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STATE POLICIES IN PUBLIC SCHOOL FINANCE

By

FLETCHER HARPER SWIFT

PROFESSOR OF EDUCATION, COLLEGE OF EDUCATION
UNIVERSITY OF MINNESOTA

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AUTHOR'S PREFATORY NOTE.

The present monograph has been written with a view to presenting in a simple and concise manner to the general educational public the most significant conclusions reached in the course of an extensive study of school finance, continued for several years and covering a number of States.

Some of the data have been taken from bulletins of the Bureau of Education and some from Census Bureau bulletins. By far the largest number, however, have been taken from the following studies by the author and by graduate students working under his direction:

F. H. Swift:
1. Public School Finance in Alabama.
2. Public School Finance in California.
3. Public School Finance in Colorado.
4. Public School Finance in Illinois.
5. Public School Finance in Massachusetts.
6. The Declining Importance of State Funds as Sources of School Revenue.

Richard A. Graves:
7. Public School Finance in New York.
8. Public School Finance in Vermont.

E. W. Tiegs:
9. Public School Finance in New Jersey.

Edwin C. Culbert:
10. A Study of State School Taxation and Appropriations in State School Tax States.

Frances Elizabeth Kelley:
11. A History of Public School Support in Minnesota.

It has seemed unwise, in view of the public for whom the present monograph is designed, to burden the text with footnotes.

FLETCHER HARPER SWIFT.

UNIVERSITY OF MINNESOTA,
Minneapolis, November 8, 1921.

STATE POLICIES IN PUBLIC SCHOOL FINANCE.

I. DECLINING IMPORTANCE OF STATE SCHOOL FUNDS.

INCREASING SCHOOL COSTS.

In 1890 the United States expended $140,000,000 for public schools; in 1918 the amount spent was $763,000,000, an increase of 445 per cent. If a longer period be surveyed, the increase is even more astounding. Thus comparing the year 1871 with that of 1916, a lapse of 45 years, we discover an increase for the United States as a whole of more than 800 per cent, while the increase in expenditure by our chief divisions ranges from an increase of 675 per cent by the North Atlantic Division to an increase of 3,950 per cent by the Western Division. The numbers of millions of dollars expended for public schools, in the years 1871 and 1916, by the United States as a whole, by the five major divisions, and by the State in each of these divisions which in 1871 ranked highest within its group, are shown by the following table:

TABLE 1.—*Millions of dollars expended for public schools, 1871 and 1916.*[1]

Groups and States.	1871	1916	Per cent of increase.[2]
I. United States	69	640	827
II. Divisions:			
North Atlantic	29	205	675
North Central	28	248	785
South Central	4	63	1,475
South Atlantic	3	42	1,300
Western	2	81	3,950
III. Representative States:[3]			
New York (North Atlantic Division)	9	68	655
Ohio (North Central Division)	6	40	566
Kentucky (South Central Division)	1	8	700
Maryland (South Atlantic Division)	1	4	300
California (Western Division)	1	32	3,100

[1] Amounts taken from Report of Commis. of Educ., 1917, vol. 2, p. 80.
[2] Computed.
[3] States which in 1871 ranked highest within their respective divisions in school expenditures.

The vast increases in school expenditure revealed by Table 1 are the result of the interaction of many different factors—the rapid increase both in total and in school population, the lengthening of the legal school year, the extension and increasingly effective enforcement of compulsory education laws, the placing by the community upon the school of a larger and larger number of functions, resulting in the introduction of many new types of studies and activities. It is impossible to consider here these various factors and the part they have played in increasing school costs. We may, however, show what is perhaps the most influential of all the above factors, namely, the growth in average attendance. In like manner, the increase in the annual average expenditure per child epitomizes the net result of the interaction of most, if not all, of the factors at work. Data bearing upon these two factors are gathered together in Table 2, which shows by 10-year periods the increase from 1870 to 1918 in (1) the number of children in average attendance, (2) the annual expenditure per child in attendance, (3) the total annual expenditure.

TABLE 2.—*Increasing attendance and school costs in the United States, 1870-1918.*

Years.	Millions of children in average attendance.	Average annual expenditure per child.	Millions of dollars expended.
1870	4	$15	63
1880	6	12	78
1890	8	17	140
1900	10	20	214
1910	12	33	426
1915	14	44	605
1918	15	49	763
Per cent of increase, 1870 to 1918	275	226	490

In Figure 1 are shown graphically the increase in dollars in per capita cost per pupil in average daily attendance; the increase in costs per capita of total population; and the increase (in cents) in the average cost per day for each pupil attending.

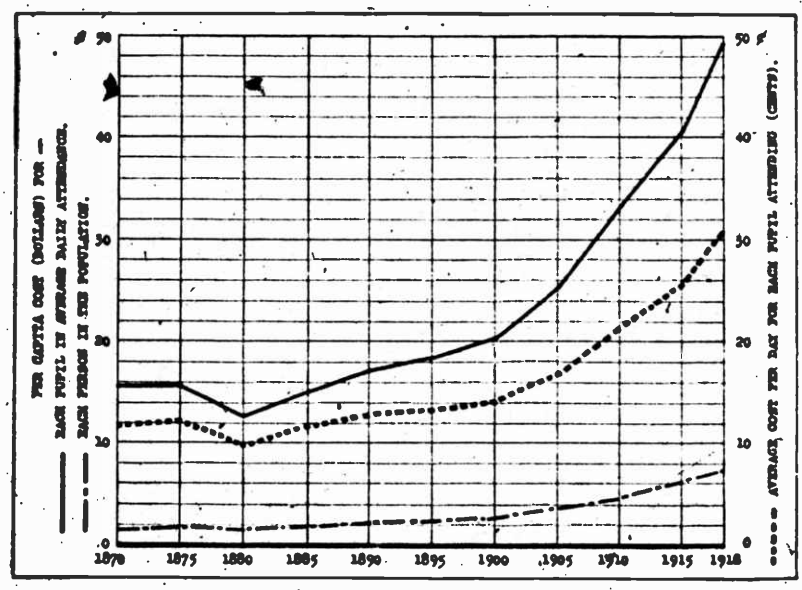

FIG. 1.—The total per capita cost of education at various periods, 1870-1918.[1]

From Table 2 we see that in 1918 there were nearly 4 times as many children in average daily attendance as in 1870, that the expenditure per child was more than 3 times as great, and the total expenditure more than 12 times as great. Rapid as has been the increase in expenditure, it has not kept pace with the growing demand for educational opportunities and the growing costs. Burgess writes:

> The same items of school expenditures will cost roughly twice as much in 1920 as in 1915. This does not allow for any increase in school efficiency or in school accommodations. It is the sum required to buy the same kind and quantity of education the schools offered in 1915.[2]

[1] Taken from Bu. of Educ. Bul., 1920, No. 11, p. 65.
[2] Burgess, W. Randolph. Trends of School Costs, pp. 114-115.

It is evident that the increase in school census will make inadequate in 1920 the quantity of education adequate in 1915. Moreover, taking the United States as a whole we may say that educational standards are to-day far higher than in 1915, a factor which will increase still further the expenditure for schools.

That as a nation we are failing to provide thousands and thousands of prospective citizens with the educational opportunities essential to individual and national intelligence, morality, and welfare is only too evident. From almost every State come reports of an ominous shortage of teachers, buildings, and equipment, and accounts of frantic attempts to reduce in the name of economy school curricula to the narrow arid state of generations gone. Whatever one's individual attitude toward the situation, whether he believes it is essentially economic or regards it as resulting largely from a lack of public and professional idealism, the fact remains that adequate buildings, trained teachers, and a vital curriculum can be provided only as sufficient revenues are secured and then distributed in a manner to secure results commensurate with expenditures. In other words, the educational crisis of which we hear on every hand is in its last analysis a financial crisis. In its presence we are confronted first by the demand that it be met, second by the query how.

The most natural answer to the query just stated is by increasing local taxation. Even a cursory study of the history of school support in the United States will show that this is the manner in which increases in school burdens have been cared for during the last 50 years. Not only is this true, but it has been a commonly accepted principle that local taxation is not only the most just method of supporting schools but the most wholesome in its effects. But after 50 years of support by local taxation, we find ourselves in an educational situation marked by economic and educational inequalities. On the one hand, we have wealthy communities levying school taxes of less than 1 mill and able from the proceeds to maintain schools of the highest standard; on the other hand, exceedingly poor communities levying taxes of over 100 mills, but scarcely able to maintain schools of minimum standard. In view of these and many other facts which might be cited, it would seem that the time has arrived when we should undertake to ascertain whether or not a thoroughgoing modification, perhaps, indeed, a complete reversal of our traditional policies of school support, may not be necessary. May not the solution of our financial difficulties lie in shifting the burden in such a manner as to make the major portion of its weight rest upon the State rather than upon the local communities? This, indeed, is the thesis which the following pages will present. The presentation will be made under the following topics:

1. The present division of the burden of school support between the States and their constituent local units.
2. The division of this burden in the past and the declining relative importance of State funds as sources of school revenue.
3. The effect of systems of local support as seen in educational and financial inequalities.
4. Recent notable efforts to secure larger State revenues for schools.
5. Imperative need of vastly increased revenue.
6. Sources from which such revenue may be secured:
   (1) From already existing or from newly provided sources.
   (2) From local, State, or Federal funds.
7. Existing Federal sources.
8. Existing State sources.
9. Conclusions and recommendations.

THE DIVISION OF SCHOOL COSTS.

In the year 1918 approximately 75 per cent of the $763,000,000 expended in the United States on public schools was furnished by local units—districts, towns, townships. Approximately 8 per cent was furnished by the counties and 17 per cent by the State. A more accurate statement is presented in the following table:

TABLE 3.—*Division of burdens of school support, 1918, as shown by percentage analysis of receipts.*[1]

State[2]	16.8
County	7.9
Local	75.3
Total	100.0

How widely this distribution of school burdens among the various contributing units, Nation, State, county, and local community, varies in different States is shown by Table 4.

TABLE 4.—*Percentage analysis of school receipts on basis of the units furnishing the same in the United States and six selected States.*[1]

Classes of sources.	United States, 1918.	Alabama, 1915.	California, 1918.	Colorado, 1915.	Massachusetts, 1917.	New York, 1918.	Vermont, 1918.
Federal	(3)	(3)	0.2	.....	[4] 0.1	(3)	(3)
State	16.8	52.7	17.7	[4] 21.7	2.8	9.5	21.4
County	7.9	.....	28.1	.....	.....	.....	.....
Local (i. e., district or town)	75.3	29.2	37.6	53.6	95.9	86.6	73.3
Balance from previous year	.....	.....	.....	11.3	.....	.....	.....
Miscellaneous	(3)	18.1	16.4	13.4	1.2	3.9	5.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] Data taken from studies (published and unpublished) of public school finance in States named.
[2] Included in State receipts; a negligible per cent.
[3] Not reported.
[4] Includes Federal and county.

Tables 3 and 4 have shown the per cent of total school receipts furnished by each type of contributing unit. Our interest in the present case, however, lies especially in the question, what per cent of total school costs has been paid by the State, and further, how widely does the per cent furnished by the State vary? These questions are answered for the year 1918 by Tables 5 and 6, which show (Table 5) the States arranged in seven groups, and ranked on the basis of the per cent of school receipts provided by the State, and (Table 6) the number of States in each group, together with the State ranking highest, median, and lowest.

TABLE 5.—*Per cent of school burdens borne by the State.*[3]

I. More than 60 per cent:	
1. Alabama	63.7
II. 50–59 per cent:	
2. Georgia	50.4
III. 40–49 per cent:	
3. Mississippi	49.7
4. District of Columbia	48.8
5. Kentucky	46.5
6. New Jersey	45.3
7. Maine	44.6
8. Texas	41.0
IV. 30–39 per cent:	
9. Nevada	37.2
10. Utah	35.6
11. Maryland	31.7
12. Virginia	30.5
V. 20–29 per cent:	
13. Minnesota	28.5
14. Arkansas	28.2
15. Delaware	26.8
16. Wyoming	26.1
17. Louisiana	24.1

[1] Bu. of Educ., Bul., 1920, No. 11, p. 122.
[2] Receipts from Federal sources included in "State."
[3] For the year 1917–18, Bu. of Ed. Bull., 1920, No. 11, p. 122, Table 44.

TABLE 5.—*Per cent of school burdens borne by the State*—Continued.

V. 20–29 per cent—Continued.	
18. Florida	23.1
19.5 Vermont	22.3
19.5 California	22.3
21. Michigan	22.0
22. Washington	21.9
23. Arizona	21.1
24. New Mexico	20.7
VI. 10–19 per cent:	
25. Tennessee	19.6
26. Wisconsin	18.0
27. Indiana	17.2
28. South Dakota	16.6
29. North Dakota	15.1
30. Oklahoma	14.5
31. North Carolina	14.2
32.5 South Carolina	13.1
32.5 Idaho	13.1
VI. 10–19 per cent—Continued.	
34. Montana	12.9
35. Missouri	12.0
36. Connecticut	10.2
VII. 0–9 per cent:	
37. Pennsylvania	9.6
38. New York	9.5
39. West Virginia	9.2
40. Nebraska	8.7
41. Ohio	8.2
42. Illinois	7.7
43. Colorado	7.1
44. New Hampshire	6.4
45. Rhode Island	5.7
46. Oregon	5.5
47. Massachusetts	3.7
48. Kansas	2.9
49. Iowa	2.2

TABLE 6.—*Per cent of school burden borne by States—Summary.*

Groups.	Per cent.	Number of States in group.
I	More than 60	1
II	50–59	1
III	40–49	6
IV	30–39	4
V	20–29	12
VI	10–19	12
VII	0–9	13
Total		49

Comparative ranks:	
Highest, Alabama	63.7
Approximate median, Tennessee	19.6
Lowest, Iowa	2.2

Various writers on school finance have urged that the State ought to furnish from one-third to one-half of the total school revenue. From Table 6 we see that there are only two States in the Union which derive more than 50 per cent of their revenue from this source. Thirty-seven States—that is, approximately, three-fourths of the States—receive considerably less than one-third of their school moneys from State sources. The per cent actually derived from State funds is less, and that derived from local sources is greater than appears from the above tables for two reasons: (1) The moneys reported as State receipts in Federal bulletins from which our data are taken include certain Federal moneys, notably proceeds from Federal forest reserves and from Smith-Hughes grants; (2) because "nonrevenue receipts," i. e., local moneys derived from sale of school bonds, from temporary loans, and from sale of school property, are not included.

DIMINISHING STATE SUPPORT.

However interesting and significant the distribution of the school burden at the present time may be, a matter of greater significance is the trend of this distribution. Are the States shouldering a larger or a smaller portion of the total cost from year to year? The answer to this question in the negative has already been suggested in an opening paragraph. Consider first the tendency in Massachusetts, New York, and Vermont—three of the oldest States, States in which consequently conditions may be

expected to be more stable, and tendencies less varying than in some of the newer States. From these three States pass to a newer State, California, noted for its readiness to adopt new and progressive educational policies. A special interest attaches to California, moreover, for the reason that it has been a pioneer in raising school revenues by placing State taxes on corporations and upon inheritances. After considering the tendencies in these four States, attention will be turned to the United States as a whole. The tendencies in the four States just named are presented in tabular form by Tables 7, 8, 9, and 10, which follow:

TABLE 7.—*New York school revenues, 1905–1918.*[1]

[Amounts stated in thousands of dollars.]

Sources.	[illegible]	1908	1912	1918
State appropriations	4,253	4,719	5,292	7,530
Permanent funds[2]	301	338	342	458
Local taxation	32,716	39,922	53,311	71,747
Miscellaneous	11,611	1,461	1,616	3,067
Total	48,881	56,440	60,512	82,802
Percentage analysis:				
State appropriations	8.7	8.4	8.7	9.1
Permanent funds[2]	.6	.6	.5	.4
Local taxation	66.9	88.4	88.1	86.6
Miscellaneous	23.8	2.6	2.7	3.7

[1] Data taken from an unpublished study by R. A. Grave, graduate student in the college of education, University of Minnesota.

[2] In the New York State official reports, income from permanent funds is included in the State appropriation; in the present study the revenues received from these two distinct sources are separated.

From Table 7 it is seen that the per cent of the total annual school revenue in New York furnished by the State has varied very slightly during the last 14 years. There is, moreover, no evidence of any general tendency toward a decline of the importance of the State as a source of revenue. The most marked change appears in the per cent of revenue derived from local taxation. In the year 1905 this source furnished about 70 per cent, but three years later it contributed over 88 per cent, and appears to have continued to furnish approximately this proportion of the revenue in each of the succeeding years presented in the table, although falling off slightly in 1918. Comparing, however, the large proportion of the total revenue, only a little less than one-fourth, reported in 1905 as derived from miscellaneous sources and the per cent derived in that year from local taxation, with corresponding data for succeeding years, it is seen that the per cent of increase furnished by local taxation is almost, though not exactly, equal to the per cent decrease reported as derived from miscellaneous sources. It may well be, then, that the marked increase in local taxation after 1905 is more apparent than real; for the increase in the per cent of total revenue assigned to this source may be due to the fact that revenues reported in 1905 as derived from miscellaneous sources were in succeeding years included among those reported as local taxation. Whether this be true or not, the fact remains that the per cent of the total revenue derived from State sources varies very slightly throughout the 14-year period under consideration, despite the fact that the annual expenditure during this period increased from 48 to 82 millions of dollars. From this consideration of tendencies in the wealthiest State, turn to Table 8, which presents the case of one of the poorest States; Vermont, a State which in fact ranked forty-fifth in the year 1918 in taxable wealth, there being only four poorer States in the entire Union.

TABLE 8.—*Source and per cent analysis of Vermont school receipts, 1909 and 1918.*[1]

Sources.	Amounts, in thousands of dollars.		Per cent of total receipts.		Decrease (−) or increase (+).
	1909	1918	1909	1918	
State	260	336	17.3	14.6	−2.9
Local (town) tax	1,192	1,886	77.6	79.7	+2.1
Tuition	12	88	.8	3.8	+3.0
Bequests and school lands	32	19	2.1	.8	−1.3
Other sources		25		1.1	+1.1
Total	1,535	2,304	100.0	100.0	

[1] Data taken from an unpublished study by Richard A. Graves, graduate student in education, college of education, University of Minnesota.

Comparing the opening and closing years of the decade of school support in Vermont tabulated in Table 8, no startling changes are discovered. In 1918, town taxation furnished 2.1 per cent more of the total school revenue than in 1909, and the State furnished 2.9 per cent less. This decline, slight as it is, is significant, as it indicates the tendency in an exceedingly poor State to throw a heavier and heavier share of the school burden upon local units already in hundreds if not thousands of cases heavily taxed. We may note further that, whereas in 1918 Vermont ranked twenty-seventh, 14 ranks below New York (thirteenth) with respect to annual current expenditure per pupil in average attendance, Vermont ranked sixth and New York ninth with respect to total expenditure for schools on each $100 of estimated taxable wealth.[1]

From this survey of tendencies in the richest and in one of the less wealthy States in the Union, turn to Massachusetts, a State which has long led in the policy of placing an overwhelming portion of the State financial burdens upon local units.

