools.*¹²—One-half the actual number of evenings attendance.

Parental schools.—Three times the actual number of days attendance.

Schools for defectives.—Five times the actual number of days attendance.¹³

Private schools.—A local district is credited with attendance of children who attend private schools in the State, but whose parents reside in said local district.¹⁴

Consolidated districts.—A consolidated district is given a bonus of 2,000 days' attendance for each component district less one, so consolidated.¹⁵ Thus a consolidated district composed of four districts would be credited with a bonus of (4 minus 1) by 2,000 days, or 6,000 days.

Teachers' Institutes.—Bonus attendance grants are credited to each district for the days during which its teachers attended a teachers' institute. The number of days to be credited is determined by multiplying the average daily attendance of the pupils of the district for the term by the number of days, not to exceed three, during which institute was held.¹⁶

The above method is essentially upon a pupil basis with definite recognition of the fact that it costs more to educate a child in a high school or in certain types of special classes than it does in the ordinary elementary school. The Washington system also recognizes that a minimum cost must be met in maintaining any school regardless of attendance.

¹² Wash. Code of Pub. Instr., 1923, Art. II, sec. 771, p. 342.

¹³ Ibid., Art. II, sec. 770, p. 341.

¹⁴ Ibid., sec. 768, p. 340.

¹⁵ Ibid., sec. 488, p. 204.

¹⁶ Ibid., sec. 448, p. 182.

CHAPTER XLVI

WEST VIRGINIA

State School Funds

West Virginia maintains two State funds for the support of the public schools of the State: (1) A permanent fund, known officially as the school fund, and (2) an annual current fund, officially known as the general school fund.

Permanent school fund.—In the year 1863, West Virginia, up to that time a part of Virginia, adopted a constitution and was admitted into the Union as a separate State. The new State in her first constitution provided for the creation of a permanent fund to be known as the school fund, the interest of which was to be annually applied to the support of free schools throughout the State. The sources from which the fund was to be derived and increased, as provided by the constitution, were as follows: (1) West Virginia's share of Virginia's literary fund and any money, stocks, or property which could be rightfully claimed from Virginia for educational purposes; (2) proceeds of delinquent waste and unappropriated lands; (3) proceeds of lands heretofore sold for taxes or purchased by Virginia, if hereafter redeemed or sold to others than the State; (4) grants, devises, or bequests made to the State for the purpose of education, where the purpose is not specified; (5) proceeds of intestate estates; (6) proceeds of escheated lands; (7) proceeds of taxes levied on revenue of corporations; (8) military exemption moneys; (9) appropriations by legislature; (10) any interest of school fund remaining unexpended at the close of the fiscal year.¹

Until the adoption of a constitutional amendment in November, 1902, West Virginia continued to increase the principal of her (permanent) school fund, the principal at this time (1902) amounting to \$1,104,412.69.²

In conformity with this amendment the principal of this fund was limited to \$1,000,000, and the amount in excess of a million dollars—about \$104,000—was distributed as a part of the general school fund in three annual installments, 1903, 1904, and 1905.³ The invested principal of the (permanent) school fund amounted on June 30,

¹ F. H. Swift, *A History of Public Permanent Common School Funds in the United States*, p. 427.

² *Ibid.*, p. 428.

³ F. H. Swift, *op. cit.*, p. 426.

1926, to \$998,500.⁴ The interest, amounting to \$54,304.43 for the year 1925-26, is credited to the general school fund.⁵

General school fund.—Practically all current State school revenues are credited to the general school fund, which is the general State distributive school fund. The sources of revenue provided by law for this fund are—

the proceeds of the capitation tax, the income of the school fund, the net proceeds of all forfeitures and fines which accrued to the State during the previous year, and all moneys arising from the sources named in section 4 of article 12 of the constitution heretofore going to the school fund but as now amended going to the general school fund, all interest on public moneys received from State depositories, State license tax on marriage, State tax on forfeitures, State tax on State licenses except on motor vehicles and State licenses paid direct to the State auditor and secretary of State, and all funds from any source paid into the treasury for school purposes and not otherwise appropriated.⁶

Capitation tax.—The constitution, requires that there shall be levied a capitation tax of \$1 upon each male inhabitant of the State who has attained the age of 21 years, the proceeds of which shall be annually appropriated to the support of free schools.⁷

Corporation taxes formerly devoted to (permanent) school fund.—Prior to 1902 the State devoted to increasing the principal of the (permanent) school fund a long list of State moneys and revenues. Among these were included by constitutional provision "the proceeds of any taxes that may be levied on the revenues of any corporation."⁸ An amendment to the constitution, adopted November, 1902, fixed the principal of the (permanent) school fund at \$1,000,000 and provided that "all money and taxes heretofore payable into the treasury under the provision of the said section 4, to the credit of the (permanent) school fund, shall be hereafter paid into the treasury to the credit of the general school fund for the support of the free schools of the State."⁹

The author found no record of any moneys accruing to the State general fund from the proceeds of a tax "levied on the revenue of any corporation." In fact, this constitutional provision seems to be definitely annulled by the provisions of the gross sales tax law of 1921 which was in turn superseded by the new business occupation tax law passed in 1925. Both these laws provide among taxes levied on other business, for taxes upon the gross incomes of banks and public utility corporations and upon the gross premiums of insurance companies, and provide that the proceeds shall be credited to the State general revenue fund.⁹

⁴ W. Va. State Treasurer, Bien. Rept., 1924-1926, p. 190.

⁵ W. Va. State Supt. of Free Sch., Bien Rept., 1924-1926, p. 190.

⁶ W. Va. Sch. Law, 1925, p. 81.

⁷ W. Va. State Constitution, Art. X, sec. 2; W. Va. Sch. Law, 1925, p. 4.

⁸ *Ibid.*, Art. XII, sec. 4; W. Va. Sch. Law, 1925, p. 5.

⁹ W. Va. State Tax Commissioner, Bien. Rept., 1924-1926, pp. ix-xii.

