

State Provisions for Equalizing the Cost of Public Education

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FOREWORD

Public education is defined as a function of the State government in each of the 48 States. Its support is virtually accepted, in principle at least, as a State obligation throughout the country. In practice, however, there is wide variation in the degree of the responsibility assumed by the several States for the financial support of their public schools. While no State evades the entire burden, the major part of the load is shifted in most instances to local units and consequently to local taxpayers.

Some States have interpreted their responsibility for the support of public schools to mean that the State itself should furnish sufficient revenue to pay for an acceptable school program; others appear to have interpreted their responsibility to be fully discharged by authorizing or requiring local subdivisions of the State to establish public schools and to levy local taxes for their support with but little financial assistance from the State. The result of these various interpretations of responsibility is a wide variety of types and systems of public-school support. In some, the financial resources have been made approximately the same for all public schools; in others, financial resources vary with the poverty or the wealth of the many local school districts.

Great interest is manifested in plans developed by the various States for financing the public schools, particularly those developed or revised in recent years. This manuscript reports a number of such plans. It should be helpful to States facing unsolved problems in school finance.

CHAPTER I: INTRODUCTION

EDUCATION A FUNCTION OF STATE GOVERNMENTS

PUBLIC EDUCATION is so nearly universal in our country and so generally discussed throughout the land that it frequently is believed to be a function of the Federal Government as well as of State governments.* Those familiar with the history and details of Government, however, know that education along with a number of other governmental functions was left by the framers of our Federal Constitution to the individual States. Accordingly, education is defined in each of the 48 State constitutions as a function of the State government. For example, we find in the South Dakota Constitution, article VIII, section 1:

It shall be the duty of the legislature to establish and maintain a general and uniform system of public schools, wherein tuition shall be without charge, and equally open to all, and to adopt all suitable means to secure to the people the advantages and opportunities of education.

An article similar to the one quoted appears in each State constitution. These articles proclaim by implication or direct statement, that education is a State rather than a local function and that the burden of providing a plan for equal educational opportunities to all youth of the State is on the legislature.

There can be no doubt concerning the basic conception upon which the constitutional provisions relating to education rest. The founders of our State governments knew that it would not be safe to let children grow up ignorant. They held the opinion that if we are to enjoy our liberties and freedom we must first understand them. And they were convinced that this understanding could not be left to chance. The framers of our several State constitutions wisely made it the duty of lawmakers to provide for educational facilities equally free to all children.

Legislatures have heeded the constitutional mandates respecting public education. Not only have educational facilities been provided for by legislative enactment in each State, but children are required by the same token to avail themselves of the opportunities offered, or to pursue suitable training elsewhere in lieu thereof. Thus we find today the function of education clearly and universally defined in our basic laws, legislative enactments, and judicial pronouncements as of State-wide concern. We might add parenthetically that whether or not the Federal Government decides to lend its assistance, as many believe it should, in an attempt to equalize the burden of school costs among the several States, the State is the unit to guarantee equal educational opportunities within its boundaries.

THE PLACE OF LOCAL SCHOOL DISTRICTS

If, then, each commonwealth provides for a State system of education, why does not each State constitute a single unit for school administration and revenue instead of being composed of such a complex array of school districts as actually prevails throughout the land? For answer we may turn to the history of American social and political ideas and customs.

Concerning the prevalence of many small autonomous school communities, Updegraff states:¹

The founders of our Government wanted a State government which would provide self-government in local communities. They desired such a government because it gave each person the greatest degree of liberty for himself, even freedom from interference by Government * * * it permitted each community to work out untrammelled the ideas and objectives in which it believed with only the minimum of supervision from State authorities.

With the same thought Pinkham² attempts to safeguard local community rights while exhorting his legislature to provide adequately for public-school support:

It is not merely a permissive but a mandatory duty devolving upon the State by which it is required to guarantee to all the opportunities of education. With this view of the case, our conceptions of a system of popular education are broadened and it is possible for us to see why it is proper for the State to command its citizens to perform such duties as shall carry out most fully this great purpose of education in our midst. We see why it is the prerogative of the State not only to levy sufficient tax for this purpose, but to see that the funds are equably and safely distributed. *In the performance of all these functions, due regard is to be paid to personal liberty and the civil rights of the people and the privileges of local self government, which have been the very foundations upon which our form of government rests, and the source of the strength which insures its perpetuation.*

The preceding quotations, typical of many which might be given, call attention to an underlying and deep-rooted philosophy of our form of government. This philosophy probably accounts for the existence of local school administrative units in our State school systems and it probably serves in many instances to obstruct clear thinking on the question of adequate and equitable provisions for financing these agencies of the State.

NEED FOR STATE SCHOOL SUPPORT

Since local school districts are component parts of the State school system, they are in this sense organized to carry the State's educational program into effect; on the other hand, as pointed out above, they enjoy considerable local autonomy regarding the details of developing

¹ Updegraff, Harlan. Financial implications of the principles underlying American education. In Research problems in school finance. p. 18. Report of the National Survey of School Finance. 1933.

² First Annual Report of the Superintendent of Public Instruction. State of South Dakota. Dec. 15, 1890. p. 61.

and administering this educational program. However, neither the assumption that it is wise for the State to grant all possible independence to localities with respect to the educational program nor the fact that some communities, in order to provide higher educational standards, are willing to assume a voluntary burden, alters the situation regarding the State's fundamental duty of spreading the cost of its mandated school program equably over the State. That a consciousness of this responsibility is gradually developing among lawmakers is evident from the widespread revisions during recent years of State provisions for financing schools.

The need for State-wide equalization of public-school costs was felt long before the present financial situation developed in practically all sections of the country. In the early period of statehood and before the day of concentrated wealth, a small annual legislative appropriation together with the income of a permanent State school fund may have served adequately to supplement local school-tax revenue. However, the time came when great inequalities in revenue-producing ability developed among the various school units through which States function educationally. Since then the need for positive and actual State funds for the purpose of equalizing school costs has been growing more and more apparent.

Until recent years public-school costs were seldom defined in specific terms. The State usually apportioned funds to local school districts which maintained school for a certain number of months each year, employed a qualified teacher, and offered instruction in some six or seven fundamental subjects. As school programs and facilities expanded and costs increased, however, definitions became more clear-cut. Many States now attempt to spread, or equalize, the cost of a standard program for all schools in an equable manner throughout the State.

A second factor entered the problem of public-school support during the last 30 years and served to accentuate and complicate the need for State funds. Presumably by State promotion, certainly with State approval, the whole educational function expanded, chiefly to care for increasing enrollment and to provide better facilities. As a result, school costs increased manyfold in nearly every community. Before expansion, the moderate cost ordinarily could be met by the proceeds of general property taxes with no serious consequences. At present, the cost appears to be too great in many instances for such revenue sources. Obviously the State must come to the rescue with its ability to levy other types of taxes and thus relieve home owners of a part of their excessive general property tax burden.

The present financial difficulties of the business world have magnified the importance of both causative factors of need for school support on a State-wide basis. And these difficulties, it may be added, are directing attention to and hastening the enactment of remedial legislation.

STATE PARTICIPATION IN SCHOOL SUPPORT

All States provide financial assistance from State-wide sources for public schools. The proportion, however, varies from a low percentage of the total cost to approximately the entire amount. Table 1 shows the extent of State participation in public-school support over a 34-year period.