TABLE 9.—*Massachusetts school receipts, 1905, 1915, and 1916.*[1]

Sources.	Per cent of revenue.		
	1904-5	1914-15	1915-16
State:			
Permanent funds	1.21	0.77	0.76
Appropriations	.87	1.05	1.00
Total State	2.08	1.82	1.76
Local:			
Tax	96.57	97.22	97.10
Miscellaneous sources	1.35	.96	1.14
Total local	97.92	98.18	98.24

[1] Data taken from Reports of Commis. of Educ., 1905, 1:411, Table 13, and 1917, 2:32 and 79. The commissioner's data do not include State appropriations for vocational education. Such an omission, of course, reduces the per cent derived from State appropriations.

From Table 9 we see that in Massachusetts at the end, as at the beginning, of the 12-year period under consideration the State bore an almost negligible share of the burden of financing the schools. Throughout this period there was almost no change in the per cent of the revenue furnished by the local units. There was a slight decline in the year 1918 (not represented in Table 9), but this decline was only thirty-two hundredths of 1 per cent. The increase in the proportion of the total revenue furnished

[1] These ranks refer to the rank of States among the 49 units (including District of Columbia) constituting the United States. Ranks computed from data taken from Bu. of Educ., Bul., 1920, No. 11, pp. 148–149, 153.

by the local units was also less than 1 per cent, being in fact only twenty-two hundredths of 1 per cent. In the case of Massachusetts we have a Commonwealth for centuries wedded to the idea of local support and local control and correspondingly hostile to State support.

Table 10 shows for the years 1909, 1913, and 1918 the total revenues received in California for both elementary and secondary schools. The total revenue furnished by the State to elementary schools is known as the "State school fund" and the total State revenue furnished to secondary schools as the "State high-school fund." Table 10 shows the total "State school fund," the "State high-school fund," and the quota available from each for each pupil enrolled in the elementary and secondary schools, respectively, for the years indicated.

TABLE 10.—*California school revenue and State aid per child enrolled.*[1]

Years.	Total receipts for elementary and secondary schools, millions of dollars.	Thousands of pupils enrolled in schools.		State school fund.		State high-school fund.	
		Elementary.	Secondary.	Thousands of dollars.	Per pupil enrolled.	Thousands of dollars.	Per pupil enrolled.
1909	12.8	312	34	5,741	$18.38	333	$9.72
1913	20.7	377	58	5,614	14.85	572	9.85
1918	29.7	448	126	6,139	13.68	918	7.48

[1] From an unpublished study by the author.

From Table 10 we see that during the 10 years 1909 to 1918, although the annual expenditure for schools increased from $12,000,000 to $29,000,000, the total amount furnished by the State decreased per pupil enrolled in the elementary schools from $18 to $13 and in the secondary schools from $9 to $7.

It was early in this decade that California abolished her State property school tax and adopted the policy of drawing her State school fund and her high-school fund largely from the proceeds of taxes on corporations and inheritances. Table 11 presents a comparison of the annual proceeds of property and poll taxes combined, with those of corporation and inheritance taxes.

TABLE 11.—*Corporation and inheritance taxes in California versus property and poll taxes as sources of school funds, 1909–1918.*[1]

[Numbers in columns indicate dollars in millions and tenths of millions.]

Years.	State school fund, annual total.	Total derived from property tax and poll taxes.[2]	Proceeds from taxes.[2]		
			On corporations.	Inheritances net amount paid to State.	Total.
1909	5.7	3.9	.....	.....	.....
1910	6.0	4.0	.....	.....	.....
1911	6.1	4.1	.....	.....	.....
1912	6.4	1.2	10.3	1.0	11.3
1913	5.6	[3]	10.8	1.5	12.3
1914	5.9	.....	12.9	1.6	14.5
1915	5.9	.....	13.5	2.9	16.4
1916	5.9	.....	14.9	3.1	18.0
1917	6.0	.....	15.6	3.8	19.4
1918	6.1	.....	16.3	2.7	19.0

[1] Data in Table 11 taken from an unpublished study on "Public School Finance in California" by the author.
[2] Computed.
[3] No property taxation after 1912, although a small revenue continued to be derived from delinquent poll taxes.

The constitutional amendment which provided for the corporation tax specified that public schools were to have the first claim upon the proceeds of this tax. The first year in which this tax became effective, 1912, it produced approximately two and one-half times as much revenue as had been produced by the school property tax and poll taxes in their most productive year, 1911. The total State school fund and high school fund in 1913 amounted to 6.1 millions and in 1918 to 7 millions, whereas in these same years the proceeds from State corporation taxes amounted to 10.8 millions (1913) and 16.3 millions (1918). It is evident that the decline in State aid per child enrolled—in other words, the decline in the relative importance of State-provided school funds—was not due to the fact that the revenue produced by State corporation taxes was inadequate to provide a larger share of the school costs. The explanation lies rather in the fact that California, although having more than sufficient revenue,

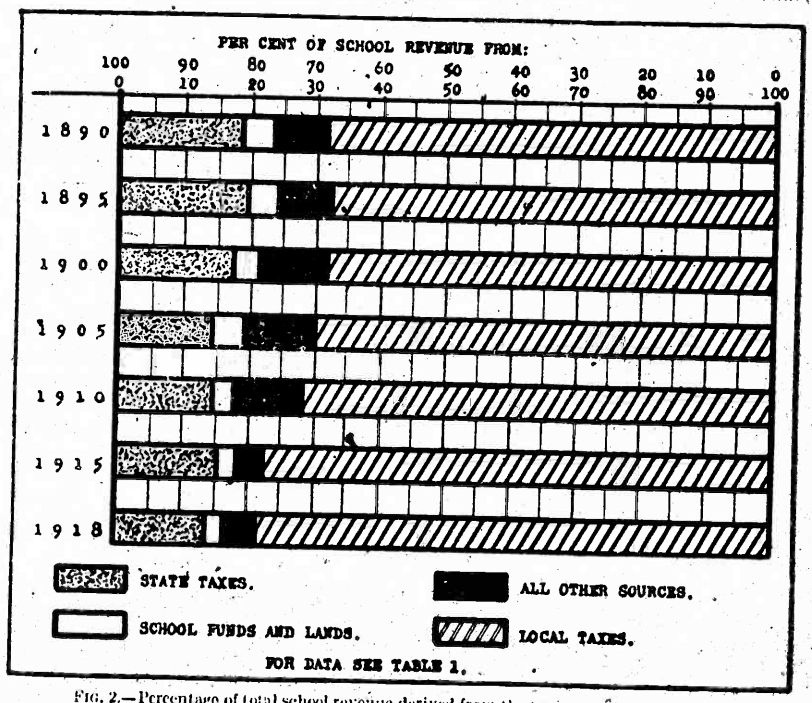

FIG. 2.—Percentage of total school revenue derived from the various sources, 1890-1918.[1]

not merely to maintain her former quota per child but to increase the same, was unconvinced of the necessity of doing so. She accepted and practiced a principle accepted and practiced nationally, namely, that increases in school costs should be financed more and more by the local units, and that the State should shoulder less and less a proportion of the financial burdens of public education.

In 1920 California recognized the necessity of a changed policy and took what is perhaps the most radical step yet taken by any State, in the direction of State aid. By a constitutional amendment (Art. IX, sec. 6) adopted November 2, 1920, she provided that the State shall grant $30 annually for every elementary or high-school child in average daily attendance.

The tendencies we have discovered at work in individual States assume far greater significance when we discover that they characterize the history of school finance throughout the Nation. Figure 2 and Table 12 show the increase in the proportion

[1] Taken from Bu. of Educ. Bul. 1920, No. 11, p. 54.

of the total public school receipts derived from local sources, and the steady decline in the proportion furnished by the State during a period of 28 years, 1890 to 1918.

TABLE 12.—*Percentage analysis of public school receipts in United States, 1890–1918.*[1]

Sources	1890	1895	1900	1905	1910	1915	1918
A. Percentage analysis of total receipts.							
State sources [2]	23.75	23.4	20.3	19.06	18.1	18.35	[3] 16.8
Local sources	67.89	67.0	68.9	69.64	72.1	77.70	75.3
Miscellaneous	8.36	9.6	10.8	11.30	9.8	4.15	7.9
Total	100.00	100.0	100.0	100.00	100.0	100.00	100.0
B. Percentage provided by permanent funds, and by State taxes and appropriations.							
Permanent funds and lands [4]	5.4	4.7	4.2	4.57	3.2	2.80	2.9
State taxation and appropriation [5]	18.30	18.7	16.1	14.69	14.9	15.45	13.69
Total	23.75	23.4	20.3	[6] 19.06	18.1	18.35	[6] 16.9

[1] All data from reports of U. S. Commissioner of Education.
[2] Includes some Federal moneys.
[3] Includes $639,057 of Smith-Hughes moneys.
[4] Includes a negligible percentage from local funds.
[5] This total is not identical with the figure given as State sources in part A of this table. The United States commissioner in this latest bulletin uses a different system of computation, so that changes were necessary in order to get data comparable with earlier years. The slight difference might be the result of omission of small Federal contributions included generally in State receipts.

Table 12 reveals a continuous decline in the percentage of the total burden of school support borne by the State. Recalling that in New York and in Massachusetts the per cent of the total school revenue contributed by the State, although small, varied little throughout a considerable number of years, we are led to inquire whether the importance of the State as a source of school revenue may not vary considerably with the section of the country studied. The answer to this question is presented by Table 13, which shows the per cent of the total school revenue furnished by the State in the United States as a whole and for each of the major divisions in the years 1890, 1905, and 1915. It should be noted that the divisions are arranged in the order of the per cent contributed by the State in the year 1890.

TABLE 13.—*Decrease in per cent of total school receipts furnished by the State in the United States and in its five major divisions.*

Divisions.	1890	1905	1915	Decrease 1890 to 1915 (per cent).
United States	23.75	19.06	18.35	5.40
Divisions:				
North Atlantic	17.11	12.63	13.78	3.33
North Central	17.61	14.23	14.24	2.37
Western	29.40	32.91	25.90	3.50
South Atlantic	49.39	40.70	27.29	19.10
South Central	65.23	47.82	35.72	29.51

From Table 13 we see that the least decline in the importance of the State as a source of school revenue lies in the North Central Division, which in this respect ranked next to the lowest of the five groups in 1890, and the greatest decline in the South Central Division, the division which in 1890 ranked highest. The only group in which any increase appears in the years here presented is the Western. In this group in 1905 the State furnished 3.5 per cent more of the total school revenue than it

did in 1890. The reason for this is to be found in the fact that, of the 11 States included in the Western Division, 7 derived no revenue from permanent school funds in 1890,[1] whereas in 1905 each of these 7 derived a considerable percentage of its total school revenue from this source; moreover, of these 7 States 4 had been admitted recently; Montana and Washington were admitted in 1889, Idaho and Wyoming in 1890, Utah in 1896, while Arizona and New Mexico were not admitted until 1912. Table 14 shows the per cent of total revenue derived from permanent common school funds in the Western States in four selected years, and also the date of admission of these States.

TABLE 14.—*Per cent of school revenue derived from permanent common school funds in Western Division.*

States.	Year of admission.	1890.	1905.	1915.	1918.
Western Division		29.4	32.9	25.9	5.1
California	1850	0.18	6.70	(1)	1.3
Oregon	1859	.18	13.53	6.67	5.3
Nevada	1864	1.13	[2] 47.19	26.83	19.7
Colorado	1876	.27	4.97	7.41	6.8
Montana	1889	.00	3.6	12.5	12.7
Washington	1889	.00	8.0	6.65	5.9
Idaho	1890	.00	10.2	12.63	12.8
Wyoming	1890	.00	49.3	38.4	24.1
Utah	1896	.13	21.2	4.62	4.6
Arizona	1912	.00	1.18	(1)	4.2
New Mexico	1912	.00	7.4	24.51	20.2

[1] Not reported separately. [2] For 1906.

The greatest decrease in any of the divisions included in Table 13 in the per cent of revenue furnished by the State was in the South Central and South Atlantic groups. Table 14 shows this decline in each of the seven States included in the South Central group, and in three South Atlantic States, namely, Georgia and the two Carolinas. These three States have been selected because in 1890 they ranked highest in the South Atlantic Division in respect to the per cent of their total school revenue derived from State sources.

In considering the negligible per cent of total school revenue derived from local sources in 1890 it should be borne in mind that local taxation for schools is comparatively new in the South. In many States it was not even permissible until very recently, e. g., in Alabama it was not permissible until 1901.

TABLE 15.—*Per cent of total school receipts provided by the State in the South Central States and three South Atlantic States in 1890 and 1918.*

States.	1890		1918		Increase (+) or decrease (−), per cent.
	Rank.[a]	Per cent.[b]	Rank.[a]	Per cent.[c]	
Alabama	5	67.7	1	63.7	− 4.0
Arkansas	8	48.9	6	28.2	−20.7
Georgia	7	56.5	2	50.4	− 6.1
Kentucky	6	59.3	4	46.5	−12.8
Louisiana	10	37.2	7	24.1	−13.1
Mississippi	9	44.3	3	49.7	+ 5.4
North Carolina	4	77.4	9	14.2	−63.2
South Carolina	1	82.7	10	13.1	−69.6
Tennessee	2	81.7	8	19.6	−62.1
Texas	3	79.8	5	41.0	−38.8

[a] Computed.
[b] Computed from data of Rep. of Commis. of Ed., 1889-90, 1:22, by adding per cent derived from permanent funds and rents to per cent derived from State taxes.
[c] Column 2, Table 44, Bu. of Educ. Bul., 1920, No. 11, p. 122.
[1] Rep. of Commis. of Educ., 1889-90, 1:p. 22, Table 10.

Of the 10 States included in Table 15, Mississippi is the only one in which a larger per cent of the total school revenue came from the State in 1918 than in 1890. In two States, Alabama and Georgia, the difference between the proportion of school revenues furnished in 1890 and 1918 was small. In every one of the remaining seven States the difference was marked, varying all the way from a decrease of 12.8 per cent in Kentucky to approximately 70 per cent in South Carolina. (In 1918 (see Table 6)

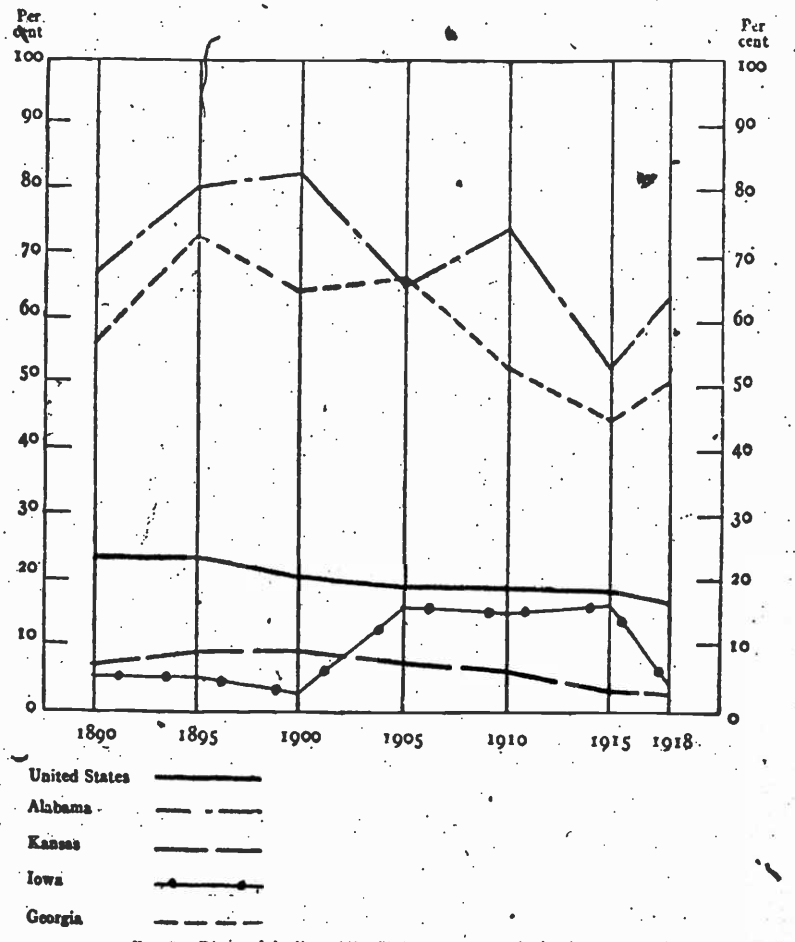

FIG. 3.—Rise and decline of the State as a source of school revenue.

the States ranking highest, median, and lowest with respect to per cent of receipts furnished by the State, were Alabama, Tennessee, and Iowa. In order to amplify our comprehension of the history of the State as a factor in school finance, it has seemed well to show here in Table 16 the part played by the State in the three States just named and in the two States ranking closest to each of the three. The rise and decline of the State as a source of school revenue in Alabama, Georgia, Kansas, Iowa, and in the United States is shown graphically in figure 3.

TABLE 16.—*Per cent of total school receipts furnished by the State.*[1]

States.	1880	1895	1900	1905	1910	1915	1918
Alabama	67.76	80.6	82.3	65.57	74.1	52.72	63.7
Georgia	56.53	72.9	64.4	66.40	53.0	44.82	50.4
Mississippi	41.29	81.9	59.4	73.34	55.2	51.58	49.7
New Mexico	7.07	.0	91.5	60.02	7.8	30.13	20.7
Tennessee	81.69	87.8	7.2	19.66	15.9	19.18	19.6
Wisconsin	19.53	16.3	13.3	17.29	15.8	20.50	18.0
Massachusetts	3.35	1.6	1.2	2.08	2.0	1.82	3.7
Kansas	7.23	9.2	9.4	7.90	6.1	3.53	2.9
Iowa	2.90	2.8	1.4	8.02	7.5	8.31	2.2

[1] Includes certain moneys derived from Federal grants. Needless to say, the only one of these available to all the States was the Smith-Hughes grant, first apportioned among the States in 1918.

II. EVILS RESULTING FROM LOCAL SUPPORT.

The preceding chapter has shown conclusively that throughout the last 50 years the importance of the State as the bearer of school financial burdens has steadily declined. Despite a certain degree of progress in matters of centralization, administration, and control, and despite utterances of educational theorists and court decisions to the contrary, schools in the United States continue to be in fact local institutions, dominated by the traditions and policies of district and town systems. These traditions have proven stronger than laws and judicial findings. Our schools have not only never ceased to be from the standpoint of support local institutions, but they have tended to become more and more so with each decade of our national history. It is true that the State directs the people of each community to maintain a school, but having done this, it says in effect: "Whether you maintain a good, a poor, or a thoroughly worthless school is largely a question to be decided by you."

Ever since Connecticut nearly ruined her schools (1801–1840) by attempting to support them entirely from the proceeds of her permanent school fund, local support has steadily gained favor both in theory and in practice until it has become little less than a fetish. The suggestion that the State levy a school tax sufficient to pay for the major part of school costs would to-day meet with violent opposition in nearly every State in the Union. Nevertheless, the fact remains that the local units upon which the burden is now placed are so unequal in wealth, and consequently in their ability to finance schools, that it is the height of absurdity to expect them to offer educational opportunities approaching any degree of equality. In the year 1914–15 counties in Colorado varied in wealth all the way from $22,000 to $1,800 per school child. It is evident that these differences, so far as financial ability is concerned, represent differences in ability to provide school facilities. Even greater inequalities exist among the local units, i. e., school districts. Thus in Conejos County the valuation per child varied from $617 (district 29) to $26,500 (district 15).