State license taxes.—Under laws now in effect, the proceeds of the following State license taxes are devoted specifically to the support of the public schools: (1) "State license tax on marriage, (2) State tax on forfeitures, (3) State tax on State licenses, except on motor vehicles and State license paid direct to the State auditor and secretary of State."¹⁰ The license taxes above enumerated are self-explanatory except those excluded under the term "State license paid direct to the State auditor and secretary of State." Such excluded license taxes include license taxes upon such businesses as hotels, restaurants, druggists, bowling alleys, pool rooms; places of amusement, auctioneers, brokers, and junk dealers, and such articles as tobacco, cigarettes, and soft drinks. These license taxes are collected by the counties and forwarded by them to the State auditor.¹¹

Nontax revenues credited to general school fund.—Other revenues credited to the general school fund and not included in the taxes levied specifically for schools described in the immediately preceding paragraphs are: (1) The income of the (permanent) school fund; (2) the net proceeds of all forfeitures and fines which have accrued to the State during the previous year; (3) all interest on public moneys received from State depositories; and (4) all funds from any source paid into the State treasury for school purposes and not otherwise appropriated.¹²

TABLE 1.—Source analysis of West Virginia general school fund, 1925-26¹

Item number	Source	Amount	Per cent
1	State capitation tax.....	\$304, 675. 66	14. 5
2	Fines imposed circuit, criminal justice's courts.....	40, 679. 61	1. 9
3	Interest on investment "the school fund".....	54, 304. 43	2. 6
4	Interest on deposits.....	166, 958. 12	7. 9
5	State license tax, privilege of conducting certain business.....	398, 313. 49	18. 9
6	State license tax on marriage.....	18, 625. 00	. 9
7	State tax on forfeitures.....	5, 367. 33	. 2
8	State tax, account sale and redemption of forfeited land by commissioners of school lands.....	8, 207. 54	. 4
9	State tax, account redemption of delinquent land from auditor.....	45, 666. 90	2. 2
10	State tax, account sale delinquent land by sheriff.....	38, 264. 85	1. 8
11	Teachers' examination fees.....	1, 617. 16	. 1
12	Teachers' institute fees.....	8, 619. 72	. 4
13	Other fees.....	18, 455. 00	. 6
14	Sale of confiscated automobiles.....	2, 055. 78	. 1
15	Supplement from general revenue.....	1, 000, 000. 00	47. 5
	Total receipts, general school fund.....	\$ 2, 105, 810. 60	100. 0

¹ W. Va. State Supt. of Free Sch., Bien. Rept., 1924-1926, p. 190.

² Table 1 does not include the following items because they are not received from State sources: (1) National forest reserve, \$870.76; (2) Federal aid for rehabilitation work, \$13,918.85; (3) Federal vocational work, \$72,605.58; total, \$87,395.14.

Taxes as sources of general school fund.—Table 1 shows that the moneys credited to items 1 and 5 to 10, inclusive, and which in the

¹⁰ W. Va. Sch. Law, 1925, p. 81, sec. 7.

¹¹ W. Va. State Aud., Bien. Rept., 1922-1924, pp. 64-66.

¹² W. Va. Sch. Law, 1925, p. 81, sec. 7.

aggregate provided 38.9 per cent of the general school fund, were tax proceeds. Of the taxes contributing to the State general school fund the most important are the business and occupation privilege taxes. Next in importance is the capitation or poll tax. These two taxes together furnished 33.4 per cent of the total of 38.9 per cent of the general school fund, which was derived from State taxes, leaving only 5.5 per cent to be derived from all other taxes contributing to this fund.

Taxes Contributing to General Revenue Fund as Source of State Aid

State general revenue fund.—Slightly less than one-half (47.5 per cent) of the total general school fund was provided by an appropriation from the State general revenue fund. The appropriation act provided for \$1,250,000 for each of the years 1926 and 1927.¹³ The author found no explanation of the fact that only \$1,000,000 of this amount was credited to the general school fund. A further appropriation of \$25,000 was made for State aid to high schools giving normal-training courses.¹⁴ This amount was not credited to the general school fund, but was expended separately for the purpose for which appropriated.

The proceeds of the following four principal types of taxes are credited in whole or in part to the State general revenue fund: (1) Business occupation taxes, (2) general property taxes, (3) gasoline tax, and (4) inheritance tax.

Business occupation tax.—In 1921, West Virginia passed what was known as her gross sales tax law, placing a tax upon the gross sales of practically all businesses operated in the State. In 1925 this law was repealed and for it was substituted the present business occupation tax law which provides a tax for the privilege of engaging in any business occupation in the State, the tax being measured by the value of the business and the value being determined by the application of specified rates against gross receipts. It is impossible to include in the present study a detailed statement of the rates levied. The principal classes into which businesses are divided are as follows: (1) The mining and production of coal, oil, gas, and other minerals and the production of timber, (2) manufacturing, (3) engaging in the business of selling tangible property, (4) banks and public utilities, (5) engaging in the contracting business, (6) engaging in the business of operating a place of amusement, and (7) all other businesses.¹⁵ The proceeds derived, in the years 1925-26, from the taxes on each class of business are shown in Table 2.

¹³ W. Va. Acts, 1925, p. 336, ch. 89; W. Va. Sch. Law, 1925, p. 86.

¹⁴ W. Va. Sch. Law, 1925, p. 87.

¹⁵ W. Va. State Tax Commissioner, Bien. Rept., 1924-1926, pp. ix-xii.

General property taxes.—The State collects taxes on all real and personal property in the State for the following two funds and at the rates indicated: (1) State general revenue fund, 10 cents on each \$100 (1 mill on the dollar); and (2) State Virginia debt fund, 4 cents on each \$100 (four-tenths of a mill on the dollar).¹⁶

Gasoline tax.—The State collects a tax of 3½ cents on each gallon of gasoline sold or used in the State for the operation of motor vehicles.¹⁷

Inheritance tax.—The State collects a graduated inheritance tax, the rates varying from 2 to 35 per cent, depending on the relationship of the heir and the amount of the transfer, on all amounts in excess of exemptions allowed by law.¹⁸

No statement whatsoever of the revenues contributing to the general revenue fund appears in any recent report of either the State treasurer or auditor of West Virginia. In order to supply this deficiency it was necessary to add to the total of the amounts received from each type of tax just described, as reported by the State tax commissioner, the difference between this total and the grand total of "general revenue receipts" as reported by the State treasurer. Table 2 presents such a makeshift analysis of the West Virginia State general revenue fund.

TABLE 2.—Source analysis West Virginia State general revenue fund, 1925-26*

Source	Amount †	Per cent
Business occupation taxes:		
Coal production.....	\$969,729.60	
Oil and gas production.....	152,275.60	
Clay, sand, etc., production.....	29,261.06	
Timber production.....	5,418.32	
Total production.....	1,156,684.58	
Manufacturing.....		
Sales, exclusive of wholesale.....	842,128.28	
Sales, wholesale.....	555,399.31	
Banks and public utilities.....	71,658.20	
Other businesses and professions.....	297,982.84	
Total occupation taxes.....	3,159,152.82	27.3
General property taxes.....		
Gasoline tax.....	2,133,491.00	18.4
Inheritance tax.....	2,766,005.12	23.9
Other general revenue fund receipts.....	802,731.55	6.9
	2,724,514.08	23.5
Total.....	7,270,057.17	72.7
Total receipts, general revenue fund ‡	11,585,894.57	100.0

* See immediately preceding paragraph.