TABLE 1.—PERCENTAGE OF PUBLIC-SCHOOL REVENUE DERIVED FROM STATE SOURCES, 1900-1934¹

State	1900	1905	1910	1915	1920	1925	1930	1934 ²
1	2	3	4	5	6	7	8	9
Continental United States.....	30.3	19.1	18.1	18.4	16.8	16.0	17.3	26.0
Alabama.....	82.3	65.6	74.1	52.7	51.3	33.2	40.8	39.6
Arizona.....	4.0	8.7	7.4	24.6	18.7	25.2	19.6	30.6
Arkansas.....	31.1	29.1	35.3	34.1	23.7	35.5	33.7	21.7
California.....	48.7	45.7	28.1	25.5	20.4	20.8	25.6	48.9
Colorado.....	4.0	4.4	2.3	31.6	9.0	4.0	3.2	3.6
Connecticut.....	15.9	18.4	14.0	13.5	12.3	9.5	8.1	9.5
Delaware.....	24.0	32.0	32.7	46.2	35.3	81.5	87.9	93.1
Florida.....	18.2	21.8	13.5	10.6	7.2	5.6	22.8	31.0
Georgia.....	64.4	66.4	53.0	44.8	43.5	32.7	35.6	37.4
Idaho.....	40.4	10.5	14.0	12.6	9.7	8.0	7.7	9.0
Illinois.....	10.2	7.9	5.2	9.7	8.7	6.9	5.3	8.8
Indiana.....	29.2	21.1	21.0	16.9	10.6	10.3	5.5	36.3
Iowa.....	1.4	8.0	7.5	8.3	1.5	3.8	4.3	2.2
Kansas.....	9.4	7.9	6.1	3.5	2.3	1.4	1.7	1.9
Kentucky.....	52.6	62.3	53.0	45.3	37.1	29.3	26.1	25.6
Louisiana.....	30.0	29.6	25.3	24.1	24.5	21.0	26.9	36.1
Maine.....	29.2	29.1	36.5	50.0	35.6	27.0	28.6	33.3
Maryland.....	26.5	35.1	39.2	32.8	41.6	20.7	17.7	24.7
Massachusetts.....	1.2	2.1	2.0	1.8	12.3	9.4	9.5	11.9
Michigan.....	15.3	23.9	41.1	28.3	17.1	20.5	18.2	32.2
Minnesota.....	22.7	21.1	20.8	23.0	19.5	18.8	20.6	26.8
Mississippi.....	59.4	77.3	55.2	51.6	52.1	27.4	33.5	45.0
Missouri.....	20.8	17.6	19.4	15.2	11.9	6.6	10.6	10.5
Montana.....		47.6	6.7	56.1	9.9	7.8	14.1	9.8
Nebraska.....	17.4	12.7	8.9	8.5	6.6	3.8	5.4	6.0
Nevada.....	55.5	51.8	35.0	37.7	26.6	23.3	19.0	16.2
New Hampshire.....	3.9	4.6	7.0	7.4	8.7	11.1	9.0	9.3
New Jersey.....	40.6	32.9	17.6	46.6	35.6	22.5	21.2	6.7
New Mexico.....	91.5	60.0	7.8	30.1	17.6	18.3	21.8	18.3
New York.....	10.9	9.3	9.6	9.9	12.1	20.7	27.6	34.1
North Carolina.....	82.9	71.3	9.0	15.3	30.1	7.1	16.6	68.3
North Dakota.....	30.7	13.9	20.5	17.9	12.1	21.4	11.1	13.8
Ohio.....	15.2	11.5	10.2	9.0	7.3	4.8	4.1	15.7
Oklahoma.....	18.1	16.6	15.8	15.3	7.5	10.3	10.6	31.2
Oregon.....	12.4	11.9	6.9	6.7	4.8	16.9	2.3	2.2

¹ Includes Federal aid for vocational education, educational foundation grants for public schools, and Federal oil royalties used for public schools.

² Percentages are estimated in some instances on preliminary data.

³ New Jersey requires each county to levy a 24-mill general property tax for schools and submit the proceeds to the State. 90 percent of the proceeds is immediately returned to the counties where collected. Hence only 10 percent of such revenue is "State" school revenue. For the years preceding 1934 it had all been included as State revenue.

⁴ For the year 1932-33.

TABLE 1.—PERCENTAGE OF PUBLIC-SCHOOL REVENUE DERIVED FROM STATE SOURCES, 1900-1934—Continued

State	1900	1905	1910	1915	1920	1925	1930	1934
1	2	3	4	5	6	7	8	9
Pennsylvania.....	22.0	16.2	15.6	10.1	15.9	14.8	13.9	20.6
Rhode Island.....	9.4	8.7	8.6	6.3	5.2	5.5	8.6	6.3
South Carolina.....	65.5	61.4	3.9	9.2	15.8	26.4	25.5	30.0
South Dakota.....	13.7	18.2	14.9	13.1	16.6	9.9	10.1	18.8
Tennessee.....	7.2	19.7	15.9	19.2	17.8	21.7	24.7	44.9
Texas.....	75.0	66.3	57.2	44.1	54.0	37.8	42.6	52.3
Utah.....	28.2	24.4	26.8	20.8	31.5	37.8	33.6	39.7
Vermont.....	15.7	15.7	19.8	20.8	33.1	20.5	12.2	16.0
Virginia.....	50.4	46.4	39.1	31.8	36.7	27.9	27.9	29.0
Washington.....	43.8	49.2	28.4	22.4	18.1	27.2	28.9	37.3
West Virginia.....	20.2	21.9	19.0	12.1	6.4	7.4	8.3	54.1
Wisconsin.....	13.3	17.3	15.8	20.6	15.6	11.0	17.0	20.6
Wyoming.....	14.8	21.6	19.5	38.4	24.3	34.1	27.1	25.4
Quartile ¹	43.80	46.05	30.55	33.45	30.80	26.70	27.00	36.20
Median.....	22.00	21.35	16.75	20.70	16.85	19.65	17.95	25.05
Quartile ¹	13.30	12.30	8.75	10.35	9.35	7.90	8.80	10.15

¹ Includes Federal aid for vocational education, educational foundation grants for public schools, and Federal oil royalties used for public schools.

² New Jersey requires each county to levy a 2½-mill general property tax for schools and submit the proceeds to the State. 90 percent of the proceeds is immediately returned to the counties where collected. Hence only 10 percent of such revenue is "State" school revenue. For the years preceding 1934 it had all been included as State revenue.

³ Computed on basis of 47 States.

Funds from State-wide sources distributed to local school districts give relief, or should give relief, to such districts from local taxation equal to amounts received from the State. If the distribution is on a uniform and sound basis of school needs, school costs are equalized throughout the State to the extent of the relief. In other words, if the State provides a fifth of the necessary school revenue, local school taxes may be lower and at least 20 percent of the educational cost has been equalized throughout the State. The degree of equalization brought about mounts, of course, as the proportion of the total public-school revenue from the State increases; and without considering the variation in ability of local districts to pay when disbursing the State revenue, complete equalization of the cost of public education would obtain only with complete State support.

In 1900, 10 States supplied from State-wide sources 50 percent or more of the funds used by their public schools while 4 provided 75 percent or more. However, only 20 percent came from such sources for the country as a whole at that time, while less than 10 percent was provided by each of 8 States. The number of States providing as much as 50 percent of the public-school revenue from State-wide sources has never been as great since 1900 as it was then. In this connection it should be noted that schools in some sections of the country were poorly supported locally 35 years ago. Consequently a moderate State fund then compared more favorably in relation to local school support than at a later date when local support had increased.