Similar conditions are to be found in varying degrees in every State in the Union. We must, however, be content with presenting the facts for three States, Massachusetts, New York, and Colorado.

Table 17 shows how widely the 63 counties composing Colorado varied with respect to their financial ability to support schools, the aid they received from the State, and the per cent of their total support derived from the State, the county, and the district.

TABLE 17.—*Comparison of the financial ability and school burdens of certain selected counties in Colorado, 1914-15.*

Counties.	Valuation of county per school child 6–21.[1]		General county school tax in mills (county high-school tax included).[2]	Received from State fund.		Per cent of total school support received from—[3]		
	Amount.	Rank.		Per child in average daily attendance.[1]	Per teacher employed.[1]	State.	County.	District.
Baca	$1,822	1	2.00	(4)	$49	12	27	61
Washington	3,506	8	1.25	$6.46	40	11	9	87
Larimer	4,450	16	1.10	3.51	81	8	19	73
Alamosa	5,057	24	1.00	3.66	65	6	15	79
Hypothetical median[5]			[6] 1.00	3.67	[6] 65	[6] 7.3	[6] 17	[6] 76.2
Pitkin	[7] 5,615	[8] 32	1.50	3.38	72	5	19	76
El Paso	6,093	40	1.74	3.65	78	5	27	68
Eagle	7,201	49	.60	3.80	47	6	12	82
Cheyenne	9,512	56	1.66	3.07	30	4	17	79
Park	22,674	63	.90	3.61	27	3	31	66

[1] U. S. Bu. of Educ., Bul., 1917, No. 5, p. 37, Table 15.
[2] Ibid., p. 43, Table 22.
[3] Ibid., pp. 35-36, Table 14.
[4] Data unavailable; see ibid., p. 38.
[5] Computed.
[6] Median in valuation, as will be evident from rank.

From Table 17, we see that Park County, whose valuation per school child is over $22,000, receives more State aid per child than Cheyenne, Pitkin, or Larimer County, each of which has a far lower valuation and whose local tax is higher. Moreover, Park County, which is approximately four times as rich as Pitkin County, levies a county tax only eight-fifteenths as great, and whereas Park County receives from the State $3.61 per child, Pitkin receives only $3.38. Baca, the poorest of all counties, levies the highest county tax; yet of the counties selected, four, Alamosa, Pitkin, El Paso, and Larimer, receive much larger quotas from the State per teacher employed.

The inequalities resulting from Colorado's present system of school support are even more evident when we compare district with district than when we compare county with county. Table 18 shows the wide variation existing between certain districts in Conejos and Otero Counties.

TABLE 18.—*A comparison of financial ability and distribution of school burdens in two counties (Conejos and Otero) of Colorado, 1914-15.*

Counties and districts.	Rank in valuation.	Valuation of district per census child.[1]	Received from State funds.		District tax in mills.[2]	Per cent of total support received from—		
			Per child in average daily attendance.	Per teacher employed.[3]		State.	County.	District.
Conejos County (27 districts):[4]								
20	1	$617	$9.24	$171	7.00	21	35	44
26	7	1,234	8.65	181	1.06	26	47	27
Median[5]		2,072	3.49	93	3.20	15	24.3	61.5
11[6]	14	2,072	4.38	98	3.07	14	24	62
16	21	6,117	2.93	32	2.02	9	16	75
15	27	26,545	3.69	59	.68	7	12	81
Otero County (22 districts):[4]								
11	1	3,374	3.08	68	6.5	5	10	85
29	6	5,752	2.42	81	2.1	2	4	94
23[6]	[7] 11	7,475	5.32	60	2.7	6	11	83
Median[5]		[7] 7,792	2.95	65.50	2.58	7.1	12.5	81.6
9[8]	12	8,169	2.91	77	2.7	7	14	79
20	17	10,227	2.98	67	2.6	7	13	80
13	22	21,544	3.08	64	2.0	5	9	86

[1] U. S. Bu. of Educ., Bul., 1917, No. 5, p. 39, Table 18.
[2] Ibid., p. 40, Table 20.
[3] Ibid., p. 42, Table 22.
[4] Ibid., p. 41, Table 21.
[5] The numbers by which the districts are named exceed the number of districts reported, e. g., in Otero County only 22 districts are reported, but the sixth in rank is district 29.
[6] Computed.
[7] Median in valuation, as is evident from rank.
[8] The median lies between the two districts 22 and 9.
[9] A hypothetical district, included to indicate median valuation.

From Table 18 it is evident that in Conejos County, district No. 29, whose valuation per child is just half that of district No. 26, taxes itself nearly seven times as much, receives 5 per cent less State aid, and 12 per cent less county aid, and furnishes from district revenues 17 per cent more. District 15, whose valuation per child is more than four times that of district 16, receives from the State $27 more per teacher employed and $0.76 more per child in attendance. District 16 levies a tax of 2.02 mills, whereas district 15 levies a tax of only 0.68 mills, yet the latter district's valuation is so much greater that she derives 6 per cent more of her total school moneys from district revenue than does district 16. Similar conditions exist in Otero County, as will be readily seen by comparing district 29 with 23, or 23 with 9, or 20 with 13. Flagrant inequalities in educational opportunity are inevitable in a State where the schools depend for their support upon units so unequal in wealth and where the method of apportioning State aid is such as to exclude any recognition of these inequalities. This expectation is amply borne out by the facts presented in Table 19. This table, based upon a recent study covering a period of eight years, is much more significant than a table presenting conditions in a single year.

TABLE 19.—*County inequalities of educational opportunity in Colorado.*

Item I—Enrollment.				Item II—School year.		
County.		Children not enrolled.[1]		County.		Length of year, in days.[3]
Rank.[2]	Name.	Per cent.	Number.	Rank.[4]	Name.	
1	Sedgwick	7	46	1	Crowley	167
12	Kiowa	16	117	15	Cheyenne	151
34	El Paso	22	483	[5] 31.5	Douglas	141
48	Elbert	27	455		Jackson	141
60	Baca	41	278		Las Animas	141
					Pueblo	141
				45	Montezuma	133
				61	Baca	98

Item III—Teachers' salaries.			Item IV—Expenditure per child.		
County.		Teachers' average monthly salary.[6]	County.		Annual expenditure per child enrolled.[8]
Rank.[7]	Name.		Rank.[7]	Name.	
1	Gilpin	$81.00	1	San Juan	$77.31
15	Otero	64.50	16	San Miguel	59.45
28	Bent	59.00	31	Moffat	40.42
45	Kiowa	53.50	46	Routt	31.65
60	Washington	39.00	62	Costilla	21.39

[1] Sargeant, C. G. Rural and Village Schools of Colorado, p. 14, Table 2, per cents computed.
[2] Ibid., p. 44, Table 9.
[3] Based on reports of 60 counties. Ranks computed; an eight-year average, 1906–1913.
[4] Based on reports of 61 counties. Ranks computed; an eight-year average, 1906–1913.
[5] These four counties fall in the same rank, having the same length of term in days.
[6] Ibid., p. 56, Table 13.
[7] Based on reports of 62 counties. Ranks computed; data for the year 1914–15.
[8] Rep. of Colo. Sch. System, p. 60, Table 31. (Bu. of Educ., Bul. 1917, No. 5).

Table 19 shows us that during the eight years from 1906 to 1913 the proportion of children not enrolled in school varied all the way from 7 to 41 per cent, the school year from 98 to 167 days, teachers' average monthly salary from $39 to $81, and the expenditure per child from $21 to $77. In a large number of States the school inequalities are far worse than in Colorado. A complete statement would necessitate an intensive survey of each of the 49 units constituting the Union. We will confine further consideration to certain phases of the school situation in Massachusetts and New York.

The local units in Massachusetts are cities and towns. For purposes of school administration and support, these units are divided into four classes as follows:

Class I, including 38 cities;
Class II, including 75 towns, population 5,000 or over;
Class III, 116 towns, population less than 5,000 which maintain a high school;
Class IV, 125 towns, population less than 5,000 which do not maintain a high school.

In 1918 the average length of the school year in Massachusetts varied from 194 days (9 months and 2 weeks) in Brockton to 144 days (7 months and 2 days) in Peru. The average length of the school year for the 38 cities included in Group I was 176 days. Within this group the year varied from 194 days in Brockton to 158 days in Somerville. In other words, a child living in Somerville would have been excluded from school over 7 weeks (36 days) during which a child in Brockton would have been able to go to school. Table 20 presents a comparison of the length of the school year of Brockton with that of the six cities in Class I which maintain the shortest school year.

TABLE 20.—*Inequalities in length of school year in Massachusetts, 1918.*[1]

Cities.	Length of school year, in days.	Comparison with Brockton.		
		Number of days less.	Number of	less
			Weeks.	Days.
Brockton	194			
Lynn	165	29	5	1
Revere	165	29	5	1
Medford	163	31	6	1
Pittsfield	163	31	6	1
Peabody	160	34	6	4
Somerville	158	36	7	4

[1] Table 20 based upon Mass. Statistics of Pub. Schs., 1917–18.

In Table 21 a comparison is presented of a group of New York rural one-teacher schools districts all located in the same town. The advantage of such a comparison is that the conditions are probably as approximately equal as could be found when viewed from the standpoint of the burdens of maintenance and of the educational standards which ought to be met.

TABLE 21.—*Comparison of financial ability,[1] effort,[2] and State aid of seven one-teacher rural school districts in town of Andover, N. Y.*[3]

District No.	Enrollment.	Assessed valuation per child enrolled.[4]	Total assessed valuation.	Tax rate.	Cost per child enrolled.	Total expended.	Total State aid.	State aid per child enrolled.[4]
9	13	$5,555	$72,209	$0.00387	$35.00	$454.95	$125	$9.61
7	13	4,901	63,718	.00517	38.04	495.51	125	9.61
6	22	4,211	92,640	.00328	19.41	428.11	135	6.13
5	11	2,620	28,820	.00807	41.03	451.37	185	16.81
2	17	1,787	30,386	.00987	28.39	482.65	185	10.93
3	27	1,750	47,245	.00818	15.88	428.84	150	5.55
4	21	1,476	31,000	.00750	20.89	438.79	185	8.80

[1] I. e., assessed valuation, not as accurate as measure of ability as true valuation.
[2] I. e., tax rate and expenditure.
[3] Table 21 is taken from an unpublished study by Richard A. Graves, graduate student in education, Univ. of Minn., based upon N. Y. Educ. Dept. Rep., 1917, vol. 2, pp. 681–684.
[4] Computed.

The districts in Table 21 are arranged in order of their assessed valuation per child enrolled. It is evident that in the case of one-teacher districts, the maximum enrollment of which does not exceed 27, the cost of maintenance need vary but little, since the important items of expense, such as teacher's salary, fuel, and insurance, are identical. This inference finds support in the data presented, where the total expenditure varies only from $128 to $495, a difference of less than $70. In total assessed valuation these seven districts vary from $92,000 (district No. 6) to $28,000 (district No. 5). District No. 2, which ranks next to lowest in wealth, ranks next to highest in total expenditure, and levies the heaviest school tax of all. The wealthiest district, No. 6, levies the lowest tax and spends the least money on its schools. This can not be excused on the ground that its school is small. For in point of fact, No. 3 is the only district which has a larger enrollment. It is unnecessary to carry further the consideration of the inequalities and injustices produced and perpetuated throughout the States in the Union by the existing systems of local support. Recognizing the situation as universal and varying only as to the degrees and forms in which it appears, we are forced to ask how these inequalities shall be remedied.

State aid is commonly given either for fostering certain specified educational projects, or is apportioned upon some general basis such as school census with a view of providing general relief. In the latter case there is often no regard for the comparative ability or effort of the units receiving the quota. Nevertheless, the principle that the State is the proper authority to even out educational inequalities has long been recognized by many of the States in their systems of State aid. Some few States, notably California and Colorado, have definitely taken this position.

In 1913 Colorado created a minimum wage for teachers' fund (Session Laws, 1913, ch. 156) to be apportioned among districts unable to provide from all other available sources a sum sufficient to pay each teacher at least $50 per month for six months. California, by a constitutional amendment, No. 16, adopted in November, 1920, provided that the State must furnish $30 for each elementary and each high-school pupil in average daily attendance, thus practically doubling the former quotas of $15 and $17.50 per pupil. Louisiana, by a recent constitutional amendment, has added 1 mill to her rate of State school tax, by which it is estimated the proceeds will be increased by approximately $1,600,000. Texas, during the last two years, 1919 and 1920, has repealed her former maximum of $4.50 of State apportionment, and has increased the amount to $14.50, and passed a rural-aid law doubling the former appropriation of $2,000,000. To this group of California, Louisiana, and Texas might be added the names of several other States which either have provided, or at the present time are attempting to provide, appreciably larger State revenues for evening out inequalities. These attempts are due in some instances to a recognition of the principle just cited, in others merely to a realization of the need of vastly increased school revenues. When such a realization has been reached, the question at once follows, which of the contributing units shall be called upon to provide the increase, the local units, the State, or the Federal Government? Before attempting to answer this question, it will be well to consider from what sources our school moneys are drawn at the present time.

III. SCHOOL REVENUES AND NATIONAL AID.

Every State in the Union derives public-school moneys to-day from the Federal Government, from the State, and from one or more classes of local units, such as districts, townships, and towns. To these must be added in some States the county or, as in Louisiana, the parish. In the following paragraphs funds will be classified according to the unit which provides and distributes them, even though they are raised under the authority of some higher unit. Thus a school tax required by law to be levied in every county will be regarded as a State tax, provided the proceeds are paid into the State treasury and redistributed in accordance with policies determined by the State and upon some general basis which disregards their origin. On the other hand, a tax such as the 6-mill tax in Montana, required by State law to be

levied by every county but the proceeds of which are distributed by and within the county from which derived, will be regarded as a county tax, and as such does not lie within the scope of the present study. The major portion of State permanent school funds has been derived from lands and moneys granted by the Federal Government. Nevertheless, such funds are properly classed as State, since the title and control of the same rests with the individual States. It is not sufficient to classify funds merely on the basis of the units providing them, for we wish to know whether the funds are derived primarily from taxes, from endowments, or from other sources. Tables 22, 23, and 24 show the different classes of funds from which Alabama, Colorado, and New York derive their revenue for schools.

TABLE 22.—*Sources of New York school revenues in 1918.*

Classes of sources.	Federal.	State.[1]	County.	Town.	District.
I. Permanent funds and lands.		United States deposit fund; common school fund; literature fund.		Permanent town "gospel and school funds."	
II. School tax			Bank tax		District tax.
III. Appropriations	Smith-Hughes grant for vocational education.	"Support of common schools;" "support of academies and academic departments;" attendance of academic pupils, books, reproductions of works of art, and apparatus; teacher training departments; teachers of physical training.			
IV. Bonds					Bonds.
V. Miscellaneous fines, tuition fees, etc.					Fines, tuition fees, gifts.

[1] Although regarded as a State fund and so classed in all States, this fund strictly speaking belongs to the Federal Government.

TABLE 23.—*Sources of Alabama school revenue, 1918.*

Classes of sources.	Federal.	State.	County.	District.
I. Permanent lands and funds.		16th section fund; school indemnity land fund; valueless sixteenth section fund; United States surplus revenue fund; J. Wallace fund (Lawrence County).		
II. Tax		3-mill property tax	1-3 mill tax; poll tax; dog tax.	Not reported separately, 20 districts in 16 counties.
III. Appropriations	Smith-Hughes	General, $161,500; county tax bonuses, $1,000–$3,000 per county; rural building, $2,000 per county; county high school, $3,000 per school; libraries, $150 per county to match Smith-Hughes grant.		City.
IV. Private funds[2]		General Education Board; Anna T. Jeanes; John F. Slater; Phelps-Stokes; Rosenwald.		
V. Miscellaneous		Escheats; teachers' examination fees.		Students' fees; patrons' supplements.

[1] See footnote to Table 22. [2] Placed under State because grants benefit entire State.

TABLE 24.—*Sources of Colorado school revenues, 1919.*

Classes of sources.	Federal.	State.	County.	District.
Permanent funds and lands.	National forest reserve fund.	Public school fund.		
Appropriations.	Smith-Hughes grants.	$10,000 annually to administer Smith-Hughes work; appropriations to match Smith-Hughes grants.		
Fine and forfeitures.	Fire fines.	Mining; State report publishing.	For 21 different offenses.	Truancy fines; building fines.
Bonds.			County high school.[1]	District bonds.
School tax.			2.5 mills general county school tax; 4-mill high school tax; special bond tax.	Special school tax; bond tax; high-school tax; teachers' retirement-fund tax.

[1] For raising moneys for erecting and furnishing school buildings, for purchasing grounds, or for funding floating debts.

No percentage analysis of the receipts of the three States presented in Tables 22 to 24 is necessary to convince us that fines, gifts, and tuition fees are relatively unimportant sources of school revenue. New York and Colorado are alike in that they both draw the largest proportion of their local revenues from district taxes and bonds. In Alabama, on the other hand, the proceeds of district taxes are not reported separately, a fact in itself suggestive of their minor importance, and a fact which is further borne out by Table 5, which indicated that approximately 61 per cent of school revenue is derived from the State. In both Colorado and Alabama the county is utilized for purposes of school taxation. Bank taxes are the only county source in New York State. The Smith-Hughes fund in New York and the Federal forest reserve in Colorado are typical Federal sources. In each of these three States, State sources include permanent funds and appropriations. Alabama is the only one of the three which levies a State school tax. The surplus revenue fund in Alabama and the sixteenth section fund are both of Federal origin, but they are commonly regarded not only in Alabama, but in all States possessing them, as State funds, as the Federal Government exercises no control over their investment or use. The title to the sixteenth section fund is vested in the State, the surplus revenue fund belongs to the Federal Government, being merely a loan to the States. The Federal forest reserve and the Smith-Hughes are two important Federal sources of school revenue. Both belong to the Federal Government. From this survey of typical existing sources of school revenue, in individual States, we may return to the question, which class of sources, local, State, or Federal, ought to furnish the large additional revenues which our present educational crisis demands.

We may discredit the wisdom of attempting to solve our problem by placing additional and vastly heavier burdens upon local school units by recalling what has been stated in various preceding paragraphs regarding the disastrous results of this policy and the inevitable ill results of carrying it still further. There remain for us then only two possible groups of sources, State and National.

NATIONAL AID.

A previous paragraph has noted that every State in the Union now receives aid from the Federal Smith-Hughes fund. Attention has been called also to certain other Federal funds. From the standpoint of Federal aid, California is of more than usual interest, owing to the fact that it derives school revenue from no less than four Federal funds, as will be seen from Table 25.