† W. Va. State Tax Commissioner, *Bien. Rept.*, 1924-1926, pp. xv, xxvi, xxviii, 410.

‡ W. Va. State Treas., *Bien. Rept.*, 1924-1926, p. 49.

§ W. Va. State Tax Commissioner, *Bien. Rept.*, 1924-1926, p. 410.

¶ *Ibid.*, p. xxv.

‡ U. S. Bu. of the Census, *Digest of State Laws Relating to Taxation and Revenue*, 1922, pp. 497-498.

State taxes as sources of school revenue.—In the discussion of Table 1 it was shown that 38.9 per cent of the general school fund was derived from the proceeds of State taxes and 47.5 per cent from a supplementary appropriation paid from the general revenue fund. Table 2 reveals that of the general revenue fund, all except 23.5 per cent was derived from the proceeds of State taxes. The three most important classes of taxes contributing to the general revenue fund are occupation taxes, gasoline taxes, and general property taxes. A comparison of Table 1 and Table 2 shows that the most important State tax in West Virginia is that levied on occupation and business activities, whether we are considering the (State) general school fund or the State revenue fund.

Apportionment of State School Funds

The law providing the general school fund makes the following provision for its distribution—

Such funds shall be used for the following purposes in the order enumerated, preference being given likewise:

First.—To pay the salary of the State superintendent of free schools, his necessary traveling expenses not to exceed \$500, the contingent and other expenses of his office, and the salaries of county superintendents.

Second.—To supplement the teachers' fund of elementary schools in districts where the maximum levy for teachers' fund purposes will not provide sufficient funds to pay the minimum salaries to a sufficient number of teachers for all the first eight grades of the public schools.

Third.—To supplement the maintenance fund of elementary schools in districts where the maximum levy will not provide sufficient funds to pay the actual maintenance expenditures for the minimum term.

Fourth.—To supplement the elementary teachers' fund to an amount equal to the amount accruing from any additional levy in excess of 40 cents on the \$100, which levy has been fixed according to law and which is for the purpose of augmenting teachers' salaries and for the employment of district supervisors; provided, that no district shall benefit or be given aid hereunder for the payment of teachers' salaries in excess of the minimum salaries increased by 10 per cent, for the minimum term as fixed by general law, and \$150 per month for district supervision.

Fifth.—To pay State aid to high schools under such regulations as are provided by law.

Sixth.—To aid school districts (not independent districts) which maintain standardized schools under such regulations as are prescribed by law.

Seventh.—Any balance remaining in said general school fund in any fiscal year shall be distributed to the various school districts and independent school districts of the State on a basis of the enumerated youth of school age.²⁰

It is evident that the funds provided were insufficient to meet all claims, for L. O. Taylor, State supervisor of high schools, charges that "for the past three years this law (providing State aid for high

²⁰ W. Va. Sch. Law, 1925, pp. 81-82, sec. 7.

schools on the basis of classification—fifth item above), although still in effect, has been nullified by the manner in which the appropriation bill has been drawn," and L. T. Tustin, State supervisor of rural schools, reports that there were no moneys to aid school districts which maintain standardized schools (sixth item above).²⁰

Table 3 presents a summary of the expenditures from the general school fund showing the purpose and amount of each expenditure for the year 1925-26 and the per cent which each such amount was of the total expenditures for the same year.

TABLE 3.—Expenditures from West Virginia State General School Fund, 1925-26¹

Purpose	Amount	Per cent
State department of education.....	\$107,834.68	5.1
Salaries of county superintendents.....	93,457.14	4.5
Institute instructors.....	14,997.22	.7
Vocational education (State aid).....	27,393.78	1.3
State aid to teachers' fund.....	1,796,848.00	85.5
State aid to building (maintenance) fund.....	61,294.00	2.9
Total.....	\$2,101,784.82	100.0

¹ State Supt. of Free Schools, Bien. Rept., 1924-1926, p. 190.

² The following items are excluded for they are either not State aid or are not expenditures benefiting the public schools: (1) Federal vocational aid, \$72,605.53, (2) rehabilitation, \$32,046.40, (3) expenses connected with delinquent lists, \$60,269.98, and (4) accrued interest on bonds, \$725.42; total, \$165,647.33.

The major purposes for which State aid may or shall be provided and the bases to be employed in apportioning such aid are shown below. It should be noted that all bases of apportionment are included whether or not any funds were provided for distribution in the year 1925-26. (See Table 3 and preceding text.)

The State funds provided by West Virginia are for five major purposes: (I) State administration and supervision; (II) equalization; (III) compensation; (IV) stimulation; (V) general relief. Inevitably grants from one fund often fulfill more than one purpose. The classification is on the basis of what appears to be the dominant purpose in each case.

Distribution of State Aid Classified as to Major Purpose

I. *Administrative and supervisory.*—(1) State department: Flat grants to pay salaries and expenses of State board, State superintendent, and assistants.²¹

(2) County superintendents' salaries: Flat salary grants ranging from \$1,200 to possible maximum of \$2,100, depending on number of schools in county.²²

²⁰ W. Va. State Supt. of Free Schools, Bien. Rept., 1924-1926, pp. 86 and 106.

²¹ *Ibid.*, p. 190.

²² W. Va. School Law, 1925, p. 18, sec. 33.

(3) Salaries of institute instructors: State allows maximum of \$15,000 for procuring speakers for the county institutes.²³

II. *Equalization*.—Equalization quotas: State supplements maximum elementary teachers' fund district levy (40 cents) and maximum elementary maintenance fund district levy (15 cents) to provide sufficient funds to pay minimum salaries to a sufficient number of teachers for all first eight grades of the public schools and to pay actual maintenance expenditures for minimum term.²⁴

III. *Compensation*.—State aid for normal training in high schools: Flat grants of \$1,000 to each high school selected by State board of education for normal-training courses.²⁵

IV. *Stimulation*.—(1) Vocational education: State matches Federal Smith-Hughes grants.²⁶

(2) State aid for increasing teachers' salaries and providing district supervision; State matches amount provided by district by tax levy in addition to 40 cents maximum rate. Maximum aid: (a) For teachers' salaries, minimum salaries increased by 10 per cent; (b) for supervision, \$150 per month.²⁷

(3) State aid for high schools: Flat grants of \$800, \$600, and \$400 to high schools of first, second, and third classes, respectively. High schools classified as to years of work offered and number of teachers employed.²⁸

(4) State aid for standard 1-room and consolidated schools: 1-room schools: Flat grants—first class, \$120 per year; second class, \$100 per year. Consolidated schools: Grants based on average daily attendance—first class, \$4 per unit per year, maximum \$800; second class, \$3 per unit per year, maximum \$600. Requirements for classification fixed by State board of education.²⁹

V. *General relief*.—Balance of general school fund after all other allotments: School census (6 to 21 years).³⁰

²³ W. Va. State Supt. of Free Schools, Bien. Rept., 1924-1926, p. 27.