It is common knowledge that the increasing amount and quality of service rendered by the schools during the last 35 years have resulted in a much costlier educational program, but the fact that most States

have obliged localities to carry most of this increased burden is not so well known. As a result, for the country as a whole the States carried a rather constantly decreasing share of the burden from 1900 until about 1930. Since then the trend has been in the opposite direction.

An arrangement of the States according to the percentage of public-school revenue from the highest to the lowest provided in 1933-34 by the several States indicates that the median percentage falls between 25.4 and 24.7 with high and low extremes of 93.1 and 1.9. Each of 12 States provided at least 36 percent while the 12 at the lower end of the distribution provided less than 10 percent each. Ten years previously only 2 States provided as much as 40 percent of the funds used by the public schools, and the median percentage fell between 18.8 and 18.3. The summary which follows is a frequency distribution to show the degree to which the States participated in public-school support for these 2 years.

Number of States distributed according to the percent of school revenue provided from State sources

Percent of revenue derived from State ¹	Number of States	
	1923-24	1933-34
More than 50.....	1	4
40 to 49.9.....	1	3
30 to 39.9.....	8	13
20 to 29.9.....	13	8
10 to 19.9.....	9	8
0 to 9.9.....	16	12

¹ Includes Federal subsidies for education, except emergency aid.

It is significant to notice in the preceding tabulation, representing the school year 1933-34, that a number of States have provided for substantial increases in State revenue for their public schools. Comparable data for the year 1935-36 will undoubtedly show a greater number of States providing 40 percent or more of the public-school revenue. Some of the recent changes are described later in this manuscript.

After considerable experimentation for a number of years with comparatively large State funds for local tax relief and educational equalization purposes, the lawmakers of both North Carolina and West Virginia decided to assume the major part of the cost of 8 months of school on a State-wide basis. The fact that these two States as well as Delaware have virtually eliminated the general property tax as a source of State revenue indicates that general property tax relief for local school communities was a goal rather than a mere shifting of the tax collector's office from the locality to the State. Equalization of the cost resulted to a certain extent in each instance, of course, since the revenue is derived by uniform taxation throughout the respective States.

The reader should be reminded at this point that the chief source of local public revenue is a millage tax levied against general property valuations. Experience has demonstrated that other consequential tax types are too difficult for subdivisions of the State to administer satisfactorily. Therefore, when general property ceases to be an equitable and sound tax base, the locality is no longer a suitable unit for the production of any considerable amount of public revenue. Nevertheless, approximately 70 percent of all public-school revenue in the United States is derived from local sources today.

The relative significance of the sources of State school revenue available for distribution for the year 1933-34 in the different States is indicated in table 2. The data in this table were supplied by State departments of education in reply to a questionnaire mailed from this office in February 1935. In some cases printed reports of State departments of education and reports of State auditors were used to supplement replies to the questionnaires in order to make the tabulation as complete and as accurate as possible. Vocational education funds provided by the State were included in the returns in some cases but not in all.

For all States as a whole, the most important source (66.7 percent) of all funds provided for the public schools by the States in 1933-34 was legislative appropriations from general State funds. (See column 4 of the table.) Although no such appropriations were made in 10 States, they accounted for more than 50 percent of the total State revenue for public schools in each of 19 States. These appropriations ranged less than 1 percent of the total State revenue for public schools in New Jersey to 100 percent in Maryland, New Hampshire, and New York. Illinois is also reported as appropriating all her State aid for public schools from the general fund, but the proceeds of a 2 percent retailers' sales tax from March 1 to June 30, 1934, for schools is included in the amount indicated under general fund appropriations.

No attempt has been made to analyze the source of State general funds. The reader is referred to *Financial Statistics of State and Local Governments: 1932, United States Summary*, United States Bureau of the Census,³ for a detailed analysis of State revenue. It should be noted, however, that a majority of the States which make large appropriations from their general funds for schools utilize the income, the franchise, the inheritance, and various other forms of taxation. In most cases State general property taxes are levied, but there appears to be a tendency to use other forms more and more. Five States—California, Delaware, North Carolina, Oregon, and Pennsylvania—no longer levy the general property tax for State revenue.

³ U. S. Bureau of the Census, *Financial Statistics of State and Local Governments: 1932*. p. 698.

EQUALIZATION OF PUBLIC EDUCATION COST

TABLE 2.—AMOUNT BY SOURCES OF

STATE	Total amount ¹	AMOUNT AND PERCENT OF TOTAL FUNDS DERIVED FROM SOURCES INDICATED							
		APPROPRIATED FROM STATES, GENERAL FUND		STATE TAXES LEVIED SPECIFICALLY FOR PUBLIC SCHOOLS					
				GENERAL PROPERTY		INCOME (PERSONAL, CORPORATE, OR BOTH)		MOTOR FUEL	
		Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
1	2	3	4	5	6	7	8	9	10
Total.....	\$461,840,331	\$307,971,570	66.7	\$41,475,974	9.0	\$12,271,657	2.7	\$16,652,583	3.6
Alabama.....	5,528,011	500,000	9.1	2,997,690	54.2				
Arizona.....	1,551,338	1,355,465	87.4						
Arkansas.....	2,350,010			1,363,941	58.0				
California.....	69,070,223	68,482,966	99.1						
Colorado.....	674,555								
Connecticut.....	1,810,743	1,713,437	94.6						
Delaware.....	5,566,695	1,625,000	29.2			691,655	12.4		
Florida.....	5,039,178	4,467,044	88.6	436,755	8.7				
Georgia.....	6,151,334	2,583,211	42.0					2,568,123	41.8
Idaho.....	712,442								
Illinois.....	10,500,000	10,500,000	100.0						
Indiana.....	14,539,837	8,095,217	55.7	2,830,968	19.5				
Iowa.....	615,205	405,196	65.9						
Kansas.....	504,858	70,000	13.9						
Kentucky.....	4,319,232			4,178,084	96.6				
Louisiana.....	6,900,000	1,500,000	21.7	3,000,000	43.4			900,000	13.0
Maine.....	2,508,679			2,321,556	92.5				
Maryland.....	4,570,926	4,570,926	100.0						
Massachusetts.....	6,976,753	935,828	13.4			5,835,699	83.6		
Michigan.....	23,796,707	963,474	4.0	1,718,611	7.3				
Minnesota.....	11,923,758	5,923,758	49.7	1,400,000	11.7	2,000,000	16.8		
Mississippi.....	4,220,160	4,158,000	98.5						
Missouri.....	4,700,816	3,497,724	74.4						
Montana.....	1,021,201	27,859	2.7			47,887	4.6		
Nebraska.....	1,116,830	126,820	11.4						
Nevada.....	359,697	16,983	4.7	187,163	52.0				
New Hampshire.....	350,000	350,000	100.0						
New Jersey.....	5,867,394	2,243	0	1,794,278	30.6				
New Mexico.....	949,879								
New York ¹²	104,241,568	104,241,568	100.0						
North Carolina.....	16,227,015	16,000,000	98.6						
North Dakota.....	860,710	100,000	11.6						
Ohio.....	16,027,433	6,420,914	40.1					5,661,887	35.3
Oklahoma.....	8,261,503	40,162	.5	214,306	2.6	902,068	10.9		
Oregon.....	309,699	14,802	4.8						
Pennsylvania.....	30,606,529	30,539,579	99.8						
Rhode Island.....	472,406	453,773	96.1						
South Carolina.....	3,026,536	1,203,536	39.8			893,000	29.5		
South Dakota.....	1,904,843					1,016,991	53.4		
Tennessee.....	4,671,756	1,858,653	39.8	887,316	19.0				
Texas.....	33,998,210	3,346,199	9.8	10,511,623	31.0	314,357	1.0	7,522,572	22.1
Utah.....	3,482,414			3,042,477	87.3	270,000	7.8		
Vermont.....	550,000	180,741	32.9			300,000	54.5		
Virginia.....	5,878,316	5,080,492	86.5						
Washington.....	9,129,918			4,396,207	48.1				
West Virginia.....	11,203,651	10,500,000	93.7						
Wisconsin.....	5,758,000	5,120,000	88.9	196,000	3.4				
Wyoming.....	1,036,353								

¹ In some cases the data supplied were preliminary and consequently may vary slightly from final figures.