TABLE 25.—*Federal moneys paid to California for public schools.*[1]

Federal fund.	Amount.	Units receiving.	How expended.
Five per cent	$8,765	State	Added to principal of perpetual school fund.
Smith-Hughes	16,721	do	Vocational education.
U. S. forest reserve	54,491	Counties	Added to unapportioned county school fund.
Special appropriation	(2)	Districts	For tuition of Indian children.
Total [3]	79,780		

[1] Data taken from an unpublished study by the author, Public School Finance in California. Data for the year 1917-18.
[2] Not reported.
[3] Not including tuition for Indian children.

FEDERAL LAND GRANTS.

On May 20, 1785, Congress adopted its famous ordinance providing for the manner of surveying and selling Government land. This ordinance reserved the section numbered 16 in every congressional township for the support of schools. It was this ordinance which established a precedent that marks the beginning of a policy which still continues, and which resulted in providing generous endowments of Federal lands for common schools in every one of the 30 States carved out of the Federal domain. The 18 remaining States and the District of Columbia contained no Federal lands and consequently received no township school grants.

Some Federal lands granted to the States have been given specifically for public schools; others, such as swamp lands, salt lands, and internal improvement lands, although not given specifically for schools, were granted under terms which made it possible to devote them to permanent State school funds, and many a State has done so. Every public land State admitted prior to California, 1850, received from the National Government for the support of public schools section 16. California and every subsequently admitted State, except Utah, Arizona, and New Mexico, received sections 16 and 36. These three last-named States received sections 2 and 32, as well as 16 and 36. In addition to township school lands aggregating approximately 94,000,000 acres, Congress has granted to public land States under separate acts 500,000 acres each of public domain to be used for purposes of internal improvement, salt lands aggregating over a half million of acres, and swamp lands aggregating over 64,000,000 acres.

FEDERAL MONEY GRANTS.

The most important grants of money made by the Federal Government to the States which have been used for the support of public schools include: (1) The United States surplus revenue loan of 1837; (2) per centum grants; (3) moneys given in lieu of school lands, as in the case of Indian Territory, which received $5,000,000 when admitted into the Union as a part of Oklahoma; (4) income from Federal forest reservations; (5) Smith-Hughes subventions for vocational education.

Per centum grants or funds have their origin in the policy adopted by Congress as early as the admission of Ohio in 1802, of granting to public land States a certain per cent of the proceeds of the sales of lands belonging to the United States, sold after the State's admission into the Union. The proportion granted has varied all the way from 2 to 15 per cent. California, Iowa, Kansas, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Washington, Wisconsin, and Wyoming by their constitutions have devoted their per centum funds to the State's public school endowment fund.

In 1837 Congress distributed among the 26 States then constituting the Union the so-called surplus revenue loan fund, or United States deposit fund. This fund con-

sisted of 28 millions of dollars which had accumulated as a surplus in the National treasury. Although the amounts distributed to the States were technically loans, it was assumed that the Federal Government would never recall them. Only 4 States, Michigan, Mississippi, South Carolina, and Virginia, appropriated no portion of this grant to education. Alabama, Delaware, Louisiana, Missouri, and New York set apart all of their respective quotas as separate school funds, or united them with permanent school endowments already existing. The remaining 17 States devoted a portion of their quotas to public schools.

Chapter 192 of the act of Congress, May 23, 1908, provides that thereafter 25 per cent of all the moneys received from each Federal forest reserve during any fiscal year shall be paid 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 public schools and public roads of the county or counties in which the forest reserve is situated. Twenty-seven States contain Federal forest reservations, the aggregate area of which in 1920 amounted to over 135,000,000 acres.[1] It will be seen that the forest reserve fund is not granted for the States but for the counties within the State in which such reservations are situated. It rests with the State to determine what portion of the proceeds shall be devoted to schools. Colorado may be taken as an example. This State contains 63 counties, 42 of which contain portions of the national forest reserve. By an act passed in 1909 Colorado provided that the Federal forest reserve moneys shall be apportioned semiannually among the counties containing Federal reservations in proportion to the area of the forest reserve contained in each. "Not less than 5 per cent of the said proceeds shall be expended for either roads or public school fund in the discretion of the county commission."

In addition to the grants of money already mentioned several others of minor importance have been provided, e. g., proceeds of fines for trespassing upon Federal lands, moneys paid as reimbursements to the States for war claims and war taxes. None of the money grants thus far described is available to all States; nor does any one of them represent an attempt of a vital sort to further a definite educational project. The passage on February 23, 1917, of the Smith-Hughes vocational education law marked the entrance upon an entirely new Federal school financial policy. Here we have the attempt to provide liberal annual Federal grants for fostering a definite project, vocational education. Moneys are provided for maintaining not only trade and industrial studies in the public schools, but for providing training for teachers of these subjects. The Smith-Hughes grant is significant not only for these reasons, but because through the machinery it established and through the conditions it attached to the receiving of the quotas disbursed, it was able to direct if not to dictate policies, equipment, methods, and teaching qualifications in the field of vocational education in secondary schools.

It was inevitable that the granting of Federal aid to teacher-training institutions and to secondary schools would soon lead to the question whether the Federal Government ought not to grant assistance to the States in their efforts to meet the mounting costs in other educational fields, notably in that of elementary education. Out of a strong conviction in the affirmative arose the Smith-Towner bill, which embodied provisions for a most marked enlargement of Federal aid to public schools. Indeed, it marked such a departure that before entering upon a statement of its provisions, it will be well to summarize our account of Federal aid thus far given. Such a summary can be most concisely presented in tabular form. Table 26 shows the most important Federal land grants which have been used by the States in toto or in part for schools. Table 27 makes a similar presentation of Federal money grants.

[1] 156,032,053 acres if Alaska be included.

TABLE 26.—*Federal lands available for public schools.*

Grants.	Area in thousands of—	
	Acres.[1]	Square miles.[2]
I. Township school lands (sixteenth, thirty-sixth, second, and thirty-second sections)	94,164	147
II. Lands available for schools at State's option:		
Internal improvement	11,469	17
Salt lands	606	0.9
Swamp lands	64,651	101
Total	76,726	119
Grand total	170,890	265

[1] Compiled from data furnished by the General Land Office, Department of Interior, April 6, 1921.
[2] Computed.

Analysis.—(1) The following States received no land grants from the Federal Government: (*a*) the 13 original States—Connecticut, Delaware, Georgia, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, and Virginia; (*b*) Vermont, Kentucky, Maine, West Virginia, and Texas.

(2) Thirteen States received section 16 in each township—Alabama, Arkansas, Florida, Illinois, Indiana, Iowa, Louisiana, Michigan, Mississippi, Missouri, Ohio, Tennessee (a special case), and Wisconsin.

(3) Fourteen States received sections 16 and 36—California, Colorado, Idaho, Kansas, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oklahoma, Oregon, South Dakota, Washington, and Wyoming.

(4) Three States received sections 2, 16, 32, and 36—Arizona, New Mexico, and Utah.

TABLE 27.—*Federal money grants.*

Fund or source.	Available to—
I. Moneys granted (all or in part) specifically for schools:	
1. Smith-Hughes grants	All States.
2. Federal forest reserve income	States containing such reservations.
3. Moneys given in lieu of school lands	
4. Special appropriations	Bureau of Education: tuition of Indian children in public schools; education in Alaska and District of Columbia.
II. Moneys available for schools at State's option:	
1. Surplus revenue loan of 1837	Twenty-eight States (all States then included in the Union).
2. Per centum grants	All States containing Federal lands.
3. Federal land fines	Do.

Table 28 shows the Smith-Hughes grants provided annually and the uses of the same. It should be borne in mind that the amounts granted for teacher training and for salaries are available for a distribution among all the States only as reimbursements. Before a State receives its allotment, it must have spent in advance twice the sum indicated in Table 28, whereupon it will be paid out of the Federal fund a sum equal to one-half of the total expenditure. Needless to say, a considerable proportion of the grant available in the first year of its distribution, 1918, was not called for.

TABLE 28.—*Smith-Hughes Federal vocational education grants.*[1]

(All numbers (not years) indicate *millions or decimals of millions of dollars.*)

Fiscal year ending June 30.	Total grant.	Distribution of total grant.			
		To the States.			To Federal Board of Vocational Education.
		For salaries of teachers, supervisors, and directors of—		For teacher training.	
		Agriculture.	Home economics, trade, and industrial subjects.		
1918	1.8	0.5	0.6	0.5	0.2
1919	2.5	.8	.8	.7	.2
1920	3.1	1.0	1.0	.9	.2
1921	3.8	1.2	1.3	1.1	.2
1922	4.3	1.5	1.5	1.1	.2
1923	4.8	1.7	1.8	1.1	.2
1924	5.3	2.0	2.0	1.1	.2
1925	6.3	2.5	2.5	1.1	.2
1926	7.3	3.0	3.0	1.1	.2
Annually thereafter	7.3	3.0	3.0	1.1	.2
Basis of allotment to States		(2)	(3)	(4)	

[1] Data taken from Bul. No. 1, Fed. Bd. for Voca. Educ., 1917, p. 62.
[2] Rural population.
[3] Urban population.
[4] Total population.

The Smith-Towner bill was introduced into the United States Senate October 10, 1918, by Senator Hoke Smith, of Georgia. This bill attempted to place upon the Federal Government the responsibility of evening out the educational inequalities existing among the States by reason of their inequalities in financial resources, differences in educational history, and in standards. It recognized that the Nation was confronted with an unprecedented or at least a heretofore unrecognized problem. It provided for an annual grant from the Federal Government of $100,000,000 for (1) equalizing educational opportunities, (2) reducing illiteracy, (3) Americanization, (4) teacher training, (5) physical education and recreation. In each case, as in the Smith-Hughes grants, the amount furnished by the National Government was to be matched by the State. The Smith-Towner bill failed of passage by the last Congress. It has been succeeded by the Towner-Sterling bill, which attempts to embody in revised form the major aims and principles of the Smith-Towner bill. The fate of the Towner-Sterling bill rests with the present Congress.

IV. EXISTING AND POTENTIAL STATE SOURCES OF SCHOOL REVENUE.

As might be expected, the States vary both as to the sources employed to furnish school revenues and as to disposition made of the revenues which such sources produce. Thus in some States the proceeds of escheats and certain fines are added to the principal of the permanent State school fund. In other States these proceeds are made a part of the current school revenue. The present chapter is concerned primarily with those sources which are employed to produce current revenue. The most satisfactory means of answering the question, what State sources are being thus employed at the present time, is to make a study of individual States. Table 29, which follows, answers this question for 9 States.

TABLE 29.—*State sources of current school revenues in 9 States.*[1]

Sources.	Alabama.	California.	Colorado.	Illinois.	Massachusetts.	Minnesota.	New Jersey.	New York.	Vermont.
I. Endowments (school lands and permanent funds).	Sixteenth sec. fund; valueless sixteenth sec. fund; school indemnity land fund; surplus revenue fund; James Wallace fund.	Perpetual school fund.	Public school fund.	School fund proper; surplus revenue fund; Kaskaskia commons fund.	Massachusetts school fund.	Permanent school fund; swampland fund.	Permanent school fund; United States surplus revenue fund.	Common school fund; literature fund; United States deposit (surplus revenue) fund; (William Vorce).	Permanent public school fund.
II. Taxes	Three mills.	Inheritance corporation.	None.	(See under appriations.)	Income tax proceeds (Mass. Gen'l sch. fund).	One mill	School tax; railroad tax.	None.	10 per cent on "Grand list."
III. Appropriations	Five classes, totaling $350,000.	Ten classes.	To match Smith-Hughes grant; $10,000 to administer the same.	Many classes; $6,000,000 annually in lieu of constitutional 2-mill tax.	Eight classes.	Twelve classes	Several classes.	Seven classes.	Appropriations (in 1918 constituted 40.9 of State money).
IV. Fees	Teachers' examinations.	Teachers' examinations and credentials.	None.	None.	None.	None.		None.	Auctioneers, circus peddlers.
V. Fines and forfeitures		Dairy; publishers.	Mining; State officials.	None.	None.	Insurance forfeitures.		None.	
VI. Miscellaneous	Escheats:	Escheats; sale of geological reports.	None.	None.	None.	None.		None.	

[1] Based on studies published and unpublished of public-school finance in the States named by the author and by graduate students under his direction. In some cases the character of the fund will not be clear from the table, e. g., "grand list" used in connection with Vermont tax. It has seemed inadvisable to attempt to clarify here such terms, because of the necessity of condensation and because the interest does not lie in the details of individual funds, but in the different types of State funds. We are interested in knowing that Vermont has a State school tax, but not in just what is meant by the "grand list."

Sources of school revenue the proceeds of which are set aside by law for increasing the principal of State permanent school funds do not appear in Table 29, the aim of which is to present sources of current revenue. Consequently, escheats, which in Colorado are added to the permanent fund, are not mentioned, but they are indicated as sources of revenue in Alabama and California, in which States they are distributed as part of the annual current revenue.

Every one of the 9 States included in Table 29 derives school revenue from permanent funds and from State appropriations, 6 from State taxes. Massachusetts is of especial interest, owing to her recently adopted policy of devoting the proceeds of a State income tax to schools; New Jersey, also, because of her railroad tax for schools. Illinois, Colorado, and New York derive no revenue directly from any State tax, although a considerable portion of the revenue which reaches the schools through appropriations is undoubtedly derived from taxation. Peculiar interest attaches to Illinois because this State has substituted legislative appropriations for the State school tax required by her constitution. These three classes of funds, appropriations, taxes, and permanent school funds, exceed all others in importance. Indeed, were it possible to carry the study further, it would be discovered that the three remaining general classes of State school revenues contribute relatively so little as to make them of practically negligible importance. Data at hand show the truth of the statement for two widely separated and, in many other respects as well, exceedingly different States, Vermont and California.

Table 30 shows in millions of dollars the decennial State school fund of California, and the per cent of the fund furnished during a 10-year period by the sources named. As already explained, the term "State school fund" is used in California to designate the total annual State school revenue provided for elementary schools. Table 31 presents a similar analysis of State sources of school revenue in Vermont for one year.

TABLE 30.—*Relative importance of sources contributing to California decennial State school fund, 1909–1918.*[1]

Sources.	Amount (millions of dollars).	Per cent of total fund.
Perpetual school fund income	.3	5.08
Tax proceeds (property, poll, inheritance)	1.8	30.50
Appropriations (largely derived from corporation tax)	.30	50.83
Balances and uncanceled warrants	.08	13.56
Miscellaneous—fines, escheats, etc	0.04	.06
Total State decennial school fund	59.04	100.00

[1] Taken from an unpublished study by the author.

TABLE 31.—*Vermont State sources of school revenue, 1918.*[1]

Sources.	Amount.	Per cent of total State revenue.
Appropriations	$220,000	41.01
Permanent school fund	60,000	11.19
Peddlers' license fees	2,620	0.49
Auctioneers' license fees	45	0.0
Circus license fees	1,460	0.27
State school tax	252,335	47.04
Total	536,460	100.00

[1] Taken from an unpublished study by Richard A. Graves, graduate student in education, University of Minnesota.

From Table 31 we see that in Vermont in the year 1918 practically 88 per cent of school revenue furnished by the State was derived from State school taxes and appropriations; that these two sources, with the permanent school fund, contributed over 99 per cent of the State school revenues. The data in Table 30 are more significant owing to the fact that they cover a period of 10 years. Here we discover that, of the total amount paid by the State to public schools during this period, 50 per cent was derived from appropriations, 30 per cent from taxation, and that these two sources together with the perpetual school fund furnished 85 per cent of the total 10-year fund. Of the remaining 15 per cent, more than 13 per cent consisted of the proceeds of balances and uncanceled warrants, which do not represent any real additions. Moreover, the major proportions of the funds derived from these two sources just named originated in taxation and appropriations. From this preliminary discussion of various types of State school funds and their relative importance, we may now turn to a somewhat more detailed consideration of these three which we have discovered to be of supreme importance, namely, permanent funds, taxation, and appropriations.

PERMANENT SCHOOL FUNDS.

Of all sources of State aid, permanent school funds are the oldest and have been most universally employed, whereas only 20 States at the present time levy a mill tax for general educational purposes, and several until very recently have pursued no policy of State appropriations. Every one of the 49 units constituting the Union, with the exception of the District of Columbia and Georgia, possesses one or more permanent public school endowments, or maintains in lieu of such endowments permanent State accounts or debts, and pays interest thereon to the schools of the State. In view of these facts, it is fitting that the discussion of State sources of school support should begin with permanent school funds. We will consider first the present condition of these funds, and then the possibility of depending upon public endowments for meeting our present and future financial difficulties.

In any account of permanent school funds as sources of school revenue, a very sharp line should be drawn between funds which exist only as State credits or debts and funds which are intact and which represent genuinely productive investments. Of the reasons for creating a perpetual public school endowment, none is more fundamental than the desire to ease the financial burdens of successive generations. Credit funds not only fail to do this, but, since their so-called interest is commonly paid out of general State revenue, they often actually serve as a lever for increasing rather than relieving the public burden. Such funds ought no longer to be classed as permanent funds, but ought to be labeled frankly as fictitious. Instead of speaking of the permanent fund of Illinois, Ohio, and Michigan, we ought to speak of their permanent school debts or their fictitious State school funds. To do so would clarify matters for all concerned. The only statements covering the permanent public school funds of all the States are those prepared by the Bureau of Education. The most recent of these available is that contained in Bulletin, 1920, No. 11. This bulletin (p. 119) reports permanent school funds for every one of the 48 States except Georgia and South Carolina. In the bureau's statement for the year 1916 attention was called to the fact that the permanent funds of Michigan and Tennessee existed only as credits on the books of the State (Commis. of Educ., Rep., 1917, vol. 2, p. 83, footnote 4), but the bureau's 1918 statement makes no reference to this condition with respect to the fund of any State. The real facts in the case are that in no less than one-third of the States the funds reported as permanent school funds are totally or largely mere fictions. In some States funds once accumulated have been diverted or lost. Other States, such as Michigan, Maine, and Ohio, have by legislation adopted a definite policy of using for their own purposes all moneys paid into the State treasury to the credit of the fund, and establishing a State debt on which the Commonwealth binds

itself to pay interest at a fixed rate to the public schools. Fifteen per cent of the permanent school fund of Nevada, 18 per cent of the permanent school fund of California, and the same proportion of the school fund of Delaware is "invested" in irredeemable State bonds; 32 per cent of the Vermont permanent school fund, and the same per cent of the Wisconsin school fund, exists only as a State debt. All of Louisiana's United States deposit fund, and 58 per cent of her free school fund, are permanent State debts recognized as such by her constitution. Kentucky's permanent school fund is entirely a State debt except 4 per cent of the same, consisting of 798 shares of State bank stock. The principal of the so-called permanent State school fund is entirely a State debt in the following 9 States: Alabama, Arkansas, Illinois, Maine, Michigan, Mississippi, New Hampshire, Ohio, and Tennessee. It should be noted at this point that all of the sixteenth section fund in Illinois, and in Mississippi that portion of the sixteenth section fund belonging to the Chocktaw Counties, was used to establish local, not State funds, and is to-day largely intact. The true condition of the State permanent school endowments in the 16 States already referred to, whose funds are entirely or in part credit funds, is shown by Table 32, which follows.