²⁴ W. Va. School Law, 1925, p. 81, sec. 7 (second and third).

²⁵ *Ibid.*, p. 38, sec. 80.

²⁶ *Ibid.*, p. 58, sec. 133 f.

²⁷ *Ibid.*, pp. 81-82, sec. 7 (fourth).

²⁸ *Ibid.*, p. 39, sec. 82.

²⁹ *Ibid.*, pp. 30-31, sec. 58a. For details of requirements see State Supt. of Free Schools, Bien. Rept., 1924-1926, p. 57.

³⁰ *Ibid.*, p. 82, sec. 7 (seventh); *ibid.*, p. 26, sec. 54.

CHAPTER XLVII

WISCONSIN

Taxes Specifically for Schools

General property school tax supplanted by income tax.—The laws of Wisconsin provide that "there is appropriated annually to the public-school fund income an amount equal to one and one-tenth mills for each dollar of the valuation of the property of the State. Such amount shall be payable directly from an annual tax which is hereby levied on all taxable property of the State."¹ This provision would seem to require that a general property tax of 1.1 mills be levied specifically for the support of the public schools. Such is not the case, however. A general property tax (the rate was then 0.7 of a mill) was levied in 1925, but in 1926 the moneys required to meet the schools' claims against the proceeds of a State general property school tax were paid from the proceeds of the State income tax, transferred to the State school fund income under the title "school fund income tax remission."² According to John Callahan, State superintendent of public instruction, it is probable that hereafter this appropriation will be met from the proceeds of income taxes, the provision for the general property tax being included for the purpose of keeping the amount stable.³ Such a policy makes the State income tax a tax levied specifically to provide school revenue.

Taxes Upon Which the Schools Have a Definite Claim

Income taxes.—Wisconsin levies a State graduated income tax on the taxable incomes of all individuals at rates of from 1 to 6 per cent, and on that of firms and corporations at from 2 to 6 per cent.⁴ All income taxes collected in cash are distributed as follows: 40 per cent to the State, 10 per cent to the county, and the balance (50 per cent) to the town, city, or village in which the tax was assessed and

¹ Wis. Sch. Laws, 1928, p. 246, sec. 20.25.

² Wis. State Treas., Bien. Rept., 1925-26, pp. 70 and 74.

³ Information contained in personal letter to the authors from John Callahan, State superintendent of public instruction, dated Mar. 19, 1928.

⁴ Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, pp. 518-514.

collected, except that if such balance due the town, city, or village exceeds 2 per cent of the equalized value of such town, city, or village "such excess shall be paid to the county to be distributed and paid to the several towns, cities, and villages of the county according to the school population therein."⁵ This excess which may be distributed to the towns, cities, and villages will not be considered a State school tax fund for purposes of this study.

Public schools are entitled to receive State aid from the State's share (40 per cent) of the proceeds of the income tax under three distinct grants: Aid to graded schools; aid to high schools; and a grant toward the remission of the general property tax and which promises, as explained in an opening paragraph of this chapter, to supplant entirely this latter tax.

Income tax for graded and high-school aid.—The laws provide that there shall first be set aside out of the State's share of the proceeds of the income tax an amount sufficient to meet the expenses of the administration and collection of the income tax and for the State's appropriations for special State aid to graded schools and State aid to high schools.⁶ Although the law just cited definitely provides that the appropriations for the two educational purposes enumerated shall be taken from the proceeds of the income tax, the acts making the appropriations for these two purposes state specifically that the moneys are appropriated from the State general fund.⁷ It would appear that in actual accounting practices of the State, the proceeds of the State's share of the State income tax are credited to and become an integral part of the State general fund. The grants provided for graded schools and high schools are then paid, not out of any separate income-tax fund but out of the State general fund.

Balance to reduce general property tax.—After making the deductions required to meet the claims described in the preceding paragraph, "the remainder (of the State's share of the proceeds of the income tax) shall be applied, as far as it will reach, toward the remission of the taxes on property for the support of the university, the normal schools, and the common schools, in the order named, and shall be used for no other purposes."⁸ The total amount credited to the State general fund for 1926 from the proceeds of income taxes amounted to \$4,793,531.95.⁹ Of this amount \$3,545,324.13 was transferred to the school fund income for the support of common schools.¹⁰

⁵ Laws of Wis., 1925, pp. 116-117, ch. 57.

⁶ Wis. Sch. Laws, 1928, pp. 246-247, sec. 20.255.

⁷ *Ibid.*, pp. 246-247, secs. 20.26 (2) and 20.27.

⁸ *Ibid.*, p. 246, sec. 20.255.

⁹ Wis. State Treas., *Bienn. Rept.*, 1925-26, p. 11.

¹⁰ *Ibid.*, pp. 70 and 74.

Surtax on incomes for teachers' retirement fund.—The laws provide for a surtax on incomes, computed at one-sixth of the rates of the regular income tax to be levied and collected on all taxable incomes in excess of \$3,000. Revenues from this surtax are credited to the teachers' retirement fund.¹¹ The amount so credited for 1926 was \$1,592,469.88.¹²

Corporation taxes to schools.—Prior to 1927, \$200,000 of the license fees and taxes paid by corporations were transferred to the school-fund income.¹³ This appropriation was abolished with the passage of the equalization law of 1927.

Railroad commission fees.—Fees collected by the railroad commission, amounting to \$4,301.77 for 1926, are credited to the school-fund income.¹⁴

State Public-School Funds

Wisconsin maintains the following four funds, or classes of funds, for the benefit of public elementary and secondary schools: (1) (State permanent) common-school fund; (2) common-school fund income; (3) public-school fund income; (4) appropriations from the State general fund.