² One-half amount appropriated in 1933 for biennium 1933-35 plus special appropriation of \$375,000 for 1933-34; all for school buildings.

³ Proceeds of corporation franchise taxes.

⁴ Proceeds of liquor taxes, or liquor store license fees, or both, for schools.

⁵ Proceeds of chain-store tax for schools.

⁶ Part of this amount was derived from a retail sales tax for schools.

⁷ Proceeds of dog taxes.

⁸ One-half proceeds of taxes on savings banks and trust companies.

⁹ Derived from taxes on public utilities property and includes approximately \$30,000 interest on 3 permanent debts the State owes its school funds.

¹⁰ One-half proceeds from taxes on foreign insurance companies.

STATE SCHOOL REVENUE IN 1933-34

AMOUNT AND PERCENT OF TOTAL FUNDS DERIVED FROM SOURCES INDICATED—Continued

STATE TAXES LEVIED SPECIFICALLY FOR PUBLIC SCHOOLS—Continued

SEVERANCE OR PRODUCTION		SALES						OTHER TYPES		ALL OTHER SOURCES, SUCH AS INCOME FROM PERMANENT SCHOOL FUNDS	
Amount	Per-cent	GENERAL		TOBACCO		SPECIAL OTHER THAN TOBACCO		Amount	Per-cent	Amount	Per-cent
11	12	13	14	15	16	17	18	19	20	21	22
\$6,713,029	1.5	\$9,861,697	9.1	\$7,723,019	1.7	\$3,263,612	0.7	\$33,808,920	7.3	\$32,096,268	4.7
				1,840,646	33.3					189,675	3.4
				675,586	28.7	60,123	2.6	14,482	0.6	195,873	12.6
1	52,018									83,860	3.6
										587,257	.9
										674,555	100.0
										97,306	5.4
								3,197,206	57.4	52,834	1.0
										135,379	2.7
						71,727	10.1	83,298	11.7	557,417	78.2
						1,762,588	12.1	87,699	.6	1,763,395	12.1
										210,009	34.1
										434,858	86.1
										141,148	3.4
1,250,000	18.1									250,000	3.6
								165,662	6.6	21,461	.9
		2,757,622	11.6							205,226	3.0
						959,000	4.0	17,398,000	73.2	2,600,000	21.8
										62,160	1.5
								1,016,052	21.6	187,040	4.0
								122,010	11.9	791,024	77.6
										990,010	88.6
								26,831	7.5	128,720	35.8
										3,327,216	56.7
										130,508	13.7
										227,015	1.4
										760,710	88.4
										250,269	1.5
1,592,938	19.3	3,688,379	44.6	(11)				3,694,363	23.1	1,171,230	14.2
								652,421	7.9	294,897	95.2
										66,950	.2
								2,800	.6	15,833	3.3
								930,000	30.7	887,852	46.6
										150,750	3.2
								74,200	1.6	150,750	3.2
3,685,645	10.8			1,700,837	36.4			1,737,675	5.1	2,981,015	8.7
				3,805,950	10.3	410,174	1.2			109,937	4.9
										69,259	12.6
		3,415,696	37.4							325,623	5.5
										1,319,015	14.5
										672,041	.3
										442,000	7.7
								4,285	.4	1,032,068	99.6

¹¹ Proceeds of tax on gross earnings of freight car companies and corporation license taxes and one-half proceeds of inheritance and chain-store licenses.
¹² Proceeds of railroad taxes remaining after certain deductions are made.
¹³ Data for 1932-33.
¹⁴ Revenue derived chiefly from cigarette tax which was dedicated to the educational equalization fund.
¹⁵ Proceeds of State taxes on intangible property for schools.
¹⁶ Proceeds of corporation license fees on dealers in certain alcoholic beverages.
¹⁷ Proceeds of beer taxes from May 1, 1933, to June 30, 1934.
¹⁸ Proceeds of occupation taxes based on gross receipts.
¹⁹ Derived in part or wholly from State poll taxes for schools.
²⁰ A large part of this amount is derived from Federal oil royalties.



Only 17 States levied taxes on general property especially for public schools for the year 1933-34; nevertheless this source accounts for 9 percent of all State school revenue produced that year and it was next in importance, considering the amount of State school funds produced for the country as a whole, to the general fund appropriations. Kentucky depended chiefly upon general property taxes for her State school revenue, while less than 4 percent of such revenue came from earmarked general property taxes in Oklahoma and in Wisconsin. Attention has already been directed to the fact that much of recent school revenue-law revision has been for the purpose of shifting the public-school cost burden away from taxation of general property.

Ten States levy some form of income taxes for their public schools, as indicated in column 7, table 2. One of these, Massachusetts, obtained more than 83 percent of her State school revenue for the year from such taxes, South Dakota and Vermont each received more than 50 percent of theirs, while Texas received only 1 percent from a gross receipts tax which is listed in this table under income taxes.

Certain funds from motor fuel taxes are allotted to public schools in 4 States and from severance taxes in 5 States. (See columns 9 to 12, table 2.) Revenue from the taxes on motor fuel is a significant source of State school funds in each of the former. This is true regarding revenue from severance taxes in 4 States; in the fifth State which levies such taxes for schools the proceeds thereof constituted only 3.2 percent of the total State school revenue in 1933-34.

Three States levied general sales taxes for schools for the year 1933-34. (Columns 13 and 14 of table 2.) In each case the revenue derived therefrom constituted an important part of the State school fund. Special taxes on the sale of tobacco are levied for schools in each of 5 States, yielding a significant amount of revenue in each case, although the amount was not segregated in Ohio. The extent to which other special sales taxes are used for State school revenue is shown in column 17 of the table. In 3 of the 5 States reporting these other special sales taxes for schools, the levy was on alcoholic beverages; in the others it was on the sale of certain manufactured articles. Two States received 10 percent or more of their revenue for schools from liquor taxes for the year.

Proceeds of a number of different types of State taxes levied in part or wholly for schools are recorded in column 19, table 2, under one heading, because of the great variety of tax types. It will be noted that the taxes, the proceeds of which are listed in this column, are important sources of State school revenue in a number of instances. For example, public utility taxes in Michigan, corporation franchise taxes in Delaware, and railroad taxes in New Jersey constitute the major source of State school revenue. It will also be observed that

although less than half the States are represented in this column the sum total of these different taxes yielded more than 7 percent of all State school revenue in the United States for the year under consideration.