TABLE 32.—*Fictitious State permanent school funds.*

States.	Official titles of funds.	Principal.		State debt.		Unsold school lands.		Prospective value.	Income, in thousands of dollars.			
		Total in thousands of dollars: Intact principal and State debt.	Per cent of total existing only as debt.	Thousands of dollars.	State's interest rate.	Thousands of acres.	Estimated value, in thousands of dollars.	Total, including State debt, intact principal, and lands, in thousands of dollars.	Intact principal.	State debt.	Lands.	Total.
1	2	3	4	5	6	7	8	9	10	11	12	13
Alabama	Surplus revenue fund	[illegible]	(1)	669	4	(2)	(2)	(2)	.....	[illegible] 26	.....	26
	Valueless sixteenth section fund	[illegible]	(1)	97	6	(2)	(2)	(2)	.....	5	.....	5
	Sixteenth section fund	(1)	(1)	2,098	6	266	[illegible] 3,458	5,556	.....	125	(3)	125
	School indemnity land fund	(1)	(1)	158	6	(3)	(3)	(3)	.....	9	(3)	9
Total		.....	.....	3,022	.....	.....	.....	.....	.....	165	.....	165
Arkansas	Permanent school fund	1,528	98	1,494	5	48	250	1,778	.....	74	(3)	74
California	Perpetual school fund	8,053	18	1,526	6	[illegible] 693	4,884	12,938	263	91	[illegible] 9	363
Delaware	School fund	944	18	[illegible] 778	6	(2)	(2)	(2)	30	[illegible] 10	.....	41
Illinois [10]	Surplus revenue fund	(1)	(1)	335	6	(2)	(2)	(2)	.....	20	.....	20
	School fund proper	(1)	(1)	613	6	(2)	(2)	(2)	.....	36	.....	36
Total		.....	.....	948	.....	.....	.....	.....	.....	56	.....	56
Kentucky	Permanent school fund	[11] 2,395	96	2,315	6	(2)	(2)	(2)	(2)	[12] 189	.....	[11] 218
Louisiana	Free school fund	1,951	58	1,130	4	(2)	(2)	(2)	40	45	.....	85
	United States deposit fund	(1)	(1)	479	6	(2)	(2)	(2)	.....	28	.....	28
Total		.....	.....	1,610	.....	.....	.....	.....	.....	73	.....	113
Maine	Permanent school fund	(1)	(1)	484	6	(2)	(2)	(2)	.....	29	.....	29
Michigan	Primary school fund	(1)	(1)	4,323	7	.....	.....	.....	.....	302	(3)	302
	Swamp-land fund	(1)	(1)	982	5	[illegible] 30	(2)	(2)	.....	49	(3)	49
Total		.....	.....	5,305	.....	.....	.....	.....	.....	351	.....	[10] 351

Mississippi	Chickasaw fund [15]	(1)	(1)	1,035	6	(2)	(2)	(2)		62		162
Nevada	State permanent school fund	2,410	15	380	5	[16] 1,067	1,373	3,783	97	[illegible]	46	163
New Hampshire	Institute fund [17]	(1)	(1)	59	4	(2)	(2)	(2)	....	2	....	2
Ohio	Section 16 fund [18]	(1)	(1)	3,535	6	(2)	(2)	(2)	....	214	....	214
	Virginia military fund	(1)	(1)	197	6	(2)	(2)	(2)	....	12	....	12
	United States military fund	(1)	(1)	120	6	(2)	(2)	(2)	....	7	....	7
	Western reserve fund	(1)	(1)	257	6	(2)	(2)	(2)	....	15	....	15
Total		(1)	(1)	4,109	....	....	....	....	....	248	....	248
Tennessee	Permanent school fund	(1)	(1)	2,512	6	(2)	(2)	(4)	....	136	....	136
Vermont	Permanent public-school fund	1,364	32	446	[19] 4–6	(2)	(2)	(4)	38	22	....	60
Wisconsin	School fund [20]	4,750	32	[20] 1,563	7	12	(2)	(4)	139	109	....	219
Total		[21] 38,308	....	28,966	....	2,116	9,963	24,055	607	1,586	55	2,330

[1] Amount not given where entire principal exists only as a State debt.
[2] Possesses no unsold school lands.
[3] Amount not given except in case of funds possessing unsold schools lands; for total value of this fund see columns (4) and (5).
[4] For the year 1914; estimated at $13 per acre.
[5] Data not available.
[6] No evidence that this fund possesses any unsold lands; if it does, they are perhaps included in the acreage reported for the sixteenth section funds.
[7] Includes 1,819 acres of mineral lands and 691 acres of sixteenth and thirty-sixth section lands.
[8] Exclusive of mineral lands; no estimate of the value of these lands is available.
[9] Exclusive of 10 State 4 per cent $500 bonds; total value, $5,000; possibly these bonds are State debts.
[10] The only State school fund owned by Illinois which is intact is the Kaskaskia commons fund, the annual income belonging to a few districts in Randolph County, but title vested in the State. The township school sections in this State were constituted local funds and consequently are excluded; the funds amount to nearly $20,000,000.
[11] Includes 798 shares of the capital stock of the State Bank of Kentucky, valued at $79,800.
[12] Computed.
[13] It is not clear to which fund these lands belong.
[14] State Supt. Pub. Instr. Rep., 1917–18, p. 83.
[15] In Mississippi sixteenth section funds in Chickasaw counties constitute a State fund known as the Chickasaw fund, but in Choctaw counties sixteenth section funds are local funds, known as sixteenth section funds. No statement is available of the principal or lands belonging to the sixteenth section funds; the income for 1914–15 amounted to $167,324.
[16] Data taken from Nev. Land Register Rep., 1917–18, pp. 36, 47.
[17] Originally devoted to public schools; now used for maintaining teachers' institutes, etc.
[18] These funds, taken together with the university fund and certain other funds, constitute the so-called "irreducible State debt."
[19] The State pays 4 per cent interest on debt to "Loan of 1825" of $231,900 and 6 per cent interest on debt of $211,133 to Huntington fund.
[20] This sum of $1,563,700 was borrowed from the school fund during the Civil War.
[21] Includes amounts where principal exists only as State debt.

It is evident from Table 32 that many of the funds annually reported as permanent public school funds should be excluded from any statement which aims to show what relief the Nation derives from public school endowments. Table 33 shows the condition of the permanent school fund of those 37 States which possess productive funds, as reported in the latest statement issued by the Bureau of Education. Illinois possesses no State productive permanent school fund strictly speaking. Nevertheless, she has township permanent funds, the aggregate value of which is approximately $19,000,000. In view of the fact that these township funds were derived from sixteenth section lands, the source of State endowments in many States, it would be obviously misleading to exclude Illinois from Table 33, although already included in Table 32.

TABLE 33.—*Productive public permanent school funds, State and local, in 37 States,[1] 1918.*[2]

States.[3]	Value in millions of dollars.				Annual income in thousands of dollars.		Annual income per pupil enrolled.	
	Present.		Prospective.		Amount.	Rank.	Amount.	Rank.
	Amount.	Rank.	Amount.	Rank.				
1. Arizona	0.38	35	46.1	7	124.97	27	$1.84	15
2. California	(8.0) 7.3	14	7.3	21	(363) 119.83	15	.70	22
3. Colorado	4.9	19	46.3	6	589.86	11	2.91	10
4. Connecticut	3.0	24	3.0	27	149.79	26	.64	23
5. Delaware	(.94) .18	32	.18	33	41.63	32	1.12	21
6. Florida	1.57	28	2.60	30	71.61	31	.36	27
7. Idaho	6.54	17	36.9	10	675.25	10	6.45	7
8. Illinois[5]	21.01	3	33.8	12	1,342.58	3	1.67	16
9. Indiana	12.19	9	12.2	17	723.33	9	1.28	20
10. Iowa	4.8	20	4.8	24	216.51	22	.41	26
11. Kansas	9.96	10	9.9	18	524.07	13	1.29	19
12. Maryland	.41	33	.41	34	13.78	34	.06	34
13. Massachusetts	5.0	18	5.0	23	203.36	23	.32	28
14. Minnesota	28.8	2	55.8	4	1,143.00	6	2.34	13
15. Missouri	11.39	7	14.3	15	187.00	21	.28	29
16. Montana	6.63	15	73.1	3	1,119.59	7	9.90	3
17. Nebraska	9.4	11	37.2	9	805.95	16	1.35	18
18. Nevada	(2.4) 2.6	25	2.656	28	163.13	25	11.24	2
19. New Jersey	7.8	13	7.9	20	278.16	19	.49	25
20. New Mexico	.56	31	43.8	8	596.71	12	6.85	6
21. New York	9.32	12	9.3	19	358.68	18	.22	32
22. North Carolina	(1.3) .90	30	1.4	31				
23. North Dakota	19.16	5	50.3	5	1,103.90	5	7.05	5
24. Oklahoma	21.0	4	26.0	14	1,840.63	2	3.34	8
25. Oregon	6.59	16	6.6	22	383.71	17	2.63	12
26. Pennsylvania	.40	34	.40	35				
27. Rhode Island	.25	36	.2	36	23.41	33	.25	31
28. South Carolina	.06	37			4.68	35	.01	35
29. South Dakota	17.0	6	102.0	1	1,238.75	4	8.95	4
30. Texas	81.59	1	84.2	2	3,099.22	1	2.79	11
31. Utah	3.8	22	13.8	16	245.97	21	2.23	14
32. Vermont	1.8	26	2.653	29	87.31	29	1.41	17
33. Virginia	3.23	23	3.2	26	106.75	28	.22	33
34. Washington	13.6	8	31.6	13	844.04	8	3.21	9
35. West Virginia	1.0	29	1.0	32	86.95	30	.27	30
36. Wisconsin	4.75	21	4.7	25	248.92	20	.55	24
37. Wyoming	1.6	27	33.9	11	485.25	14	12.68	1

[1] States not included in above table: Ala., Ark., Ga., Ky., La., Me., Mich., Miss., N. H., Ohio, Tenn., Dist. of Col.

[2] All data taken from U. S. Bu. of Educ., Bul. 11, 1920, Statistics of State School Systems, 1917–18, except where otherwise indicated.

[3] Alabama possesses lands belonging to 16th section fund and to school indemnity land fund, but it is not included in this table because, as fast as lands are sold, proceeds are used for general State purposes and the amount credited to the township or districts.

[4] Data in parentheses from an intensive study by the author, taken direct from the official reports of the States concerned.

[5] Includes township funds, the aggregate value of which exceeds $19,000,000.

[6] Pub. Educ. in N. C. Rep. by State Educ. committee, 1920, p. 129.

[7] Rep. of S. C. Comptroller General, 1920, p. 21.

Tables 32 and 33 have attempted to show as accurately as possible the present condition of permanent school funds in the United States. The data in these tables, although essential to the present discussion, leave unanswered one of the chief questions at issue, namely, to what extent we may hope to derive an appreciable quota of the greatly increased State school revenue now imperative, from permanent school funds. Far more important than the value of the permanent State endowments is the per cent of the total school revenue derived from them, and the possibility of so increasing the principal of these endowments as to render them increasingly significant forces. Table 34 shows the per cent of the total school revenue derived from permanent school funds in 34 States, arranged in alphabetical order. In Table 35 these same 34 States are arranged in eight groups, in order of the rank of the importance of their permanent school funds. The data in Tables 34 and 35 are taken from the Bureau of Education Bulletin, 1920, No. 11, already referred to. Fifteen units are excluded from these two tables as follows: (a) Four States for which no data are presented in the Federal bulletin, as follows: New Hampshire, North Carolina, Pennsylvania, South Carolina; (b) the following 11 units whose State permanent public school funds have been shown to be nonproductive: Alabama, Arkansas, District of Columbia, Georgia, Illinois, Kentucky, Maine, Michigan, Mississippi, Ohio, Tennessee.

TABLE 34.—*Per cent of public school revenue derived from public permanent common school funds,[1] 1918.*

States.	Per cent.	States.	Per cent.	States.	Per cent.	States.	Per cent.
Arizona	4.2	Kansas	2.6	New Jersey	1.0	Texas	13.4
California	1.3	Louisiana	2.1	New Mexico	20.2	Utah	4.6
Colorado	6.8	Maryland	.2	New York	.1	Vermont	3.5
Connecticut	1.5	Massachusetts	.7	North Dakota	13.3	Virginia	1.2
Delaware	4.7	Minnesota	5.7	Oklahoma	14.3	Washington	5.9
Florida	1.8	Missouri	.8	Oregon	5.3	West Virginia	1.0
Idaho	12.8	Montana	12.7	Rhode Island	.6	Wisconsin	1.5
Indiana	3.1	Nebraska	3.2	South Dakota	16.6	Wyoming	24.1
Iowa	1.0	Nevada	19.7				

[1] As reported by Federal Bu. of Educ.

TABLE 35.—*Thirty-four States grouped and ranked according to per cent of total annual revenue derived from productive permanent school funds, 1918.*

Groups.	Per cent.	States.	Rank in order of— Total current school revenue.	Rank in order of— Per cent of total revenue derived from permanent funds.
I. 25 to 19 per cent	24.1	Wyoming	32	1
	20.2	New Mexico	31	2
	19.7	Nevada	34	3
II. 17 to 12 per cent	16.6	South Dakota	22	4
	14.3	Oklahoma	14	5
	13.4	Texas	8	6
	13.3	North Dakota	16	7
	12.8	Idaho	25	8
	12.7	Montana	18	9
III. 7 to 5 per cent	6.8	Colorado	17	10
	5.9	Washington	12	11
	5.7	Minnesota	7	12
	5.3	Oregon	20	13

TABLE 35.—*Thirty-four States grouped and ranked according to per cent of total annual revenue derived from productive permanent school funds, 1918*—Continued.

Groups.	Per cent.	States.	Rank in order of— Total current school revenue.	Per cent of total revenue derived from permanent funds.
IV. 5 to 4 per cent	4.7	Delaware	33	14
	4.6	Utah	26	17
	4.2	Arizona	29	16
V. 4 to 3 per cent	3.5	Vermont	30	17
	3.2	Nebraska	14	18
	3.1	Indiana	6	19
VI. 3 to 2 per cent	2.6	Kansas	11	20
	2.1	Louisiana	24	21
VII. 2 to 1 per cent	1.8	Florida	27	22
	1.5	Connecticut	15	23.5
	1.5	Wisconsin	10	23.5
	1.3	California	2	25
	1.2	Virginia	19	26
	1.0	Iowa	7	27
	1.0	New Jersey	4	28
	1.0	West Virginia	21	29
VIII. Less than 1 per cent	.8	Missouri	9	30
	.7	Massachusetts	3	31
	.6	Rhode Island	28	32
	.4	New York	1	33
	.2	Maryland	23	34

Of the 34 States included in Table 35 having genuinely productive State permanent school funds, only 9 derived more than 10 per cent of their total revenue in 1918 from these funds, and 7 of the 9 derived less than one-fifth from this source. The 3 States ranking highest in per cent of revenue derived from permanent school funds, Wyoming, New Mexico, and Nevada, are 3 of the 4 States ranking lowest with respect to total expenditure for schools. Within the group of 34 States, New York ranks highest with respect to total annual revenue, California, second, and Massachusetts, third. New York and Massachusetts both derived less than 1 per cent of their total annual school revenue from permanent school funds, and California only 1.3 per cent. Moreover, this per cent is too high in the case of California, because no less than 18 per cent of her perpetual fund (see Table 32) exists only as a nonproductive State debt.

Such data as have just been presented would seem to justify the conclusion that, if the State is to furnish a much larger proportion of the total school revenue in the future than it is furnishing at the present time, such increase is not to be derived from permanent funds. It may be well to note briefly certain other data and conditions which further justify this inference. Table 12 showed that the percentage of total receipts derived from all State sources decreased from 23.75 per cent in 1890 to 17.7 per cent in 1918, and that the percentage of total receipts derived from the income of permanent funds and school lands decreased from 5.45 per cent in 1890 to 2.9 per cent in 1918. Comparing these data, we see that, rapid as has been the decline in the per cent of revenue derived from all State sources, the decline in the per cent derived from permanent funds has been even more rapid. For, whereas in the former case at the end of the 18-year period under consideration we have a decrease of approximately 25 per cent, in the latter case the decrease exceeds 50 per cent. It will be well to follow these general statements by data showing the conditions in a number of individual States. Table 36 compares for the years 1905 and 1915 the

actual and prospective value of, and the per cent of school revenue furnished by, permanent funds in two groups of States, A and B. The States included in group A are the 6 which in 1905 ranked highest with respect to the per cent of total revenue derived from permanent funds. Group B includes 6 States of which intensive studies have been made by the author or by a graduate student under his direction.[1]

TABLE 36.—*Public permanent common school funds, 1905 and 1915.*

[Amounts of funds expressed in thousands of dollars.]

A. SIX STATES RANKING HIGHEST IN PER CENT OF TOTAL REVENUE DERIVED FROM PERMANENT FUNDS IN 1905.

States.	1905				1915			
	Principal.	Total intact.	Estimated prospective value.	Approximate per cent of total school revenue from incomes and rents.	Principal.	Total intact.	Estimated prospective value.	Approximate per cent of total school revenue from incomes and rents.
Wyoming	173	173	[a] 173	[b] 39.3	[c] 1,109	[c] 1,109	.....	14.3
Nevada (1906)	1,651	1,038	2,811	19.19	[c] 3,197	[c] 2,817	3,217	21.2
Texas	52,000	.....	65,000	27.09	[d] 68,101	68,101	[e] 69,699	[e] 13.0
Utah (1902)	291	291	2,411	[b] 21.2	2,637	2,637	5,278	4.4
Oklahoma	.....	.....	17,000	20.16	[c] 21,095	[c] 21,095	[e] 26,095	10.5
Oregon	4,599	4,599	5,599	13.53	[c] 6,395	[c] 6,395	.....	6.1
B. SIX STATES SELECTED FOR SPECIAL STUDY.								
Alabama	2,831	.....	.....	[b] 0.8	[c] 3,022	.....	.....	3.7
California (1906)	5,263	4,237	5,663	6.0	[c] 7,813	6,187	.....	0.78
Colorado	[a] 1,408	.....	16,801	4.25	[c] 7,276	.....	[e] 102,806	[e] 5.9
Illinois (1906)	7,033	.....	16,407	3.7	[c] 8,109	[c] 7,160	[e] 20,847	[e] 2.0
New Jersey	4,523	.....	.....	2.05	6,215	.....	.....	1.2
Massachusetts	1,881	1,880	.....	1.21	[c] 7,000	.....	.....	0.77

[a] 1916. [b] 1904. [c] 1918. [d] 1914. [e] 1902.

There are at least two reasons besides those already presented why it would be unwarrantable to hope for the solution of school financial difficulties through the building up of vast public endowments sufficient to provide the increasing financial needs. First, the natural resources from which such funds might be derived, especially public lands, have been largely disposed of or exhausted. Second, in a period such as the present, when the schools are threatened with financial shortage, neither State legislatures nor the people at large will be willing to devote large additional revenues to the principal of permanent funds bearing a small rate of interest. The tendency will be, on the contrary, to devote to the current school fund, rather than to sequestered endowments, any large additional quotas of revenues available for schools.

If the solution of the difficulties is not to be found in the creation of vast State permanent school funds, to what sources must we look? The answer is, either to State appropriations or taxation.