Common-school fund.—The title provided for the State permanent school fund in the laws is "common-school fund," but in the reports of State officials this fund is generally called simply the "school fund." The principal of this fund, June 30, 1926, consisted of three parts: (1) Cash in State treasury, \$737,321.69; (2) loans and investments, \$6,015,346.76; and (3) State certificate of indebtedness, \$1,163,700; total, \$7,916,368.45.¹⁵

Common-school fund income is the title employed to designate the current income of the school fund. Such income for the year 1926 consisted of \$265,943.48 derived from the productive portion of the principal, and \$81,459 paid by the State from the general fund upon its debt to the principal, making a total annual income of \$347,402.48.¹⁶

Current school funds.—Prior to 1927 all current school revenues, other than appropriations from the State general fund for specific educational purposes, were credited to one fund designated by law as the "common-school fund income" but referred to in State reports as "school fund income."¹⁷ Up to this time the major portion of this entire fund (approximately 87 per cent for 1925 and 1926) had

¹¹ Wis. Sch. Laws, 1928, p. 246, sec. 20.251.

¹² Wis. State Treas., Bien. Rept., 1925-26, p. 88.

¹³ Bu. of the Census, Digest of State Laws Relating to Taxation and Revenue, 1922, p. 515, sec. 12; Wis. State Treas., Bien. Rept., 1925-26, pp. 76-74.

¹⁴ Wis. State Treas., Bien. Rept., 1925-26, p. 74.

¹⁵ Ibid., pp. 72-73.

¹⁶ Ibid., p. 74.

¹⁷ Wis. Sch. Laws, 1923, p. 185, sec. 20.24; Wis. State Treas. Bien. Rept., 1925-26, p. 74.

been distributed among the counties on a census basis. The passage in 1927 of a new distribution law providing for the apportionment of school funds on new and different bases, and the continuance of the constitutional provision that the income of the common (permanent) school fund shall be distributed on a census basis, made it necessary to separate the latter fund from funds to be apportioned no longer on the school census basis. Consequently the legislature of 1927 passed a law providing for two current school funds: (1) The common-school fund income, and (2) the public-school fund income.

Common-school fund income.—The common-school fund income is constituted of the interest derived from the common-school fund and from unpaid balances of purchase money on sales of common-school lands; and all other revenues derived from the common-school lands.¹⁸

Public-school fund income.—“The public-school fund income is constituted of the following increments: (a) The interest derived from the public-school fund, and (b) all money accruing to the public-school fund income pursuant to section 20.25 of the statutes.”¹⁹ Section 20.25, just referred to, provides for the appropriation of “an amount equal to one and one-tenth mills for each dollar of the valuation of the property of the State,” already discussed in the opening paragraphs of the present account, and which, as there explained, is now paid from the proceeds of the State income tax.

The laws provide that deductions shall first be made for three educational purposes, from the public-school fund income, after which the balance shall be distributed as an equalization fund. The three purposes or funds having prior claims are: (1) State aid for supervising teachers; (2) State aid for transportation; (3) elementary teachers' quotas.²⁰

Appropriations from State general fund.—The State provides appropriations from the State general fund for the following nine specific educational purposes, benefiting public elementary and secondary schools, namely: (1) State department of public instruction; (2) State supervision of instruction of blind, deaf, and physically handicapped children; (3) county institutes for teachers; (4) graded and junior high schools; (5) consolidated rural schools; (6) free high schools; (7) teacher-training courses in high schools; (8) State aid for the instruction of the deaf and blind; and (9) vocational education.²¹ (For amounts see Table 1.)

The total expenditures from the State general fund benefiting public elementary and secondary schools amounted to \$954,965.57 for

¹⁸ Laws of Wis., 1927, p. 887, ch. 536. Wis. Sch. Laws, 1928, p. 243, sec. 20.24.

¹⁹ Laws of Wis., 1927, pp. 888-889, ch. 536. Wis. Sch. Laws, 1928, p. 244, sec. 20.245.

²⁰ Wis. Sch. Laws, 1928, p. 244, sec. 20.245; *ibid.*, p. 464, sec. 39.14; *ibid.*, p. 479, sec. 40.34; *ibid.*, 1928, p. 411, sec. 40.13; *ibid.*, p. 412, sec. 40.14.

²¹ *ibid.*, pp. 243-251, secs. 20.21, 20.27, 20.26, 20.29, 20.31, 20.32, and 20.33.

1926. (See Table 1.) The total net disbursements from this fund for the same year, not including transfers, agency transactions and refunds, amounted to \$26,630,389.51.²²

Taxes contributing to general fund as sources of school revenue.— Since such educational expenditures benefiting the public elementary and secondary schools amounted to 3.58 per cent of the total net disbursements from the State general fund, it has not been considered necessary to include an analysis of this fund in the present account. The principal taxes from which Wisconsin receives State revenues are: (1) The general property tax; (2) corporation taxes on state-wide public-service companies, including street railways; (3) license taxes on the gross earnings of telephone and insurance companies; (4) the income tax, including surtaxes; (5) the inheritance tax; and (6) occupation taxes.²³

Table 1 presents a source analysis of Wisconsin State aid for public elementary and secondary schools showing the amount received from each source for 1926 and the per cent which each such amount was of the total State aid provided for the same year.

TABLE 1.—Source analysis of Wisconsin State aid for public elementary and secondary schools, 1926

Sources	Amount ^a	Per cent
Income taxes:		
Transferred from general fund on account of "school fund income tax remission".....	\$3,545,324.13	53.3
Surtax on incomes for teachers' retirement fund.....	1,592,469.88	24.0
Total from income taxes.....	5,137,794.01	77.3
Corporation taxes (transferred from general fund).....	200,000.00	3.0
Railroad commission fees.....	4,301.77	.1
From State general fund:		
Appropriations for specific educational purposes—		
State superintendent of public instruction.....	127,561.44	
State supervision of instruction of blind, deaf, and physically handicapped children.....	20,400.00	
County institutes for teachers.....	9,000.00	
Graded and junior high schools.....	162,300.00	
Consolidated rural schools.....	1,000.00	
Free high schools.....	176,404.13	
Teacher-training courses in high schools.....	25,000.00	
State aid for the instruction of the deaf and blind.....	50,000.00	
Vocational education.....	383,300.00	
Total appropriations for specific educational purposes.....	954,965.57	14.4
Appropriated on account of interest on State certificate of indebtedness.....	81,459.00	1.2
Interest on productive portion of common school fund.....	265,943.48	4.0
Refunds and miscellaneous income.....	1,435.50	(^d)
Total.....	348,837.98	5.2
Grand total State aid.....	6,645,899.33	100.0

^a Wis. State Treas., Bien. Rept., 1925-26. Only the items benefiting public elementary and secondary schools of the State have been included.

^b Discontinued with the passage of the equalization law of 1927.