Included under the last heading are all State school revenues which could not be placed under preceding headings. The largest source of revenues included in this last column is, in most instances, the permanent State school fund. While some States provide practically no funds for their public schools except interest on their permanent school funds and rentals on their school lands, the sum total for all States from these sources is comparatively small. Nine States derived 75 percent or more of the funds for their public schools from such sources, while seven reported no such revenue (see table 2, column 22).

IMPORTANCE OF STATE APPORTIONMENT METHODS

The percentage of revenue for schools coming from State sources leaves much to be desired regarding school support in a majority of States. However, it is well known that much can be done toward equalizing school costs within a State by distributing State school moneys, even relatively small amounts, in a scientific and equitable manner. Attention has been called to the general equalizing effect of any and all State school moneys disregarding apportionment methods. We shall now attempt to show how the various apportionment methods effect equalization.

As pointed out above, only a few States provide sufficient revenue from the State as a unit for the support of their public-school programs. Tax rates for such revenue whether from a State tax or an appropriation from the general fund for schools are, of course, uniform throughout the State and presumably the burden is spread equitably according to the taxpaying ability of those assessed. About three-fourths of the States, some with comparatively small State school funds, attempt to equalize the school cost burden in the method of apportioning these funds. The remaining States provide funds for their public schools from the State treasury, in some instances comparatively large sums, thereby making the local school tax burden lighter, but the method of apportionment is such that equalization of the necessary local school tax rate is not realized. In other words, some States pay the entire cost of the approved program, some pay that part of the cost which any school district is unable to meet with the proceeds of a specified local tax levy—made uniform for the purpose throughout the State; five States use the valuation of the school district, or its tax receipts, as a measure of its need for State funds; while some apportion their State current school funds without regard to variation in ability to pay among the local school districts.

CHAPTER II: PUBLIC EDUCATION CHIEFLY AT STATE EXPENSE

Three States (Delaware, North Carolina, and West Virginia) pay either the entire State-approved cost of all public schools or of the principal items of the necessary expense therein with funds derived from State-wide sources. The Delaware plan was adopted in 1921 and has been in continuous operation since. The North Carolina Legislature in 1931 voted to pay for 6 months of school throughout the State and 2 years later (1933) for 8 months. The West Virginia Legislature decided in July 1933, to provide State funds sufficient to pay salaries, at the State schedule, of all teachers in the public schools for 4 months; at a later session (February 1934) it was voted to pay such costs for 8 months of school.

These 3 State school systems resemble others with respect to school administration and management. The function and authority of local boards of education in Delaware and North Carolina vary much as they do elsewhere according to the type of school district the board represents; in West Virginia there is no subdivision of the county school district. Regarding school budgets, the State, of course, exercises close inspection and supervision. Since no State would attempt to pay for an extremely expensive program which a community might desire, costs which the State is willing to meet are definitely stated in the law or fixed by State authorities; if a local district desires a more expensive school the excess cost must be borne locally. Due to the fact that these plans are unique among State school support systems they are explained in considerable detail below.

THE DELAWARE PLAN

Delaware, like North Carolina and West Virginia, did considerable experimenting in an attempt to devise a suitable plan for financing her schools. This was done at a much earlier date in Delaware, however, than in either of the other two States. During the period of experimentation, the county supplanted the small local district as the chief school revenue unit. But finally, in 1921, the State was made the unit for this purpose. Since that time the State has paid the approved cost of its educational program.

Administrative machinery.—At the head of the Delaware school system is a State board of education composed of 6 members appointed by the governor for 3-year overlapping terms. This board is required to maintain a uniform, equal, and effective system of schools throughout the State. The law centralizes considerable administrative authority over the schools in the State as a unit. There are at pres-

ent, however, 14 more or less independent administrative units one of which is the large city district of Wilmington the other 13 being smaller units designated "special" districts. The State unit itself, exclusive of the 14 independent units, is composed of about 200 small school-district units.

Each Special district and each small district has a board of education composed of 4 members, while the Wilmington city district has a board of 6 members. Since 1931 the law provides for the appointment of all school-board members by the resident judge of the county (in Wilmington, of the city) wherein the district is situated. The Wilmington board is practically independent of the State board of education except that it must submit a budget and other reports which the State board may desire. Special school districts have more local autonomy than the small districts regarding many educational and administrative matters. For example, the board of education of these larger districts under the general direction of the State board of education determines educational policies, grades and standardizes schools, selects and adopts courses of study, and selects and provides textbooks and supplies. On the other hand, in the small districts, except for the selection and employment of teachers, the State board has many of these duties.

Financial provisions.—Although schools are administered in Delaware much as they are elsewhere, that is, chiefly through local boards of education, school finance is highly centralized in the State as a single unit. In fact, 3 or 4 districts only, including Wilmington, have levied a local school tax in recent years. The legislature even provides funds for capital outlay expenditures and to retire school district bonded indebtedness. In the city of Wilmington, the funds received from the State are supplemented by an appropriation made by the city council. In other districts, the law provides that the local school board may, after a favorable vote at an election called for the purpose, levy a general property tax for school purposes; in 1933 three districts voted to levy such a tax. School funds raised locally amounted to 6.9 percent of all school funds produced in the State that year.

Each school board is required to prepare and submit annually an itemized and detailed budget to the State board of education concerning its proposed expenditures. Certain items in the budget, teachers' salaries, for example, must conform to the State schedule. The State board of education uses these local school-district budgets in preparing one for recommendation to the legislature for the State as a whole for the ensuing biennium.

It is evident that under the Delaware plan close supervision over school budgets and expenditures can be exercised by State authorities. This is particularly true in the small districts where all statements of expense, which cannot exceed budget allowances, must be approved

by the State board before payment is legal. It is interesting in this connection to note that all public-school funds in the State, except appropriations made by the Wilmington city council are handled through the State treasury.

The law of 1921 provided for the following named revenues for public-school support: (1) A uniform general property tax, (2) an income tax and filing fees for same, (3) a corporation tax, and (4) a franchise tax. In addition the income of the State's permanent school fund and certain minor revenues, such as penalties, go to the current school fund. The law also provided for appropriations from the State's general fund when necessary to meet the official school budget, that is, the one approved by the legislature.

The general property tax rate for schools was reduced by law in 1927 and eliminated in 1929. Other sources of State school revenue established in 1921 remain in effect at present, but income taxpayers were given 50 percent refunds in 1931 and an amendment to the law that year authorizes the governor to reduce the income-tax rate in future years to conform to the needs of the State school fund.

The following table shows the percentage of the total receipts for the support of schools from the various sources in Delaware for 1933-34:

Income tax and penalties.....	17.544
Corporation franchise tax.....	81.099
Corporation and capital invested tax.....	.0006
County property tax.....	.016
Miscellaneous.....	.022
Income from permanent school fund.....	1.319

In practice the legislature appropriates an amount which it decides is needed from the proceeds of these State school taxes for the support of schools. Therefore, funds earmarked for schools do not go automatically to the school fund. For the present biennium appropriations were made from the franchise tax proceeds for the State university, State college for Negroes, vocational education, and the State tax department.