APPROPRIATIONS.

Of the 16.8 per cent of the total receipts for public schools derived from State sources in the year 1918, all except approximately 3 per cent was furnished by State taxes and appropriations. It is evident, therefore, that at the present time the

[1] Five of these States have been studied by the author. The sixth, New Jersey, was studied by R. W. Tiegs, graduate student in education, University of Minnesota.

combined revenue from these two sources greatly exceeds in relative importance the revenues derived from all other State sources. Carrying the analysis further, it is seen that, of the 681 millions of dollars constituting the total receipts for public schools in 1918 derived from State, county, and local taxation and appropriations, 61 millions, or approximately 9 per cent, were derived from State appropriations, and 40 millions, or approximately 6 per cent, from State taxation. It is evident that the public schools are receiving more revenue from State appropriations than from State school taxes. Not only is this true, but the State appropriation is much more widely used at the present time than the State school tax, for there are in 1920 at least 19 States which levy no State school tax, whereas every State in the Union makes appropriations for schools. Prior to the passage of the Smith-Hughes Federal Act in 1917, there were certain States, such as Colorado, which had never pursued any continuous policy of making State appropriations for school support. But the fact that the Federal act required each State, in order to receive the Federal subvention, to match the Federal aid dollar for dollar, resulted in universalizing the policy of State school appropriations. It must be borne in mind that the Smith-Hughes Act was not in any sense the beginning of the policy of making State school appropriations. Without attempting to go into the history of this matter, we may note that this method of providing school revenues dates back to early colonial days. The purpose at present is merely to call attention to the reason why every State now employs the appropriation method, whereas many States still refrain from levying a State school tax.

Educational appropriations fall into two classes, general and special. General appropriations are devoted to a fund distributed for general purposes. Special appropriations are made to maintain, foster, or encourage some special activity or project, such as vocational education, high-school teacher-training departments, or the State department of education. How widely States differ with respect to the extent to which they employ appropriations as a means of providing State aid has been revealed by tables already presented. Table 24 showed that the only appropriation which Colorado makes is that necessary to receive and to administer the Federal grant for vocational education. In striking contrast to this, Table 29 showed that Minnesota makes no less than 12 classes of appropriations; California, 10; Massachusetts, 8; New York, 7; and Alabama, 5.[1] The various types of appropriations have been shown in Table 22 for New York and in Table 23 for Alabama.

It should be noticed that the moneys of which State school appropriations are constituted are frequently drawn from a State general fund, which in the last analysis is largely composed of the proceeds of State taxes. This being true, it is manifestly impossible to determine accurately how much of the revenue reported as derived from appropriations should, from the standpoin to forigin, be looked upon as proceeds of taxation. But however difficult and unsatisfactory it may be to undertake to separate appropriations from proceeds of taxation when viewed from the standpoint of origin, the fact remains that when viewed from the standpoint of method or policies of finance, these two types of funds represent widely different principles, as will be shown in the concluding paragraphs of the present account. Reserving this subject for later treatment, we may now turn to the question of State taxation for schools.

STATE SCHOOL TAXES.

There are no less than four ways in which a State may levy State taxes for schools: First, a general mill tax may be levied on all taxable real and personal property, the proceeds of the same to be devoted to some general school fund; second, such a tax may be levied for some special purpose, such as physical education, or high-school normal-training departments; third, instead of fixing the rate, the laws may provide for the levying of a general mill property tax sufficient to raise a fixed sum, leaving the rate undetermined; thus, Arizona provides that a State school tax shall be levied

[1] The Alabama new school code of 1919 increased this number to 21.

sufficient to raise $750,000; fourth, a State may provide for the levying of special taxes with the proviso that all or a portion of the proceeds of the same shall be devoted to schools. Such special taxes include income taxes, inheritance taxes, taxes on corporations, taxes on stocks and bonds, poll taxes, taxes on various specified occupations, and taxes on licenses.

A study recently made dealing with conditions in the years 1919 and 1920 shows that 19 of the States levied no State tax of any sort for schools, whereas 29 States did. The States included in each of these two groups are shown in Table 37.

TABLE 37.—*Status of the State school tax, 1919–20.*

29 STATES DEVOTING A STATE TAX TO SCHOOLS.[1]

North Atlantic.	South Atlantic.	South Central.	North Central.	Western.
1. Maine.	1. Delaware.	1. Alabama.	1. Indiana.	1. Arizona.
2. Massachusetts.	2. Florida.	2. Arkansas.	2. Minnesota.	2. California.
3. New Hampshire.	3. Georgia.	3. Kentucky.	3. North Dakota.	3. Nevada.
4. New Jersey.	4. North Carolina.	4. Louisiana.	4. Ohio.	4. New Mexico.
5. Vermont.	5. Virginia.	5. Tennessee.	5. Wisconsin.	5. Utah.
	6. West Virginia.	6. Texas.		6. Washington.
				7. Wyoming.

19 STATES NOT DEVOTING ANY STATE TAX TO SCHOOLS.

1. Connecticut.	1. Maryland.	1. Mississippi.	1. Illinois.	1. Colorado.
2. New York.	2. South Carolina.	2. Oklahoma.	2. Iowa.	2. Idaho.
3. Pennsylvania.			3. Kansas.	3. Montana.
4. Rhode Island.			4. Michigan.	4. Oregon.
			5. Missouri.	
			6. Nebraska.	
			7. South Dakota.	

[1] The distinction between State and county school taxes made in the first paragraph of our discussion of school revenues and national aid (see above page 17) should be recalled at this point. This distinction explains why Montana and certain other States are not included in the present table.

Table 37 does not attempt to show either the type or the rate of the school tax levied by the 29 States levying such a tax. However important these two aspects of the present subject, we may postpone their consideration for the present. The significance of Table 37 is that it shows which of the States and what proportion of the entire group have adopted State taxation as a policy for raising school revenues. It is easy to discover from Table 37 that this policy is employed most by Southern States and least by Northern States. In order to show more accurately to just what extent this policy varies in different sections, it has seemed well to present the matter somewhat more precisely, as is done in Table 38.

TABLE 38.—*Number and per cent of States in each major division levying or not levying a State school tax, 19–0.*[1]

Group or division.	States levying.		States not levying.	
	Number.	Per cent.	Number.	Per cent.
United States	29	60	19	40
North Atlantic Division	5	1 56	4	44
South Atlantic Division	6	75	2	25
South Central Division	6	75	2	25
North Central Division	5	42	7	58
Western Division	7	64	4	36

[1] District of Columbia not included.

Table 39 ranks the five major divisions of the States on the basis of per cent of States of each division which levy some type of State school tax.

TABLE 39.—*Major divisions ranked on the basis of per cent of States therein which levy State school taxes.*

Rank.	Division.	Per cent.
1.5	South Central	75
1.5	South Atlantic	75
3	Western	64
4	North Atlantic	56
5	North Central	12

The ranks of the major divisions in Table 39 correspond closely to the ranks in Table 13, which showed the per cent of total school revenue derived from State sources in 1915. This would seem to suggest a direct relationship between the policy of State taxation for schools and the general policy of depending upon State versus local sources for school revenue. From this general statement of the extent to which the State school tax is employed as a revenue producer we may now turn to a more detailed consideration of the different types of State school taxes and the extent to which they are employed.

STATE SCHOOL MILL TAXES.

Three types of State school mill taxes are to be found to-day: (1) Mill taxes for general school purposes, rate specified; (2) mill taxes for general school purposes sufficient to produce a fixed sum, rate not specified; (3) a mill tax for special school projects.

No less than 20 States levy a State mill tax on all taxable real and personal property the proceeds from which are to be devoted to general school purposes. The rate of such tax varies all the way from seven-tenths of 1 mill in Wisconsin to 4.6 mills in Utah, with an approximate median rate of 2 mills. The 20 States which levy a mill tax for general school purposes are as follows:

TABLE 40.—*States levying general State mill tax for schools.*

1. Alabama.	6. Louisiana.	11. New Jersey.	16. Texas.
2. Arkansas.	7. Maine.	12. New Mexico.	17. Utah.
3. Florida.	8. Minnesota.	13. North Carolina.	18. Vermont.
4. Indiana.	9. Nevada.	14. Ohio.	19. Virginia.
5. Kentucky.	10. New Hampshire.	15. Tennessee.	20. Wisconsin.

In Table 41 are shown the rates levied by the States included in Table 40, and the States levying the same.

TABLE 41.—*State mill property (ad valorem) public school tax for general school purposes.*

Rate in mills.	States.
4.6	Utah.
3.5	Texas.
3.5	New Hampshire (only on estates in unorganized parts of the State).
3.2	North Carolina.
3.0	Alabama, Arkansas.
2.75	New Jersey.[1]
2.5	Louisiana.
2.0	New Mexico, Tennessee.
1.8	Kentucky, Ohio.
1.5	Maine.
1.36	Indiana.
1.0	Florida, Minnesota, Vermont, Virginia.[2]
0.76	Nevada.
0.70	Wisconsin.

[1] It is doubtful whether New Jersey should be included in Table 41; see discussion in text following Table 42.

[2] Plus supplementary taxes as follows: On real estate, 0.8 mill; on tangible personal property, 0.4 mill.

Some States in addition to a mill tax of specified rate, other States in place of it, provide that a State mill property tax shall be levied sufficient to produce a certain total sum, or so much per school child. In such cases the rate is left undetermined, and varies from year to year with the assessed valuation of the property of the State. This mode of taxation is employed by five States. In three of the five, New Hampshire, New Mexico, and Wisconsin, this tax is additional to a State school mill tax of specified rate. In the remaining two, Arizona and Washington, it is the only State school tax levied. Table 42 shows the States employing this type of school tax.

TABLE 42.—*State mill taxation for schools, rate undetermined.*

States.	Basis of rate.
Arizona	Sufficient to raise $750,000.
New Hampshire	District tax sufficient to pay to State $2 per child in district.
New Mexico	Sufficient to raise $15,000 for vocational education.
Washington	Sufficient when added to the school income fund to produce $10 per child of school age.
Wisconsin	Sufficient to pay State aid for graded schools.

New Jersey is in a class by itself, and, strictly speaking, belongs neither in Table 41 nor in Table 42. It was included in Table 41 because the law provides that such a tax shall be levied on real and personal property as, when added to a State school appropriation of $100,000, will produce a sum equal to a State 2.75 mills tax on all real and personal property. An analysis of the situation will show that in reality neither the amount to be raised by taxation nor the rate is determined, because the amount is not known until after the legislature makes its appropriation; and the rate is not fixed, because it depends upon both the appropriation of the legislature and the changes in assessed valuation. The rate never actually reaches 2.75 mills.

Widely different in purpose from the tax just described is a State mill property tax levied for the benefit of some special type of training or educational institution. This latter type of tax is levied by only seven States, the rate, as might be expected, being much lower than that of taxes levied for general school purposes. In fact, it varies from only five-tenths of a mill to five-hundredths of a mill, with an approximate median rate of two-tenths of a mill. It will be discovered that the States which levy taxes of this sort are largely the same as those levying State mill taxes for general school purposes. In fact, only two of the seven States constituting the former group (North Dakota and Wyoming), are not found in the latter also. These seven States, together with the rate and purpose of their special taxes, are presented in Table 43.

TABLE 43.—*State mill property tax for special school projects.*

Mill.	States.	Projects for which levied.
0.5	Tennessee	State high-school aid.
.2	Arkansas.	Vocational education.
.2	North Dakota.	County agricultural and training schools.
.2	Utah.	State high-school aid.
.125	Wyoming.	High-school normal training.
.05	Indiana.	Vocational education.
.05	Nevada.	Physical training.

POLL AND MISCELLANEOUS TAXES.

In a number of States poll taxes for school purposes are collected by minor constituent units, such as counties or towns. In only nine is a poll tax for schools a State tax. North Carolina levies the highest State school poll tax, $1.43, and Indiana the lowest, 50 cents. Twenty-five per cent of the proceeds of the tax levied by North Carolina may be devoted to pauper aid. Were this portion of each poll tax so used, the remainder, $1.0725, would still be greater than the State school poll tax levied by any other State. The tax rate is $1 per poll in the seven remaining States, namely: Arkansas, Georgia, Louisiana, Tennessee, Texas, Virginia, and West Virginia.

Two States devote to their schools the proceeds of State taxes which in the present account may well be classified as miscellaneous. Georgia thus disposes of the proceeds of dog taxes and taxes on shows; and West Virginia of taxes levied on marriage licenses, State licenses, and forfeitures. It is interesting to note that every one of the States named in the last two paragraphs, except Indiana, is south of the Mason and Dixon line.

TAXES ON CORPORATIONS, SPECIAL TYPES OF PROPERTY, INCOME, INHERITANCE AND OCCUPATIONS.

Under this general heading are included income taxes, inheritance taxes, occupation taxes, taxes on special classes of corporations, such as banks and railroads, various kinds of taxes on all corporations of a given State (California), and taxes on intangible property, such as stocks and bonds. The tendency of our national industrial life away from what were once almost exclusively agricultural occupations to an increasingly larger proportion of manufacturing and commercial activities has brought about a transformation in the character and in the form of property and wealth. Formerly wealth was represented almost entirely by real and personal property; to-day wealth and property are largely corporate, and many forms of income derived from sources other than tangible property can be reached only by a special form of taxation. Possession of real or personal property is in many cases not the truest index of ability or obligation to support governmental undertakings. Frequently a much truer index of ability and obligation is the possession of income, whether received as a salary or derived from intangible property, such as stocks and bonds.

To-day on every hand comes the demand for vastly increased public revenues not only for schools but for roads, public health, workers' pensions, and a multitude of other public projects. This demand is everywhere met with loud protest against any addition to the burden of taxation levied on land. This situation, together with the change in wealth from land to corporate and intangible property, has given rise to the demand that new sources of public revenue be taxed. Such is the situation in which the schools find themselves, and the necessity of discovering new sources of revenue lends a peculiar interest to what any of the States may be doing already in the direction of taxing occupations, privileges, incomes, etc., which heretofore have furnished little or no school revenue. According to the most recent statement of the Federal Department of Commerce, taxes are levied on corporation stock by 33 States, on savings banks by 9 States, and on inheritances by 42 States. It must be borne in mind that the taxes here referred to are State taxes. The number of States would be increased were States included in which taxes of these types are levied by counties. Taxes of the classes just referred to are levied as State school taxes in the following 10 States only: California, Delaware, Louisiana, Maine, Massachusetts, New Hampshire, New Jersey, Utah, Texas, and Virginia. Undoubtedly, in some other States State revenue from taxes of the types now under consideration, although not devoted by law to the schools, ultimately reach them. This occurs where the proceeds are paid into some general State fund from which school appropriations as well as appropriations for other State projects are made. In California a portion of the proceeds of corporation taxes are devoted directly to the State high-school fund. The remainder of the proceeds is paid into the State general fund, of which in 1918 72 per cent was derived from the proceeds of corporation taxes. Out of this general fund is paid State aid to elementary schools and to certain other educational projects. Consequently, a large portion of the proceeds of corporation taxes reaches the schools by an indirect method. Table 44 shows the taxes on corporations, incomes, inheritances, and occupations levied for school purposes in the 10 States already named.

TABLE 44.—*State school corporation, income, inheritance, and occupation taxes.*[1]

Type of tax.	State.	Character of tax.
I. Corporation:		
Bank	New Hampshire	A bank tax on nonresidents at local rate; rates vary widely.
Do	Maine	Proceeds of one-half of taxes on savings bank franchises; one-half proceeds of taxes on deposits of trust and bonding companies.
Franchises	Kentucky	1.8 mills.
Railroad	New Jersey	Tax on first-class railroad property at average of local rates.
	Virginia	One mill tax (10 cents on every $100) on assessed valuation of intangible property and on rolling stock.
All corporations	California	Rates and bases vary.[2]
II. Income	Massachusetts.	
	Delaware.	
III. Inheritance[3]	California	Graduated scale dependent upon the value of the inheritance and degree of relationship of heirs.
	Virginia.	
	Louisiana.	
	Delaware.	
	Kentucky.	
IV. Occupation	Texas	One-fourth of proceeds of tax.
	Utah	(a) $1 on mining licenses, plus 2 per cent of total proceeds of mining; seven-sixteenths of total proceeds of (a) and (b) go to the State school fund.

[1] Compiled from data in an unpublished study on State School Taxation, by E. C. Culbert, graduate student in education, University of Minnesota.
[2] See Table 17.
[3] Certain other States devote proceeds of inheritance taxes to permanent funds; such States are not named here, as this portion of the present account is concerned only with taxes levied for current revenue.

CORPORATION TAXES.

Table 44 shows that six States—New Hampshire, Maine, New Jersey, Kentucky, Virginia, and California—levy State school taxes on corporations. In each of the first three of these States very limited use is made of the corporation tax for school purposes. California, on the other hand, has developed this type of taxation extensively. Earlier paragraphs have related how this State abolished her State property tax for school purposes, and substituted therefor a State corporation tax. It was natural that such a policy should result in levying such a tax upon all classes of corporations. Table 45 shows that as a matter of fact California does include all corporations in this system of taxation. It will be seen that five classes are taxed on their gross receipts, one class (banks) on shares of capital stock, one (insurance companies) on gross premiums, and all other corporations on their franchises. The rates of taxation vary from 0.009 per cent to 5.25 per cent.

TABLE 45.—*California corporation taxes.*[1]

[Largely devoted to public schools.]

Corporations taxed.	Tax levied upon—	Rate per cent.
1. All railroad companies, including street railways	Gross receipts	5.25
2. All car companies[2] Sleeping, palace, refrigerator, etc	do	3.95
3. Express companies	do	.009
4. Telegraph and telephone companies	do	4.2
5. Gas and electricity companies	do	5.6
6. Insurance companies	do	2.0
7. Banks, National and State	Gross premiums	1.16
8. All companies not included in above seven classes	Shares of capital stock	1.2
	Franchises	

[1] Based on California revenue law, 1918, pp. 40-44, secs. 3664-65.

At the time California entered upon her policy of making corporations rather than real and personal property the source of State taxation, she recognized clearly the

was embarking upon an experiment (cf. State Controller's Rep., 1909–10, p. 28). How rapidly the new policy developed is shown by Tables 46 and 47. Table 46 shows the growth in the number of corporations assessed, and in the proceeds. Table 47 shows the rate of tax levied on the first five classes of corporations named in Table 45 from 1912 to 1918. In every case except that of express companies the rate in 1918 is greater than in 1912.

TABLE 46.—*California corporation taxes, 1912–1918.*[1]

Years.	Number of corporations assessed.	Proceeds, in millions of dollars.	Years	Number of corporations assessed.	Proceeds, in millions of dollars.
1911-12	19,721	10.38	1916-17	19,623	15.64
1912-13	19,693	10.88	1917-18	18,223	16.57
1913-14	20,478	12.96			
1914-15	20,979	13.51	Total[2]		94.73
1915-16	21,991	14.99			

[1] All data from California State controller's Rep., 1916-1918, pp. 39-40.
[2] Computed.