^c Wis. Sch. Laws, 1923, p. 248, sec. 20.29; *ibid.*, pp. 250-251, sec. 20.33. The expenditures for vocational education as indicated in the treasurer's report included Federal moneys. Consequently it was necessary to include the amounts appropriated from State sources for this item.

^d Negligible.

²² Wis. State Treas., Bien. Rept., 1925-26, p. 10.

²³ Wis. Tax Commission, Twelfth Rept., 1924, p. 17.

Taxes as sources of State school revenue.—Table 1 shows that the most important source of State moneys provided for public schools in Wisconsin is the State income tax. Wisconsin employs the proceeds of this tax for the purpose of remitting the State general property school tax of 1.1 mills, and in so doing provides more than one-half (in 1926, 53.3 per cent) of the total State aid.

When we add to the amount transferred for the general property tax remission the proceeds of the surtaxes devoted to the teachers' retirement fund we discover that in the year under discussion income taxes furnished no less than 77.3 per cent of all State aid.

As explained in an earlier paragraph, even this does not tell the entire story, for the State aid provided for high schools and graded schools, according to law, shall be taken from the proceeds of State income taxes.

The most significant fact revealed from the situation just described is the tendency to abolish, at least temporarily; State general property taxes as a source of State school revenue and to draw a major portion of State aid from State income tax, a tendency which is in harmony with what is generally regarded as the soundest and most satisfactory procedure in public finance.

Table 1 shows that 14.4 per cent of the total State aid for public elementary and secondary schools in 1926 was furnished by appropriations paid from the general fund. A previous paragraph has indicated that the major types of taxes contributing to the State general fund are general property taxes, corporation taxes, income taxes, inheritance taxes, occupation taxes, and license taxes.

In Wisconsin, as in all other States, the major portion of the State general fund is derived from the proceeds of State taxes.

The relative importance of taxes in Wisconsin in 1926 as sources of State school revenue may be stated as follows: All except 5.2 per cent of State-furnished moneys were derived from the proceeds of State taxes, and of the 94.8 per cent furnished by State taxes, more than 77.3 per cent were derived from the proceeds of income taxes. The remaining 17.5 per cent of State aid was derived in part from income taxes and in part from the various types of taxes already named as sources of the State general fund.

Apportionment of State School Funds

Teachers' retirement fund.—This fund, including the State's contribution thereto, is not distributed on any general basis, but is used to meet the State's obligations implied by the title of the fund, and will therefore receive no further consideration in the present account.

Common-school fund income.—Moneys accruing to this fund are apportioned annually by the State superintendent "among the sev-

eral counties, and the towns, villages, and cities therein, in proportion to the number of children resident therein between the ages of 4 and 20."²⁴

Public-school fund income.—Moneys for the following three educational purposes shall be deducted from the public-school fund income, after which the balance is to be distributed on an equalization basis: (1) State aid for supervising teachers; (2) State aid for transportation; and (3) elementary teachers' quotas.²⁵ Two other grants formerly having a prior claim were abolished with the passage of the equalization law of 1927, namely, (1) State aid for first-class rural schools; (2) State aid for rural teachers.

Equalization apportionment.—The equalization fund is apportioned among school districts in which the "full," i. e., true valuation per elementary teacher is less than \$250,000.²⁶ The true valuation per elementary teacher of any district under consideration for equalization aid shall be subtracted from \$250,000 and the resulting remainder shall be multiplied by the local school district or city school tax rate, provided that the rate, in making such computation shall not exceed 4 mills.

The amount representing the proceeds of such a tax may be called the teachers' equalization tax quota of the district. This district tax equalization quota per teacher, multiplied by the number of elementary teachers employed by the school district or city, is the amount which the district is entitled to receive from the State equalization apportionment, provided, that in no event shall such district equalization tax quota exceed \$600 for each such elementary teacher. If the moneys available from the public-school fund income for equalization apportionment are insufficient to meet the claims of the districts entitled to aid therefrom, then the equalization apportionment shall be prorated.

Detailed conditions, the fulfillment of which is prerequisite to the right to share in the above apportionment, are included in the law. Principal among these is the requirement that the county must "raise for the support of the common schools, by taxation upon the aggregate valuation of the whole county, an amount at least equal to \$250 for each public elementary teacher employed in the county." Other conditions concern the salaries of teachers, the length of term, the number of pupils, and the course of study.²⁷

Special State aid.—In previous sections have been enumerated nine appropriations from the State general fund and five deductions from the public-school fund income for specific educational purposes.

²⁴ Wis. Sch. Laws, 1928, p. 243, sec. 20.24 (4).

²⁵ Ibid., pp. 244-245, sec. 20.245.

²⁶ Ibid., p. 245.

These allotments are in addition to the apportionments on the census basis and equalization basis already described.

The following presents in outline form the apportionment of all State aid for public elementary and secondary schools classified as to major purposes, showing the purpose and basis of apportionment of each item of State aid.

Apportionment of Wisconsin State Aid for Public Elementary and Secondary Schools Classified as to Major Purpose

I. *Administration and supervision.*—State superintendent of public instruction: Salary and expense quotas.²⁷ Supervision of instruction of deaf, blind, and physically handicapped children: Salary and expense quotas.²⁸ County institutes for teachers: Apportioned to counties in proportion to number of teachers.²⁹ Supervising teachers: State reimburses counties for salaries and expenses of supervisors.³⁰

II. *Stimulation.*—Vocational education: State pays one-half amount actually expended for instruction in special courses in manual training, domestic economy, commercial subjects, or agriculture, not to exceed \$250 for each such course conducted only in the high schools, or \$350 for each such course conducted in the high school and seventh and eighth grades, provided that State aid shall not be allowed for more than three such special courses in any one school.³¹ State matches Federal Smith-Hughes subventions.³²

Graded and junior high schools: Grade schools: First class, \$300; second class, \$200. Junior high schools: One-half cost of instruction, not to exceed \$500. Either type of school giving special instruction in agriculture and other industrial subjects, \$100 additional.³³

Consolidated schools, building grants: One-half cost of erecting and equipping building with the following maxima: One department, \$1,000; graded school of two departments, \$1,500; graded school of three departments, \$2,000; graded school of four or more departments formed by uniting three or more districts, \$3,000; and graded and high school uniting the schools of all districts of a township, \$5,000.³³

Free high schools: District free high school: One-half the amount expended for instruction above the amount required to be expended for common-school purposes but not to exceed \$500. Union and consolidated free high schools: One-half the amount expended for instruction with the following maxima: Principal and one assist-

²⁷ Wis. Sch. Laws, 1928, p. 243, sec. 20.21.

²⁸ Ibid., p. 496, sec. 41.01.