The appropriation of \$3,188,128 made in 1933 for each year of the biennium July 1, 1933, to June 30, 1935, for public schools was restricted by the act to be used as follows:

For—	Not more than following percent
General control.....	5
Instructional service.....	72
Operation.....	10
Auxiliary and coordinated activities.....	3
Fixed charges.....	2
Capital outlay.....	3
Debt service.....	No part of total
Debt service and capital outlays separate appropriations were made.	
Matching the appropriation of the Federal Government for Smith-Hughes vocational education..	Not less than \$20,000

The amount remaining, after payments have been made for certain of the State-wide services named is distributed according to the enrollment of the previous year in each public school of the State as follows: \$81 per pupil in grades 10, 11, and 12; \$74.25 per pupil in grades 7, 8, and 9; and the remainder (amounting in 1933-34 to \$63.39 per pupil) according to enrollment in grades 1 to 6, inclusive.

The State superintendent of public instruction states in his annual report for the year 1933-34 concerning the Delaware plan of school support:¹

Fortunately for the schools, the plan of financing established in 1921 had by 1929 built up such a surplus in the school fund that the local districts were in that year practically freed from local taxes for school support and have since so continued. As a further result it has been possible to finance the schools without serious retrenchments, and at the same time continue a school-building program practically on the pay-as-you-go basis.

Substantial cuts have been made in expenditures for all school services with the exception of the cost of the transportation of school children which has increased from year to year since its beginning in 1919. The principal item of retrenchment has been in teachers' salaries. Teachers, as well as other employees of the State, receiving \$1,200 or under were required to take a cut of 5 percent, but no salary above \$1,000 was reduced below \$1,000, and no teacher receiving a salary of less than \$1,000 suffered any reduction of salary. Employees receiving from \$1,201 to \$3,500, 15 percent; and those above \$5,000, 20 percent. * * *

It should be noted to the lasting credit of those who set up our plan of financing in 1921 that no school in Delaware has been closed a day earlier than usual on account of the depression, no school service has been discontinued, no eliminations in the curriculum have been made, and no teacher or other employee has failed to receive payment in full for his services.

A separate appropriation of \$300,000 for transporting pupils to the public schools and \$5,000 to private schools outside of the city of Wilmington was made for each year of the biennium 1933-35.

THE NORTH CAROLINA PLAN

In 1931, after North Carolina had attempted for 30 years to equalize the costs of her mandated school program among her 100 counties, the local school-tax rates varied throughout the State from 21 to 86 mills. This wide variation persisted in spite of the fact that an equalization fund increasing from \$800,000 to \$5,250,000 had been provided during the last 10 years of the period mentioned. The difficulty in keeping school-tax rates uniform by means of the State equalization fund was due, according to the State superintendent,² to two principal factors. First, assessment valuation by which the ability of a local unit to support schools must be measured constantly fluctuate and, second,

¹ State department of public instruction. Annual report for the year ending June 30, 1934. State board of education. Dover, Del., pp. 12, 14.

² Allen, A. T. New school legislation in North Carolina. Address delivered at conference of State superintendents in Washington, D. C., Dec. 7, 1931.

school costs from which the measure of financial need must be derived do not continue on the same level.

The legislature in 1931 faced a difficult taxing situation with respect to education, owing to rapidly declining real-estate values. The general property tax, particularly land tax, had nearly reached the confiscatory stage in some sections. "The State found itself unable to increase the equalizing fund rapidly enough to fill the constantly widening gap between the richer and the poorer counties",³ writes the State superintendent. Consequently the legislature decided at that time to abandon the land-valuation basis as a measure of a county's ability to support schools and to rely wholly upon the basis of costs according to State standards, as the measure of need for State funds for 6 months of school throughout the State. The law of 1931, however, provided a fund of \$1,500,000 for each year of the biennium 1931-33 to aid districts unable with the proceeds of a uniform local tax rate to support 2 additional months of school. In 1933 the legislature placed the cost of 8 months of school on the State as a unit, thereby doing away entirely with the need for a local school tax for the State's mandated educational program.

Administrative machinery.—The State constitution provides for a State board of education and legislation enacted in 1933 provides for a State school commission. The duty of the former appears to be that of formulating general educational policies for the State school system, while the latter has general administrative and fiscal duties. A board similar to the State school commission had been functioning with fewer powers since 1927. The commission, as now constituted, consists of the Governor, Lieutenant Governor, State treasurer, State superintendent of public instruction, and 1 member appointed by the Governor for a 2-year term from each of the 11 congressional districts of the State. Beginning in 1935 these 11 members are to be appointed, 4 for 2 years, 4 for 4 years, and 3 for 6 years.

In 1931, when the new school code was formulated, each of the 100 counties and each of 95 cities of the State constituted an independent school administrative and revenue unit. Besides, there were more than 1,000 semi-independent units within the several counties. The 1933 law dissolved all school districts but provided that each county should again constitute a school administrative unit to be administered as formerly by a county board of education. The State school commission was given the duty of immediately dividing each county, with the advice of its board of education, into local school districts suitable for the convenient and economical operation of the schools. Any such local district having a school population of 1,000 or more and containing a school which under the old plan was independent, may be classified as a city administrative unit with powers

³ *Ibid.*

and duties similar to those of county administrative units. The State school commission has established 67 city-school districts.

Other important administrative functions vested in the State commission include the consolidation of schools and school districts, designating where elementary and where secondary schools for each race may be established, the number of teachers for each administrative unit to be included in the State budget, and the control of pupil transportation facilities and general supervision of transportation service. Since it is the purpose of the new plan to effect equalization and economy, a number of limitations and prohibitions are written in the law regarding the powers of State and local school officials. Among these is the provision that no elementary school may be established with fewer than 25 pupils or no secondary school with fewer than 60 pupils except for geographic or economic reasons.

The selection of teachers and other school employees and many details of administering the schools are functions of local school-district trustees. The selection and employment of school-bus drivers is vested in the principal or superintendent but subject to the approval of the board of education and county superintendent.

Financial provisions.—Legislation enacted in 1931, as already mentioned, provided for the support of all public schools from revenue derived from State-wide sources and an appropriation of \$16,500,000 for each year of the biennium 1931-33 was made. Since one purpose of the new plan was to reduce general property taxes, when the State assumed the financial burden of a 6-month school an attempt was made to secure sufficient additional revenue from indirect sources and thus avoid the ad valorem tax as a source of State revenue, but it was not possible to do so. It was found necessary to levy a general property tax of 1.5 mills in each county for State purposes during the biennium. However, property taxes actually were reduced 20.4 percent in the State for the year 1931 as a result of the 1931 legislation.⁴

The State superintendent reports⁵ as follows concerning the sources of funds provided for the 6-month terms for the year 1931-32:

State funds from indirect sources.....	\$11, 500, 000
State funds from ad valorem taxes.....	4, 350, 000
County funds, fines, forfeitures, etc.....	1, 320, 000
	<hr/>
	17, 170, 000

The 1933 legislature extended the State-supported term to 8 months and appropriated \$16,000,000⁶ from State funds for each year of the (1933-35) biennium. The 1933 law provides no State ad-valorem

⁴ Morrison, Fred. Property taxes and property tax relief in North Carolina. In *Taxation in North Carolina*. p. 37. University of North Carolina Extension bulletin, vol. XII, no. 4, November 1932.

⁵ Allen, A. T. North Carolina's school tax revolution. *Indiana teacher*, 76: 14-15, May 1932.