TABLE 47.—*California corporation tax rates, 1912–1918.*[1]

Companies.	Rate per cent.				Increase, 1918 over 1912.[2]	
	1912	1914	1916	1918	Amount.	Per cent
Railway	4.00	4.75	5.25	5.25	1.25	0.3125
Car	3.00	4.00	4.95	4.95	.95	.3166
Express	2.00	2.00	1.00	.90	[3]−1.10	[3]−.55
Telegraph and telephone	3.70	4.20	4.50	4.20	.70	.20
Gas and electric	4.00	4.50	5.25	5.60	1.60	.40

[1] All data from Calif. State Controller's Rep., 1916-1918, p. 39.
[2] Computed.
[3] Decrease.

INCOME TAXES.

A State income tax has long been advocated by many seeking to discover new sources of revenue for school purposes, and more recently municipal income taxes have been strongly urged as a panacea for present and future ills. The movement toward State income taxes, which appeared to be getting well under way, was given a distinct setback by the Federal income tax. Except for this setback, it is possible that many of the States would be levying a State income tax for school purposes. As it is, only 2 States, Delaware and Massachusetts, derive school revenues from this source.

Delaware devotes $250,000 annually from income tax proceeds to the public schools, the balance of the proceeds being devoted to the State highway department. (Laws, 1917, p. 16, ch. 8, sec. 1; School Code, 1919, p. 32, sec. 242.)

Massachusetts, by an act approved July 24, 1919 (General Acts, 1919 ch. 365), provided for an annual current "general school fund" to be derived from the proceeds of a State income tax. The fund provided for by this act is not a definite amount, but is to be a sum sufficient to finance the projects described in Part I of the act, and to be available for maintaining these projects without further legislation. Table 48 shows the classes of incomes recognized by law, and the rates provided for each.

TABLE 48.—*Massachusetts State income tax.*

Class.	Rate per cent.
Annuities	1.5
Professional earnings exceeding $2,000 per year	1.5
Gains in dealings	3.0
Profit from money, notes, dividends	6.0

It was estimated that this act would result in making available for the schools an annual current fund of approximately $4,000,000, a little less than one-sixth of the then total annual school expenditure, and more than 19 times the income of the State permanent school fund. The amount actually derived from the income tax in the year 1919–20 amounted to $3,062,643. (Mass. Dept. of Educ. Bul. 1920, No. 1E, p. clxxxix, column 55.)[1]

Occupational taxes for school purposes are levied by only 2 States, Texas and Utah. Although termed occupational taxes in both States, in Texas they appear to be what are ordinarily termed licenses. The list of occupations taxed by Texas is a long one, and the rates vary from $1 to $300.[2] One-fourth of the entire proceeds are devoted to school support.

Utah levies school-occupation taxes on one pursuit only, namely, mining. On this industry two taxes are levied: First, a license tax of $1 on every "person (excepting employees), corporation, or association" engaged in mining; second, a tax of 2 per cent on the total net proceeds.

Seven-sixteenths of all moneys derived from these two types of taxes are added to the State school fund.[3]

INHERITANCE TAXES.

At least 5 States, California, Delaware, Kentucky, Louisiana, and Virginia, devote to schools the moneys derived from taxes on inheritances. In 1918 California realized from State inheritance taxes, after paying costs of collection, a net sum of approximately $2,725,000. The law provides that the first $250,000 of the annual proceeds of the State inheritance tax shall be devoted to the State current school fund for elementary schools. Any excess over this amount is credited to the State general fund. This fund is used largely as a source of school appropriations, consequently a considerable part of the proceeds of inheritance taxes, in addition to those composing the specified $250,000, ultimately reaches the schools indirectly.

Delaware provides that the proceeds of the State inheritance tax up to $100,000 shall be devoted to schools. Any excess over this amount is credited to the State sinking fund. Virginia devotes one-half of the proceeds of the State inheritance tax to the public school fund apportioned by the State on the basis of school population. The remaining half is returned to the county or district from which collected for the use of primary and grammar grade schools. Louisiana, in contrast to California, Delaware, and Virginia, provides that the entire proceeds of State inheritance taxes shall be used solely for the support of public schools.

Owing to differences in interpretation of the law, the public schools of Kentucky have only recently received the moneys from the State inheritance taxes to which the

[1] For a more complete account of this fund, and of the methods of distributing it, see Swift, F. H., Studies in Public School Finance (ready for press).

[2] Sayles, Texas Civil Statutes, 1897; Supplement to the Statutes, 1906, p. 500, article 5049.

[3] Utah Compiled Laws, 1917, secs. 59–62; Session Laws, 1917, ch. 97, secs. 1, 2, 18.

State educational authorities claim the schools are entitled. Supt. V. O. Gilbert, in his biennial report, 1918-19, p. xvii, presents the situation thus:

In March, 1918, the State auditor refused to continue to credit the State school fund with its regular proportion of the inheritance tax. On November 22, 1919, the court of appeals decided that the State school fund was entitled to eighteen-fortieths of all money received by the State from inheritance taxes. On account of this decision there has already been transferred to the State school fund more than $500,000. This money can not be distributed during the current school year. There will be a considerable balance at the beginning of the school year 1920-21, however, which will permit the declaration of the largest per capita in the history of the State next July.

Before leaving this topic something should be said concerning the variation in rates and in classification of inheritances among the States under consideration. We may confine ourselves to Louisiana and Virginia. In Louisiana all estates valued at less than $10,000 are exempt. If the beneficiary of an estate valued at $10,000 or more is husband or wife or a direct ascendant or descendant, the rate is 2 per cent; if a collateral relative or a stranger, the rate is 5 per cent.

Virginia classifies beneficiaries as follows: Class A, husband, wife, lineal ancestor or lineal descendant; class B, brother, sister, nephew, or niece; class C, all others. The rate of tax varies both as to classification of heirs and as to value of the estate. This is shown in the following table:

TABLE 49.—*Virginia system of inheritance taxation.*

Beneficiaries.	Exempt valuation.	Upper limit of exemption (not to exceed $50,000).	$50,000 to $100,000.	$100,000 to $500,000.	$500,000 to $1,000,000.	More than $1,000,000.
		Per cent.	*Per cent.*	*Per cent.*	*Per cent.*	*Per cent.*
Class A	$10,000	1	2	3	4	5
Class B	4,000	2	4	6	8	10
Class C	1,000	5	7	9	12	15

We have now described and to a limited extent discussed the various types of State school taxes which are levied to-day by the 29 States levying such taxes. Table 50 forms a fitting conclusion to this section of the account.

TABLE 50.—*Types of State school taxes and States levying them.*[1]

1	2	3	4	5
States.	Property mill tax for general purposes.	Property mill tax for special purposes.	State poll tax for schools.	Tax undetermined or variable in rate.
1. Alabama	3 mills.			
2. Arizona				
3. Arkansas [2]	3 mills.	0.2 mill for vocational education.	$1 per male of age.	Sufficient to raise $750,000.
4. California				$250,000 from collateral inheritance taxes; $15 per high-school pupil in average daily attendance, paid from corporation taxes.
5. Delaware				Income tax, entire proceeds go to school fund; inheritance tax proceeds in part.
6. Florida	1 mill.			
7. Georgia				
8. Indiana	1.36 mills.	0.05 mill for vocational education.	$1 per male.	Dog tax and show tax go to school fund.
9. Kentucky [2]	1.8 mills.		50 cents on all voters.	
10. Louisiana	2.5 mills.			Corporation franchise tax, 1.8 mills; $\frac{1}{3}$ of proceeds of inheritance taxes.
11. Maine	1.5 mills.		$1 per male of 21–50 years.	Inheritance tax and license tax on sulphur and salt.
12. Massachusetts				One-half of taxes on bank franchise and deposits.
13. Minnesota	1 mill.			Income tax used in part for State aid.
14. Nevada	0.76 mill.			
15. New Hampshire	3.5 mills on estates in unorganized parts of State.	0.05 mill for physical training.		Bank tax on nonresidents; district tax to pay into State treasury $2 per child in district.
16. New Jersey [3]	General State tax sufficient when added to appropriations of $100,000 to produce same revenue as a 2.75 mill tax.			Railroad tax; proceeds of first-class railroad property; tax equal to average local tax on real and personal property.
17. New Mexico	2 mills.	See column 5.		
18. North Carolina	3.2 mills.		$1.43 on persons 21–50 years of age.	Sufficient to raise $15,000 for vocational education.
19. North Dakota		0.2 mill for county agricultural and training schools.		
20. Ohio [2]	1.8 mills.			
21. Tennessee [2]	2 mills.	0.5 mill for State high-school aid.	$1.	
22. Texas [2]	3.5 mills.		$1.	One-fourth of occupation tax returns.
23. Utah [3]	2.2 mills for school fund; 2.4 mills for district schools.	0.2 mill for high-school aid.		Occupation tax on mines.

[1] Based on laws in force in 1919 unless otherwise specified.

[2] Based on laws in force in 1920.

[3] Based on laws in force in 1918.

TABLE 50.—*Types of State school taxes and States levying them*—Continued.

1	2	3	4	5
States.	Property mill tax for general purposes.	Property mill tax for special purposes.	State poll tax for schools.	Tax undetermined or variable in rate.
24. Vermont [3]	1 mill. 10 per cent on grand list; grand list consists of 1 per cent of appraised valuation of all taxable property.			
25. Virginia [2]	1 mill; 0.8 mill on real estate; 0.4 mill on tangible personal property.		$1	Inheritance tax; 1 mill tax on intangible property and rolling stock of railroads.
26. Washington				Sufficient when added to school income fund to produce revenue of $10 per child of school age.
27. West Virginia [2]			$1	Marriage license tax; forfeiture tax; State license tax.
28. Wisconsin	0.7 mill tax.			Sufficient to pay State aid for graded schools.
29. Wyoming		0.125 for high-school normal training.		

[2] Based on laws in force in 1920.

[3] Based on laws in 1918.

V. THE REMEDY.

It will be well to review briefly at this point the more important positions thus far maintained, and out of which the conclusions have grown. It has been shown:

(1) That the increasing numbers demanding education, and the increasing demands put upon the schools have led to enormous increases in expenditures.

(2) That there is every reason for believing that these expenditures will continue to increase, rather than to decrease.

(3) That the States have, by reforms in educational organization and legislation, insisted more and more upon the recognition of the principle that schools are State, not local, institutions.

(4) That in direct violation of this principle they have shelved more and more the burden of school support, and placed a steadily increasing proportion of the same upon local school units.

(5) That as a result of this policy the schools have continued to be fundamentally and in fact local, not State, institutions.

(6) That educational opportunities in the United States are not, and never have been, universal, democratic, free.

(7) That inequalities, flagrant and perhaps ominous for the future of the Nation, exist in every State.

(8) That as long as the schools continue to be financially dependent upon local revenues, so long will these inequalities continue.

(9) That to eliminate these inequalities vastly increased revenues must be provided.

(10) That this increase in revenue should be provided not by school districts or other local units, but by superior units: first, because the local units are already overburdened; second, because only such a policy on the part of the State or Nation is capable of evening out the inequalities of school support now existing.

Such in the main are the positions thus far maintained. Let us now turn to a further consideration of the very practical question—the remedy.

From the standpoint of school finance the remedy is twofold: First, vastly increased school revenue must be provided; second, antiquated, unscientific, and unjust methods of apportioning State aid must be supplanted by methods and systems of support based upon sound political, economic, and educational principles. Although recognizing that the second phase of the financial reform is from many standpoints as important as the first, it is necessary to confine the present consideration to the necessity of increased revenues.

It is not enough to say that the schools need vastly increased revenues. We must ask very definitely how much money is needed to make educational opportunities universal, free, and equal. The answer to this question is, "No one knows." Nor do the present State systems include the machinery necessary for ascertaining this knowledge.

A sound and effective system would provide some means by which to determine in advance how much money will be needed to guarantee, first, that every child of school age shall be in school; and, second, that the quality of instruction and the character of school facilities provided for every pupil shall be worthy and adequate.

Instead of pursuing any such policy as this, the States, and the school units within them, set aside a fairly numerous array of sources of school revenue. This done, they collect each year, more or less completely, the revenues these sources furnish. Then, to superintendents and principals, they say in substance, "This year you have so many dollars. With this sum you must maintain your schools." The results of this unscientific method are evident in the variations and inequalities which

we have seen exist everywhere throughout the United States to-day. Such being the conditions and present results, wherein lies the solution?

The steps to be followed in establishing a system of common-school finance are the same as those to be followed in financing any other enterprise. The first question to be determined is what projects it is desirable shall be maintained. In the present case this would mean, what number and types of schools, classes, school officers, and educational facilities is it desirable shall be provided at public expense? Having decided this question on the basis of what is desirable, the next question is, what will be the cost? The answer to this question must be worked out by educational and financial experts, who in determining it will have due regard to variations in costs arising from variations in the conditions existing in different sections.

After the experts have informed us of the amount of money required for financing all desirable projects, we shall yet be obliged to answer the question, can we afford to finance them all? In order to answer this question, it will be necessary to determine from what sources, Federal, State, county, township, and district, school revenues shall be derived, and then how much money for schools these combined sources will yield. Although the solution of each of these problems is too difficult and too complicated to attempt even to outline here, certain general principles may be noted.

The school budget of the State should be dealt with no longer as a separate and distinct thing. New and unprecedented demands for larger public revenues are being made by Nation, State, and local community; more money for roads, more money for Army and Navy, more money for agriculture, more money for public improvements, and more money for schools. Either the public purse is that of a Fortunatus, or else there are limits beyond which we can not tax property and incomes without undermining the foundations of our prosperity.

It is a well-known fact that at the present time no reliable statement of the financial ability of our States could be given. It is equally well known that before any exact statement could be formulated, it will be necessary to change radically existing methods of evaluating and taxing property. The unsatisfactoriness, injustice, not to say frequent dishonesty, attending existing systems of taxation, and the need of reform are matters of common knowledge on the part of all who have undertaken any study of public finance.

The total revenue which can be raised from all sources for all public enterprises having been determined, it will then be necessary for some supreme State authority to decide what quota of the total shall be allotted to schools and what quotas to other public undertakings.

We may now consider that we have before us two sums x and y; x represents the total cost of maintaining all types of schools, classes, studies, educational officers, educational machinery, and facilities deemed desirable; y represents the total amount of revenue available for education. If y equals or exceeds x, then we may proceed at once with the disbursement of y, but if not, then we must frankly eliminate from our list of educational projects whose cost composes x a sufficient number of projects to make x equal y.

It is the writer's belief, as it is that of large numbers of people, that there is not a State in the Union too poor to provide a complete system of free education from kindergarten to university, but this belief must remain an assumption until facts have been presented which warrant it.

But unquestionably the time has come when every State should consider whether it has not abundant wealth to care for all desirable educational projects, and if not, whether the State shall not yield the support of some of the educational projects now maintained, until adequate educational facilities are provided for every child of elementary school age.

Moreover, despite the fact that the elementary school has from the beginning remained the pauper child of our systems, one State after another has seen fit to tap, for the benefit of the high school, revenues derived from funds, the original intent of which was undoubtedly to provide elementary education.

Any attempt to determine either the limit of public revenue which may be derived from all sources, or the proportion of the same which should be furnished by Nation, State, and local units, must be preceded by a definite classification of the sources from which such revenue is to be drawn.

This classification will be based on the classification of the unit or units to which such sources are to be assigned as revenue-producing sources. Shall the State and district and all intervening units be allowed to derive the major portion of their school revenue from taxes levied on real and personal property? Shall the State and possibly its component political corporations, counties, towns, districts, and municipalities, each in turn, proceed to impose income taxes after the Federal Government has levied a tax on the same incomes? Either there must be a division of sources of revenue or a definite agreement between the taxing units as to the total rate and a pro rata division of rate and proceeds upon the basis of the share of the burden each is to bear.

It may be urged that such a program, though sound in principle, will prove exceedingly difficult, if not impossible, to effect, in view of the number and variability of the units, factors, and conditions involved. But we are concerned here primarily with presenting a program based upon sound principles; believing that the public of America is rapidly awakening to the fact that the time for temporary expedients is past and can be trusted to discover ways and means whereby to put into operation any program essentially sound.

The acceptance of any such program brings before us another fundamental problem; namely, what proportion of the cost of any public enterprise should be borne by the Nation, by the State, and by the loyal community respectively? The answer to this question will be determined by the answer to two other questions, namely, first, to what extent is the enterprise under consideration a National, a State, or a local enterprise; second, to what extent do the inequalities in financial ability, in understanding of and in zeal for the enterprise, require that it be supported and controlled by superior political units.

In the case of the public schools, although a complete solution remains to be worked out, the answer may now be stated in general terms. That education is a National and not merely a State concern, no one who realizes the significance of education and who is familiar with present conditions would deny. But, however true this may be, the fact remains that by the Federal Constitution education is one of the functions reserved to the States. It follows, therefore, that the public schools are distinctly State, not National nor local institutions. In the light of these facts, we may say that the State should assume whatever degree of control and support is necessary to equalize, as far as possible, educational opportunity.

At the present time, 77 per cent of the total revenue for schools in the United States is derived from local sources. In Massachusetts over 96 per cent is thus furnished. A system which entirely ignores local support and control would suffer from lack of local interest, direction, and guidance.

It is undoubtedly true that neither the support nor the control of the public schools should be taken over entirely by the State. It is equally true that equality of educational opportunity will never be secured until the State provides, supports, and controls those factors upon which equality primarily depends, and which, therefore, may be termed the minimum essentials of educational equality.

It is well known that teachers' wages constitute the largest single item of school expenditure in every community, and also that as is the teacher, so is the school. Place upon the State the entire burden of providing teachers' salaries, and the respon-

sibility of determining what such salaries shall be, and existing conditions will be immediately reversed. Each community will endeavor to secure the best trained and most capable teacher available, and will be eager to employ teachers eligible by experience and training to the highest wage that the State allows. Evidence of the truth of this statement could be furnished from States in which the salaries of teachers of agriculture and of other special subjects are furnished by the State.

Undoubtedly the factors which, next to the number and quality of teachers employed, determine to the largest degree the equality or inequality of educational opportunity are the adequacy of supervision, of general administrative control, and of the apparatus directly related to instruction, including such materials as textbooks and laboratory apparatus. Let the State provide, support, control, direct, and equalize these factors, and the present chaos of educational inequalities will be immeasurably diminished.

Almost as universal as the lack of local enthusiasm for increasing teachers' wages is the much greater ease with which communities can be enthused over the project of erecting and maintaining a school building of high standards. Let the State establish a scale of minimum standards which local communities must meet in the fields of educational enterprise delegated by the state of the local units. Then place upon local units the responsibility of meeting these standards. The more important items of expenditure which would be left, by the system we have proposed, to the local communities would be the providing, furnishing, repairing, operating, and maintaining of school buildings. The local community would consequently be responsible also for the cost of fuel, water, light, power, repairs, insurance, playgrounds, and play apparatus.

Such a division of school burdens and responsibility between the State and the local communities having been agreed upon as just and necessary, we may now inquire what per cent of the total cost of public education will such a policy as we have proposed place upon the State, and what per cent upon the local community.

Those who have undertaken to answer this question thus far have failed for the most part to present any principle upon which an answer might be based. In a number of bulletins and monographs, it has been suggested that the State furnish approximately one-third of the total revenues required for public schools.