²⁹ Ibid., p. 249, sec. 20.31.

³⁰ Ibid., pp. 464-465, sec. 30.14.

³¹ Ibid., p. 248, sec. 20.29.

³² Ibid., pp. 250-251, sec. 20.33.

³³ Ibid., pp. 246-247, sec. 20.26.

ant, \$900; principal and two assistants, \$1,200; principal and three or more assistants, \$1,500.²⁴

Transportation and board and lodging: Transportation: 10 cents per day for each child transported; \$150 additional for a district which has suspended school. Board and lodging: \$1 per week for each child boarded and lodged.²⁵

III. *Compensation.*—Teacher-training courses in high schools: State reimburses districts for wages of teachers employed in teacher-training courses.²¹

Instruction of deaf, blind, and physically handicapped children: State reimburses districts amount in excess of \$70 per child spent by district for instruction, board, transportation, and special equipment for such children, with the following maxima of State aid per pupil allotments: Deaf or blind living in district, \$250; deaf or blind from other districts, \$300; physically disabled living in district, \$400; physically disabled from other districts, \$450; physically disabled needing only special transportation to attend regular schools; for transportation, \$150.²⁶

IV. *General relief.*—Elementary teachers' quotas: \$250 for each elementary teacher. Common-school fund income: School census (4-20 years).²⁷

V. *Equalization.*—Public-school fund income: Equalization grants per each elementary teacher employed. Graduated grants limited to districts with a true valuation of less than \$250,000 per elementary teacher.

²⁴ Wis. Sch. Laws, 1928, pp. 247-248, sec. 20.27.

²⁵ Ibid., pp. 479-481, sec. 40.34.

²⁶ Ibid., p. 250, sec. 20.32.

²⁷ Ibid., p. 244, sec. 20.245.

CHAPTER XLVIII

WYOMING

Types of taxes levied.—Wyoming levies the following types of State taxes: General property tax, a graduated inheritance tax, corporation taxes, various business, occupational, professional, and miscellaneous taxes and fees. State general property taxes are levied to provide revenue for the State general fund, the principal and interest of State bonds, the State university, State experimental farms, normal-training departments in high schools, and all State institutions for the care of delinquents, the feeble-minded, the insane, and the criminals.

The constitution provides that the State annual general property tax shall not exceed 4 mills except for the support of State educational and charitable institutions and the payment of State debt and the interest thereon. In 1925 the aggregate State general property tax amounted to 3.597 mills, of which 2.5798 mills were levied for the benefit of the general fund. In 1926 the aggregate State general property tax amounted to 3.5531 mills, of which 2.584 mills were levied for the benefit of the general fund.¹

The only State school tax is a general property tax not to exceed one-eighth of 1 mill which the State board of equalization is required to levy in order to provide \$1,000 annually for each high school maintaining a normal-training department.² The proceeds of this tax are credited to the normal-school fund.³

The levy for 1925 amounted to 0.0742 mill and for 1926 0.0766 mill. The proceeds of this tax in 1925 amounted to \$34,154 and in 1926 to \$35,065, making for the biennium a total of \$69,219. In 1925 32 high schools maintained normal-training departments and in 1926 33 high schools. The proceeds of the tax, if entirely collected, slightly exceeded the claims against the fund.⁴

The amounts derived from the normal-school fund tax are so small as to constitute a negligible per cent of the total expenditures for the public schools. Nevertheless, as this is the only tax levied by Wyoming specifically for public schools, it is significant.

¹ Bien. Rept. of the Treas. of the State of Wyo., 1924-1926, pp. 49-50.

² Sch. Laws of Wyo., 1927, p. 21, sec. 52.

³ Wyo. Treas., Bien. Rept., 1924-1926, p. 34. Every county is required to levy a county school tax not to exceed 3 mills.

⁴ Wyo. Dept. of Ed., Rept. 1925-26, p. 95.

Appropriations from tax-derived funds.—The public schools, both elementary and secondary, benefit through appropriations made from the State general fund for a number of educational projects. More than half of the general fund is derived from State taxes.

The projects for which appropriations from the general fund are made include rural school supervision, vocational education, special education for handicapped children, a contingent fund for the State superintendent, and salaries of the commissioner of education, the State superintendent, and the deputy State superintendent of public instruction. The legislature of 1925 provided a biennial appropriation of \$5,000 to aid in the support of Americanization education,* but it will not be considered in the present account.

TABLE 1.—*Wyoming appropriations from the State general fund benefiting public schools, 1924-1926*¹

Purpose	Amount
Commissioner of education, salary.....	\$9,000
Superintendent of public instruction:	
Salary.....	8,000
Contingent.....	15,000
Deputy superintendent of public instruction, salary.....	4,800
Rural school supervision, contingent.....	12,000
Special education, contingent.....	25,000
Vocational education.....	40,000
Total.....	114,400

¹ Compiled from Treas. of the State of Wyo., *Bien. Rept.*, 1924-1926, pp. 60, 64, 73, 75, 76, and 77.

A source analysis of the general fund for the biennium 1924-1926 is shown in Table 2.

TABLE 2.—*Analysis of the Wyoming State general fund for the biennium 1924-1926*¹

Source	Amount	Per cent of total
Balance Oct. 1, 1924.....	\$171,699.28	4.30
Delinquent taxes and interest on same.....	175,296.78	4.40
Interest on deposits, general accounts, and trust funds.....	7,687.16	.19
State general property tax.....	1,907,871.89	47.77
Fees executive departments.....	349,784.33	8.76
Repayment State highway fund and interest on same.....	1,003,992.82	25.14
Insurance tax.....	254,605.86	6.38
Car company tax.....	26,155.14	.65
Express company tax.....	7,198.77	.18
Inheritance tax.....	76,853.45	1.92
Miscellaneous ²	12,367.97	.31
Total.....	3,993,513.45	100.00

¹ *Bien. Rept. of the Treas. of the State of Wyo.*, 1924-1926, p. 24.

² Denotes correction of error in sale of equipment and small funds.

From Table 2 it is seen that State general property taxes provided approximately 48 per cent of the general fund for the biennium

* *Wyo. State Dept. of Ed.*, *Bien. Rept.*, 1924-1926, p. 88.

1924-1926, insurance taxes approximately 6 per cent, inheritance taxes approximately 2 per cent, and taxes on car companies and express companies together less than 1 per cent.

State School Funds

Wyoming maintains three State funds which are apportioned for the benefit of the public schools: (1) The normal-school fund, (2) the common-school land income fund, and (3) the Government royalty fund.