⁶ The law requires State and local school authorities to effect all economies possible in costs of general control, in operation of school plants, and auxiliary services. State authorities are also authorized to uniformly increase or decrease salaries to keep within the appropriation. Local officials have leeway within their approved budgets.

taxes, but provides a consumer's tax as an emergency measure in lieu thereof for the biennium as follows: (1) One twenty-fifth of 1 percent on wholesalers' gross sales with a minimum of \$12.50 for each 6-month period and (2) a 3-percent retailers' sales tax. In addition, certain annual license fees are required of each business engaged in selling articles subject to the tax. Income from the State's permanent school fund is added to other State school revenue.

Funds provided by the State are used for meeting the costs, as fixed by law or by properly authorized State officials, of items under: (1) General control, (2) instructional services, (3) operation of the school plant, and (4) auxiliary agencies. Salaries of county superintendents and of certain other officials are fixed by law. Salary schedules for the instructional staff are established and may be altered by the joint action of the State school commission and the State board of education. Auxiliary items include the transportation of pupils living more than 2 miles, or where feasible, those living more than 1½ miles, from school. The State supplied 68 percent of the school revenue for the year 1933-34.

Funds for the maintenance of school buildings and fixed charges are derived from the following county sources: Fines, forfeitures, penalties, dog taxes, and poll taxes and, if necessary, by a general county-wide ad-valorem tax. Funds for debt service and capital outlays are derived locally, as formerly, but new debts may be contracted and expenditures for capital outlays made only upon the approval of the State school commission.

Local autonomy regarding school costs.—The boards of education of any county⁷ or city administrative unit, with the approval of the tax-levying authorities in such unit and of the State school commission, may supplement State funds in order to operate the schools at higher than State standards. In no case, however, may the schools be operated for more than 180 days or for any period beyond the State-supported 8-month terms in any district when such district is in default in the payment of its bonds or other evidences of indebtedness are apparent.

Auditing school accounts.—Provision was made in the 1933 law for an audit in each school district of the State the costs of which are chargeable to the 1932-33 appropriation.

THE WEST VIRGINIA PLAN

The West Virginia public-school system consisted, previous to its reorganization in 1933, of 55 weak county systems and approximately 450 rather independent school districts within the counties. Schools

⁷ The law specifies certain counties which may not operate their schools for more than 8 months or levy general property tax for the 8-month term.

were supported by State and local district funds, but not by county funds. Regarding the State's provisions for school support the State superintendent of free schools in 1930 wrote:³

I will say that we are firmly convinced, and have been for many years, that there should be some radical changes in the present method of financing education. It is simply preposterous to expect a State whose wealth is as unevenly distributed as is the wealth of West Virginia to have a uniform system of education when we are raising 97 percent of the school revenues from property taxes assessed on local districts.

The West Virginia Constitution, like those of most States, provides a rather strong basis for supporting the public schools from State-wide revenue sources. Besides allocating the proceeds of a State poll tax and of State-imposed fines and forfeitures and the interest on the permanent State school fund it authorizes the legislature to levy general taxes, or otherwise provide State school revenues. Certain taxes, such as business licenses, have been levied and appropriations made from the State's general fund for the current school fund, but the major burden was carried by local ad valorem taxes, as indicated above. For the year 1931-32, local school districts provided 92 percent of the revenue for schools.

Depending to such a degree upon ad valorem taxes for the support of government resulted in extreme cases of hardship and inequality throughout the State. The situation became so acute that relief was sought at the November 1932 election in the form of a constitutional amendment which classified property for taxation and fixed maximum property-tax rates. Now this levy limitation amendment reduced the amount of proceeds which can be allocated to education from property taxes in the State to such an extent that it was necessary to obtain additional revenue from new sources of taxes, and, if possible, to place the administration of schools on a more economical basis. For illustration the average levy in the State before the amendment was 26.5 mills on the dollar, but the amendment limits the rates which may be levied on the four classes of property, defined by the amendment, not to exceed 5, 10, 15, and 20 mills, respectively.

The county school district law of 1933.—Faced by the situation described above, the legislature in special session in July 1933, as one remedial step, abolished all existing school districts and in their place made of each county a school district. That is, all territory, rural and urban, of each of the 55 counties of the State under the new law constitutes a single school district. There is no subdivision of any such district for school administration or for taxation.

³ Cook, William O. On the status of education in West Virginia. An address delivered before the constitutional commission. Charleston, W. Va., Apr. 18, 1930. pp. 17-18.

"To have continued the district form of organization and the same salary schedules," states⁹ the director of research in the State department of education," would have meant a decided curtailment of the length of the school term. In many of the poorer districts the school term without additional aid would have been reduced to less than 2 months, whereas some of the wealthier districts could have a 9-month school and still have considerable property upon which no tax would need to be laid. * * *

"By actual computation it was discovered on the basis of the minimum term (9 months) that from \$1,500,000 to \$2,000,000 more income would be available for taxes for school purposes if the county was made the unit of taxation rather than the district. This in itself was a strong argument in favor of the county unit, but it was not the main reason for its final adoption. The reason * * * was due to the fact that the Governor and the legislative leaders had a deep conviction that the rural children of the State were entitled to the same educational opportunities that the urban children were. * * *"

The new law abolished all previous boards of education and placed the title of all school property and the control of all educational affairs in each county in the hands of a county board of education consisting of five members. The law provides for the election of county board members for 4-year overlapping terms by the voters beginning with the general election in 1934; for the intervening period they were appointed by the State superintendent of free schools. Duties and authority of each county board of education extend to the selection of a superintendent of schools (except that county superintendents in office when the new law became effective serve the remainder of their terms), the appointment of all school employees upon the nomination of the superintendent, the establishment and consolidation of schools, and the transportation of pupils.

Financing the schools under the 1933 law.—In order to render additional financial assistance to the county school districts in lieu of the diminished property tax, the legislature in 1933 provided for the allotment of \$5,500,000 from a State-wide general sales tax. This amount with the usual revenues going to the general school fund of the State, it was thought, would pay the basic salary for 4 months for the number of teachers allotted by the law and provide additional funds for those districts unable with the maximum levy to maintain school at State standards.

The number of teachers is determined as follows: One elementary teacher may be employed for each 18 pupils in average daily attendance in counties having an average daily attendance of from 1 to 5 pupils per square mile; 1 teacher for each 22 pupils in counties having

⁹ Cavins, L. V. West Virginia's county unit system. State department of education, Charleston, [1933.] 8 p. Mimeographed.

from 6 to 9 pupils per square mile; 1 for each 25 pupils in counties having from 10 to 19 pupils per square mile; 1 for each 30 pupils in counties having from 20 to 39 pupils per square mile; and 1 for each 38 pupils in counties having 40 or more pupils per square mile. In cases where the evidence shows that additional teachers are necessary they may be allowed. This procedure reduced the number of teachers from that of the previous year by approximately 11 percent.

Salary schedules upon which the State bases payment were lowered by the 1933 law for 2 years. The reduction in minimum salaries ranges from 10 to 40 percent with the greatest reduction affecting the highest salaries.

State payment of salaries for 8 months.—When an interpretation of the meaning of the levy limitation amendment was necessary, the State supreme court ruled that all local governments must discharge all outstanding obligations before any revenue from the local tax levy may be used for current expenses. This interpretation made it impossible for certain county school districts which were heavily in debt to provide any local funds for current school costs. In the midst of the school terms of 1933-34 with State funds for 4 months salaries exhausted, the legislature again undertook to bring relief in order to keep schools open.