It would be just as sound a priori to suggest one-half or one-tenth. It is unnecessary, however, to be satisfied with an a priori or arbitrary answer to this question, for we can arrive at a scientific answer by determining what per cent of the total cost of public education those items of public expenditure which ought to be borne by the State constitute, and what per cent those items which ought to be borne by the local unit constitute.

Taking Illinois as an example, we find that in the year 1915–16 the total expenditure for common schools was something over 42.5 millions of dollars. Of this total, approximately 62.35 per cent was expended on general control, instruction, and certain auxiliary agencies related to instruction, such as pupils' attendance and equipment for instructional purposes; 37.65 of the total expenditure was for objects we have reserved for local support.

This division of costs is approximately the same as that for the entire United States. In the year 1916, of the total moneys devoted to public schools in the United States, 61.39 per cent was expended upon teachers' salaries, textbooks, and other expenses of instruction and general control; 38.61 per cent upon new sites, new buildings, equipping, maintaining, and operating school plants, and certain miscellaneous items of the same general classes of expenditures.

It is inevitable that the percentage of the total school revenue devoted to the purposes of instruction and the percentage devoted to buildings and maintenance will vary with the State, and with the varying educational conditions and needs of the in-

dividual States. Upon the basis of the present conditions, it seems safe to say that the proportion of the cost which should be borne by the State would range between 65 and 75 per cent.

But were every school in the United States provided with a properly trained and properly paid teacher, adequate supervision, apparatus, and other State-provided facilities, the percentage of total expenditure to be borne by the State would be much larger. Exactly what per cent it would be under these circumstances can not be even roughly estimated. It is possible it might constitute 80, or even more than 80, per cent of the total expenditure for public schools.

It will be urged by some that to place 75 per cent of the responsibility for the support of our public schools upon the State would be little less than revolutionary. To this we reply that only the most radical reform can overcome the flagrant inadequacies and inequalities existing in the school situation in practically every State in the Union; and that, further, as long as the schools continue to be to all practical intents and purposes local institutions, notwithstanding laws, decisions of the Supreme Court, and pronouncement of educational theorists to the contrary, so long will educational opportunities remain tragically undemocratic and unequal.

The growing tendency on the part of the National Government to recognize education as a National concern and to provide Federal subventions for public schools has been noted, particularly in the account of the Smith-Hughes Act. It may well be that a considerable share of the proportion of the school burden here advocated to be removed from the local units ought to be, and in time will be, assumed by the Nation. But these matters lie outside the scope of an account which has chosen to concern itself with the subject of State policies of public school finance. With this brief explanation as to why no further consideration of Federal aid is given at this point, we may turn to a final discussion of the question of State sources of school revenues.

LIMITED POSSIBILITIES OF PERMANENT SCHOOL FUNDS.

Previous paragraphs have made clear that permanent school funds must be recognized as negligible factors so far as furnishing any significant quota of school revenues. Such a statement does not overlook the fact that public permanent school funds were the first stable source of support of free schools in the United States. Indeed, in many a State to-day the permanent school fund continues to supply the revenue which pays for a large share of State supervision, and insures communication between every school unit, however remote, and the supreme State educational authorities. It may well be added that a large public endowment for schools gives stability and morale to the entire system of State finance, serves as a monument to the belief of generations gone in public education, and fulfills many other important functions. Undoubtedly means should be provided which will insure to the State school endowments a steady and wholesome growth; for such funds have been proven by experience to be essential to a sound and effective system of school finance. Nevertheless, for reasons indicated in paragraphs describing the present condition of these funds, it would be folly to attempt to provide revenues sufficiently large to make these funds contributory of a major portion of current school revenues. In a word, large increments of State school revenue must come either from taxation or from appropriations, sources the consideration of which will conclude the present study.

APPROPRIATIONS VERSUS TAXATION.

Judging from the diversity of current practices, it would seem there is great need of a clear statement of the results and of the principles involved in supporting schools by State taxation *versus* State appropriations. Illinois, by an act of her legislature,

and upon the recommendation of the State superintendent of public instruction, long ago repudiated in practice the State 2-mill school tax provided for in her constitution, and substituted therefor legislative appropriations. California abolished her State school property tax, and draws increasing amounts from State appropriations. A bill fathered by the State Department of Education of Minnesota and presented to the legislature of 1921 provided for the substitution of a 2-mill tax for existing appropriations. Of especial significance is the fact that in the printed report advocating this measure, it was urged primarily on the grounds of the change in policy it represented. The report stated frankly and with much emphasis that the 2-mill tax would yield no more revenue than was being derived from appropriations. Despite the fact that all the States employ appropriations as a method of providing school revenues, whereas only 29 levy a State school tax of any sort, from the standpoint both of principle and of practical advantages the balance would seem to be clearly in favor of taxation. Let us consider briefly the facts which seem to justify this conclusion.

Appropriations leave it to each succeeding legislature to determine what educational projects shall be financed by the State and how generous shall be the support given them. This results in putting into the hands of laymen not merely the power of promoting or blocking educational policies, but of determining new lines of educational development. Again, as a result of appropriations, the interests of the schools frequently fall victims to political jobbery and logrolling. Furthermore, appropriations, instead of enabling the State school authorities to foster and elevate the system as a whole, frequently compel them to expend a large proportion of the State revenue on special projects. Such special projects frequently are determined not by the needs of the children in the schools, but by the special interests of the dominant political groups. For example, in a State which is largely agricultural, extravagant appropriations for the support of agricultural education have been secured, whereas requests for appropriations for physical education were refused. The folly of such procedure is little short of tragic in the face of the well-known fact that country children are less healthy and physically less developed than city children.

A State tax in contrast with State appropriations provides a stable revenue, and one which can be estimated in advance. Because of this fact, State authorities may map out definite policies in advance, and can determine in advance to what extent these policies may be put into effect. A further, and from some standpoints the most important, advantage of the State school tax is that as the population, wealth, and costs of education of a State increase, the revenue derived from State school tax automatically increases. The proceeds of a State school tax are, moreover, generally credited to some general school fund, which may be used for all lawful objects of school expenditure. Such a fund is much broader in its influence than funds devoted to a single project.

A very serious objection to a State school tax of fixed rate is that there is no guaranty that it will furnish the amount of money necessary. This difficulty may, however, be avoided; instead of fixing a definite rate, the laws may provide for the levying of a State mill property tax sufficient to enable the State to fulfill its obligations to the schools. This method, as already shown, is employed by New Hampshire, Washington, and Wisconsin. (See Table 42.)

It would seem unnecessary to present further arguments in behalf of State taxation as the most equitable and satisfactory means for providing large school revenues. It is possible that the development of a scientific system of public taxation will relegate to a minor place taxation on real and personal property and substitute for such taxes, taxes on income, profits, sales, occupations, and luxuries. Nevertheless, such a change in policy is not likely to take place in the immediate future. Meanwhile the majority of the States will continue to levy their State taxes on real and personal property.

Recalling that we have urged that the State provide approximately 75 per cent of school costs, let us now try to discover how heavy a burden such a policy, if put into effect, would place upon the States; or, in other words, what rate of State tax would be required. We shall attempt to answer this question for the year 1920. In so doing, we will employ Burgess's method of estimating school costs in 1920, namely, that the same amount and quality of public education in 1920 as was maintained in the United States in 1915 will require an increase of 100 per cent. Seventy-five per cent of this latter sum we may consider the amount which should be furnished by the States. The rate of State school tax required to raise this amount must next be determined. In computing this rate, the following formula may be employed:

Let r=rate to be determined.
c=total costs for public schools in 1915.
and $2c$=estimated costs for 1920.
75 per cent of $2c$=amount of support to be furnished by the State;
v=valuation (estimated, true, or assessed).

Then r will equal $\frac{2c \times \frac{75}{100}}{v} = \frac{1.5c}{v}$.

In determining State tax rates, the question at once arises what valuation shall be employed. This will depend upon the purpose. If it be to show what the rate would be on present valuations, we must use assessed valuation of property subject to State taxation. The advantage of this basis is that it enables one to compare the proposed tax rate to be levied by the State with the rates at present levied by the States or by local communities. There are, however, serious objections to this basis. A valuation which includes only property subject to State taxation excludes in some States much property subject only to county or district taxation. Again, there is no uniformity among the States as to the per cent of true valuation employed as the basis of assessed valuation. Some States provide that assessed valuation shall represent 100 per cent of true valuation; other States assess certain classes of property at 60 per cent or less of true value. From this it follows that, if the purpose is to compare the burden that would be imposed upon the States by the system of school support by State taxation, the basis must be estimated true value, rather than assessed value.

The latest authentic statement or estimate of the true value of all taxable property is that furnished by the Census Bureau. These valuations are for the year 1912, and are obviously unsatisfactory for the year 1920. Certain economists have estimated that one-third is a conservative estimate of the increase in money value of taxable property in the United States in 1920 over that of 1912. Recognizing that valuations estimated in such a manner are little better than rough guesses, it will nevertheless be evident that they are much nearer the valuations of 1920 than valuations estimated for 1912.

In Table 51 three types of valuation have been employed: Assessed valuation, as reported for the year 1918–19 by the Census Bureau; estimated true valuation for 1912; estimated true valuation for 1920. That the 1920 valuations employed in Table 51 are conservative may be seen by comparing those given by Keith. (Jour. of Nat. Educ. Asso., vol. 10, No. 4, p. 79.) It is unnecessary to explain at length the considerations which led to the selection of the 11 States included in Table 51. It will be sufficient to note that they are States which have figured more or less prominently in the present account, and that they represent each of the five major divisions of States.

TABLE 51.—*Estimated school costs for year 1920 and rates of taxation necessary to provide 75 per cent of same.*

(Amounts in millions of dollars; tax rate in mills.)

Group or State.	Estimated school cost, 1920.[1]	75 per cent of school cost, 1920.[2]	Valuation of all taxable property.			Rate necessary to provide 75 per cent of 1920 costs if levied on valuations—[4]		
			Estimated true, 1912.[3]	Estimated true, 1920.[4]	Assessed, 1919.[5]	Estimated true.		Assessed, 1919.
						1912	1920	
United States	1,210.9	908.1	175,425.5	233,900.7	96,025.1	5.2	3.9	9.8
North Atlantic	401.5	301.1	52,333.9	69,778.6	[7] 33,026.9	5.8	4.3	9.1
North Central	455.5	341.6	67,168.9	89,558.6	[8] 35,137.7	5.1	3.8	9.7
South Atlantic	79.7	59.7	13,777.8	18,370.5	[9] 7,084.1	4.3	3.3	8.4
South Central	116.8	87.6	22,030.3	29,373.8	10,256.5	4.0	3.0	8.5
Western	157.1	117.8	19,421.9	25,895.9	[10] 7,088.2	6.1	4.6	16.6
Alabama	9.4	7.0	2,050.0	2,733.3	675.1	3.4	2.6	10.5
California	63.3	47.5	8,023.4	10,697.9	[11] 358.9	5.9	4.4	([12])
Colorado	13.5	10.1	2,286.4	3,048.6	1,422.1	4.4	3.3	7.2
Illinois	79.0	59.2	14,596.4	19,461.9	2,638.2	4.1	3.1	22.4
Iowa	37.9	29.4	7,437.0	9,916.1	1,444.4	4.0	3.0	20.3
Massachusetts	53.6	40.2	5,735.2	7,646.9	[9] 5,898.1	7.2	5.3	6.8
Minnesota	39.6	29.7	5,266.9	7,022.6	1,919.7	5.6	4.2	15.4
New York	139.4	104.5	21,912.6	29,216.8	12,539.8	4.8	3.6	8.4
Tennessee	12.2	9.1	1,854.3	2,445.8	726.3	5.0	3.7	12.6
Texas	98.7	29.0	6,552.2	8,736.3	3,012.8	4.4	3.3	9.7
Vermont	4.5	3.3	496.9	662.0	[7] 412.3	6.8	5.1	8.0

[1] Commis. of Educ. Rep., 1917, 2:53, Table 14. Estimates based on suggestion by Burgess, as explained in the text preceding this table.

[2] It will be evident from the text that the amounts given in this column are those estimated as necessary to cover all costs of instruction.

[3] Commis. of Educ. Rep., 1917, 2:59, Table 20.

[4] Computed on basis of 133 per cent of 1912 valuation. For justification of this basis, see text. That the estimates used in this table are conservative will be evident if they are compared with those given by Keith (see J. A. H. Keith, "Can the United States Afford It?" Jour. of Nat. Ed. Assoc., 10:4, p. 79, Apr., 1921). Some of the estimates in millions of dollars given by Keith are as follows: United States, 250,578.1; Alabama, 3,164.8; California, 12,166.0; New York, 30,395.4.

[5] Data taken from Financial Statistics of States, 1919; p. 118, Table 28. Property subject to special taxes is reported only in the case of the States composing the North Atlantic and Western groups. It is not included in the total valuation of the other groups because this valuation is not reported in the majority of these States.

[6] The rates here given are computed on the basis of evaluation which includes thousands and hundreds of dollars; consequently they do not agree in all cases with rates which would be arrived at if computed on the valuation appearing in this table which includes only millions.

[7] Assessed valuation of property subject to special property tax is included.

[8] Omitting property subject to special tax.

[9] Does not include District of Columbia.

[10] Includes 358.9, valuation of property in California subject to special property tax, chiefly corporation property. California levies no general property tax, consequently the valuation of special property is included here.

[11] Valuation of only such property as is subject to special tax.

[12] No attempt is made to give a rate here in the case of California, owing to the facts set forth in footnote 11. The assessed valuation of real and personal property is not given. The policy of providing school revenue by a general State tax assumes that such a tax would be levied on real and personal property. General property taxes for school purposes are levied in California by counties and districts, but not by the State.

In view of the obsoleteness of the estimated valuations of 1912, we may well confine our consideration of the rates presented in Table 51 to those computed on the basis of assessed valuation for 1919, and estimated true valuation, 1920. The significance of Table 51 may be most easily grasped by noting the highest, the median, and the lowest tax rates as computed on 1919 assessed and 1920 true valuations, which would be required in order to put into effect in the year 1920 our proposal of providing by State taxation sufficient revenue to cover 75 per cent of school costs. These rates may be conveniently presented in tabular form.

TABLE 52.—*Summary of tax rates presented in Table 51.*

Rank.	Major division, rates computed on valuation—		Eleven selected States, rates computed on valuation—	
	1919 assessed.	1920 true.	1919 assessed.	1920 true.
Highest	16.6 (Western).	4.6 (Western).	22.4 (Illinois).	5.3 (Massachusetts).
Median	9.1 (North Atlantic).	3.8 (North Central).	Between 10.5 (Alabama) and 9.7 (Texas).	3.6 (New York).
Lowest	8.5 (South Central).	3.0 (South Central).	6.8 (Massachusetts).	2.6 (Alabama).

Some conception of how far the policy we are advocating would go toward equalizing educational burdens, and thus evening out directly or indirectly many other inequalities in the educational situation, can best be gained by comparing the tax rates presented in Tables 51 and 52 with tax rates levied by local communities at the present time. Table 21 showed that of 7 New York rural districts studied, 4 levied a tax of more than 6 mills, and 1 of the 7 levied a tax of nearly 10 mills. From Table 50 we see that in New York a State tax of 8.4 mills levied on assessed valuation, or of 3.6 mills on true valuation, would provide 75 per cent of school costs, as estimated for 1920. In Minnesota in the year 1919-20 the school tax rate levied by rural districts varied from less than 1 mill to more than 116 mills; and 285 districts levied a tax of more than 20 mills. Table 50 has shown that a State tax of 15.4 mills upon assessed valuations or of 4.2 mills upon true valuation would carry out the proposal. From this discussion of those reforms in which the present account is chiefly interested we may turn for a moment to a subject closely related, namely, new sources of school revenue.

It is impossible to consider here this phase of the problem of school finance at length. However, in preceding paragraphs we have noted a growing tendency to tax corporate wealth, incomes, and intangible property. We have also given attention to the policies of certain States which devote the proceeds of such taxes to schools. It may well be added that if 75 per cent of the burden of school support be transferred to the State, the resultant equalization and relief would be such as to go far, temporarily at least, toward reducing the necessity of discovering new sources of school revenues. Finally, in view of the fact that in 1920 the national expenditures for luxuries, including such items as tobacco, snuff, cosmetics, perfume, face powder, chewing gum, amusements, and soft drinks, were more than 22 times the expenditures for all forms of education in 1918 and 30 per cent more than has been spent for public education in our entire history, it should be evident that to the sources of school revenue already suggested might well be added taxes on luxuries.

It would be interesting to dwell at length upon the possible effects of putting into effect the policy which constitutes the major thesis of the present account. In view of the fact that the problem of maintaining free schools is fundamentally a financial problem, it might seem that the most important effects would be the equalization of school burdens; in other words, the substitution of an equalized load borne by all for a multitude of unequal loads borne in an isolated manner by individual communities. But however important such a reform might be, it would, after all, be less important than the equalization of length of school terms, school facilities, and quality of instruction which would result. Were the State to provide the moneys for paying teachers' salaries, teachers would in many States, perhaps eventually in all, become in fact, and not merely as at present in theory, employees of the State. Contrast a school situation characterized by State equalities in school term, facilities, teachers' salaries, and quality of instruction with the situation which exists to-day from Colorado to Massachusetts and from Alabama to Maine. Not until a detailed study has

been made of every State in the Union will the present situation in its entirety be known. However, a considerable number of States have been subjected to study. Tables 17 to 21 and the accompanying text have revealed the conditions in several of these. It may be added that the situation found in every State thus far studied is such as to make imperative radical reform in State policies of school finance.

Attempts to bring about changes as radical as those we are urging will meet strong opposition. Such opposition will come chiefly from two groups of citizens. The first and largest group will be composed of those who insist upon regarding, directing, and financing schools as local institutions. It is this group who will attempt to block every effort to have their own local communities taxed for the purpose of providing a general State school fund for the common good. It will be necessary to educate these citizens and all others who regard the institutions of public education and the sources of public revenue from a purely local and selfish standpoint. This will involve no small amount of work. Indeed, it is a task of large proportion which will require the devoted services of all those who believe in public education. How necessary and how effective is legitimate educative propaganda has been shown in the campaigns for larger school support recently conducted in a number of the States, notably California and Texas. The outcry against mounting costs of public education has become so loud and so threatening that all believers in democracy and free education must take heed lest the fields won for free schools by Mann, Bernard, and Carter be surrendered to ignorance and selfishness.

The second group who will offer formidable opposition to placing all costs of instruction, or even the costs of teachers' salaries, upon the State, or upon the Nation, and the State will be composed of those who sincerely believe that to do so will be to kill interest in and consequently support of public education. To these worshipers at the shrine of an ancient fetish the reply comes that after generations of local support and local control the investigator finds the richest nation on the earth denying multitudes of her children any educational opportunities and herding thousands upon thousands of others in dismal and insanitary hovels under the tutelage of wretchedly underpaid and proportionately ignorant, untrained, and negative teachers; finds hundreds of communities able to provide luxurious educational facilities with almost no effort, while thousands upon thousands, despite heroic exertions, can not provide even the barest necessities. Such is the outcome of the nation-wide policy of local support and local domination.