Normal-school fund.—This fund owes its origin to an act already described which requires the State board of equalization to levy annually a State general property tax not to exceed one-eighth of one mill.⁷

Common-school land income fund.—The common-school land income fund is merely the income of the common-school permanent land fund, including the proceeds of agricultural and grazing leases of unsold school lands belonging to this fund. Wyoming, upon her admission into the Union in 1890, received from the United States by Act of Congress for the use of common schools, the sixteenth and thirty-sixth sections in each congressional township.

The constitution and laws of Wyoming provide for the establishment of a State perpetual school fund to be derived from the following sources: (1) The proceeds of the sales or rentals of sixteenth and thirty-sixth sections of school lands, or lands selected in lieu thereof; (2) the proceeds of all lands granted to the State not otherwise appropriated; (3) the proceeds of land and other property escheated or forfeited to the State; (4) 50 per cent of the annual amount accruing to the Government royalty fund in excess of \$4,000,000.⁸

The Government royalty fund.—Under the terms of a Federal act commonly known as the oil and mineral leasing act,⁹ public-land States in which are situated Federal lands containing deposits of coal, oil, gas, sodium, phosphate, and other nonmetallic minerals, are entitled to receive 37½ per cent of the moneys paid to the United States as bonuses, royalties, and rentals for the lease of such lands. The States which have thus far benefited chiefly by this act are California, Montana, and Wyoming.

The Federal act provides that the moneys granted to the States shall be devoted to public roads and to education. It rests with the

⁷ Wyo. Sch. Laws, 1927, p. 21, sec. 52.

⁸ Wyo. constitution, Art. VII, sec. 2; Wyo. Sch. Laws, 1927, p. 159; *ibid.*, p. 83, sec. 228.

⁹ Acts of the Sixty-sixth Congress, ch. 85, approved Feb. 23, 1920. For a brief account of this fund see Fletcher Harper Swift, *Federal Aid to Public Schools*, Bur. of Educ. Bul., 1922, No. 47, pp. 25-27.

individual State to determine what proportion of the proceeds shall be devoted to each of these projects. Wyoming devotes 9 per cent to her State university; 41 per cent to roads; and 50 per cent to public schools.

According to the State treasurer the Government royalty fund for the biennium 1924-26 amounted to \$5,894,152.33.¹⁰ During this same period the Government royalty fund provided 21.4 per cent of the moneys furnished for public schools.¹¹

Table 3 shows the relative importance of the normal-school fund, common-school land income fund, and appropriations from the State general fund:

TABLE 3.—Relative importance of Wyoming State school funds, 1924-1926¹

Fund	Amount	Per cent of total State school revenue
Common school land income fund.....	\$836, 746. 83	82.0
Appropriations from State general fund.....	114, 400. 00	11.2
Normal-school fund.....	69, 219. 00	6.8
Total.....	961, 146. 83	100.0

¹ The Government royalty is not included in this table.

Apportionment of State School Funds

Special education for handicapped children.—This appropriation is apportioned in flat quotas. At the end of each school year the State board of education pays to local school boards in districts maintaining approved special classes for subnormal and physically handicapped children, the following amounts: A bonus of \$200 for the first class established and \$50 for each additional class.¹²

Normal-school fund.—From the normal-school fund the State pays \$1,000 annually to each high school maintaining an approved normal or teacher-training department. Quotas thus received may be lawfully used solely for the payment of the salary of the teachers in charge of such a department.¹³

Government royalty fund.—In apportioning the Government royalty fund Wyoming has provided two methods: One method for apportioning the first \$4,000,000 accruing to this fund and a second method for apportioning amounts in excess of \$4,000,000.

¹⁰ Wyo. State Treasurer, Bien. Rept., 1924-1926, p. 31.

¹¹ Wyo. State Dept. of Educ., Bien. Rept., 1924-1926, p. 100.

¹² Ibid., p. 47.

¹³ Wyo. Sch. Laws, 1927, p. 21, sec. 52. Wyo. Treasurer's Bien. Rept., 1924-1926, p. 34. Wyo. Dept. of Educ., Bien. Rept., 1924-1926, p. 95.

Of the first \$4,000,000 annually credited to the fund, 41 per cent shall be expended for road construction; 9 per cent shall be credited to the State university building fund. The remaining 50 per cent shall be distributed among the counties for the benefit of public elementary and secondary schools on the basis of the number of teachers and drivers of vehicles used for pupil transportation.

Wyoming recognizes that more money is required to maintain high schools than common schools. The quota allowed for each high-school teacher shall be equal to one and one-half that allowed for each teacher in other common schools. The apportionment to the other common schools shall be upon the basis of the number of teachers employed for at least eight months during the preceding year and the number of drivers of vehicles used for pupil transportation.

No driver shall be counted who does not transport daily, when school is in session, an average of at least eight children over a route, the total length of which, going and returning, is not less than 8 miles. Not more than one driver shall be counted for any vehicle and no driver shall be counted who transports no children except his own.¹⁴

Distribution of amounts in excess of \$4,000,000.—Six per cent of all amounts accruing annually to the Government royalty fund in excess of \$4,000,000 shall be expended for the construction and maintenance of roads in the various counties in which the moneys credited to the Government royalty fund originate; the amount to be expended in each county being proportioned to the entire amount received by the State from said county. The remaining 94 per cent of any amount in excess of \$4,000,000 is devoted entirely to permanent funds as follows: 50 per cent to the common-school permanent land fund; 9 per cent to the permanent university fund; 35 per cent to the State highway permanent maintenance fund, the income of which shall be used for the maintenance of State highways.¹⁵

Land-income fund.—The land-income fund is apportioned semi-annually by the State superintendent of public instruction among the counties of the State on the basis of the school census, i. e., the number of children 6 to 21 years of age.¹⁶

Distribution by county superintendent.—The quota of the State land income fund received by the county is apportioned among the several school districts in the county on the basis of the school census of each district. High-school districts are entitled to a per capita apportionment for each child enrolled in the high-school

¹⁴ Wyo. Sch. Laws, 1927, p. 82, sec. 227.

¹⁵ *Ibid.*, p. 83, sec. 228.

¹⁶ *Ibid.*, pp. 79-80, sec. 223.

district from elementary school districts within the high-school district. The county superintendent is required to remove from the census rolls of all districts included within the high-school districts the names of all children credited to the high-school districts.

Required school term.—No apportionment shall be made from the State school fund to any district for a year in which it has not maintained a school for at least three months.¹⁷

¹⁷ The account here given of the method of apportioning the State land income fund is based upon Wyo. Sch. Laws, 1927, pp. 79-80, sec. 223.

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