The result was that in March of 1934 the legislature in special session decided to extend State aid for teachers' salaries from 4 months, as provided in the original reorganization plan, to 8 months. Thus West Virginia within a year's time moved from almost wholly local support of public schools to entire State payment at the State schedule of the largest item of expense (teachers' salaries) for 8 months of school. During the same time, 55 county school districts have supplanted approximately 450 school districts some of which were very weak financially and unable to provide adequate school facilities. According to the State superintendent of free schools, provisions for equal educational opportunities are being realized for the first time in the history of the State.

CHAPTER III: SIGNIFICANCE OF APPORTIONMENT METHODS IN EQUALIZING SCHOOL COSTS

It is well known that the revenue-producing ability of localities within a State varies greatly in relation to their public-service needs. If localities were alike in this respect, taxation would be a simple matter, and a State's educational program could be financed locally with a uniform burden for all. Since they are not alike, State funds for the partial support of education alleviate but do not overcome the difficulty unless this relationship between taxing ability and need is made a basis of apportionment. However, a majority of States, as stated in chapter 1, do take into account the ability of local districts to support schools when apportioning some or all State school funds. This section deals with plans for school finance in such States.

Owing to the fact that local governmental units are obliged to rely chiefly upon property taxes for the production of revenue locally, the ability of a school district to support education may be determined by comparing the proceeds of its general property tax at a given or maximum rate, together with other funds in its possession, with the cost of the school program. The computation involves such questions as minimum programs, unit costs, pupil-teacher ratios, salary schedules, and assessable valuations and consequently is somewhat complicated. The process of determining costs is, of course, exactly the same as it would be if the State were to bear the entire burden.

Since in most cases State aids variously apportioned go to school districts, the amount necessary to raise by local taxation is usually less than the cost of the educational program. There is scarcely a State which does not apportion school funds to districts on bases other than actual financial need for outside assistance. Among these bases are school census, average daily attendance, and a large number of grants, such as, teacher, transportation, tuition, special education, and the like. Each basis probably was considered a particular measure of educational need at the time it was written into the law or fixed by official ruling. They may be fairly good measures at present, but educational need must not be confused with lack of ability to pay.

Educational needs are present wherever children are found, but it does not necessarily follow that such needs are impossible of fulfillment by means of local financial resources. The one measure of a school district's ability to meet its financial obligations is its revenue-producing ability. With information of this kind at hand, the State may know which districts can and which cannot support schools. The information will also reveal the variation in burden (range of tax rates)

among its school districts necessary to maintain school. And the way is open for adjustment or equalization.

Fifteen years ago the ability of a local district to support schools had not been used to any great extent as a basis for the allotment of State aid. Since that time one State after another has come to a realization that many school districts even with a maximum local effort and indefinite State aid cannot maintain school of an approved type while others can do so with little local effort. Consequently nearly three-fourths of the States now provide funds for the specific purpose of overcoming such inequalities among their school districts. These funds are known as educational equalization funds.

A general prerequisite to participation in the proceeds of an education equalization fund is that the local school district shall levy a specified rate of school tax to provide its share of the cost of the minimum education program which the State considers desirable and necessary for all schools. If the proceeds of the local school tax with revenue from all sources are not sufficient in any district to support the program designated by the State, the State equalization fund is drawn upon for the deficit.

The theory is, as pointed out above, that all school districts will raise funds locally according to their ability, but that in doing so no district will need to pay a higher rate of tax than that designated by the State and presumably no higher than any other district of the State. If the tax rate prerequisite for school districts to levy in order to participate in the State-equalization fund has been properly determined and the fund is adequate, they will share the cost of the minimum program under this plan in an equitable manner. However, few States have succeeded in completely equalizing the local burden under the plan.

Since a primary purpose of an equalization fund is to distribute the costs of a minimum education program uniformly among the districts of the State, it is essential that the tax levy required in districts participating in the fund be no higher than that necessary to support the program in the wealthiest district of the State. The State fund guarantees that the educational facilities shall not be less than the stated minimum in any district; if equalization of costs is to prevail, it must also guarantee that the local school-tax rate need be no higher in one district than in any other. When, in order to receive the equalization aid, districts with low-taxing resources must levy a high, or the maximum, tax while wealthy districts are able to raise sufficient funds for the foundation program with a nominal tax levy, equalization has not been effected.

TABLE 3.—TAX RATES USED BY 30 STATES IN 1933-34 AS MEASURES OF LOCAL ABILITY TO SUPPORT SCHOOL, AND ABOVE THE PROCEEDS OF WHICH THE STATE PAID APPROVED COSTS, AND CERTAIN RELATED DATA

State	Tax rate (in mills on dollar) used in—		Maximum legal rate (in mills on dollar) for current expenses in—		Percent assessed valuation is of true valuation in practice ²		
	Local districts	Counties ¹	Local districts ³	Counties	Real property	Personal property	Other property
1	2	3	4	5	6	7	8
Alabama.....	3	4	3	4	60	60	60
Arkansas.....	18		18		30	20	
Colorado.....	5	5		5	100	100	100
Georgia.....		5		5	50	25	50
Idaho.....	3	(⁴)	10		50	50	50
Illinois.....	10		20		60	60	60
Indiana.....	5		10		100	100	
Kansas ⁵	10		6 ⁶		100	100	100
Louisiana.....		3		3	100	100	
Maine.....	(⁷)				100	100	
Maryland.....		4.7			100	100	
Michigan.....	3		(⁸)		100	100	100
Minnesota.....	20		30		38	(⁹)	
Mississippi.....		5		10	60	60	60
Missouri.....	2		6.5		80	80	80
Montana.....	12	6	10	8	30	(¹⁰)	40
Nebraska.....	8		8		75	75	
Nevada.....	2.5	7	2.5		60	60	
New Hampshire.....	5				100	100	100
New York.....	0.6 or 4 ¹¹				83	100	
Ohio.....	8	2.65	15	2.65	100	100	
Oklahoma.....	15		15		100	100	
South Carolina.....		3			25	25	
South Dakota.....	15		15		80	80	80
Tennessee.....		11.5			75	75	75
Texas.....	5		7.5		60	60	
Utah.....		5.5		9-12 ¹²	100	100	100
Virginia.....		11.5		11.10		100	
West Virginia.....		1.5-6.6		1.5-6.6	100	100	100
Wisconsin.....	2.4-4	(¹⁴)	4		100	100	100

¹ In some States the yield of a county tax, as well as the local school-district tax, is used as the basis for determining the local need for State funds.

² Applies to school districts in rural areas only.

³ Data from U. S. Bureau of the Census, Financial Statistics of States, 1930, p. 122. While these percentages probably do not give an absolutely accurate basis of assessment in all instances, according to officials in the Bureau of the Census, they indicate the wide variations in fixing assessment values. Comparable data are omitted from later reports.

⁴ Each county must levy a tax which will produce the difference between the cost of the foundation program and the sum of the 3-mill local-district revenues and all available State school funds.

⁵ The Kansas law providing for State equalization of school costs above a 10-mill local school tax has never been put in operation.

⁶ May be increased by vote of electors.

⁷ Rate equal to or exceeding the average for the State.

⁸ Rate for all governmental purposes not to exceed constitutional 15-mill limitation without special consent of the voters. Consequently maximum school-tax rate depends upon budget needs in relation to other governmental needs.

⁹ Basis varies for certain classes of property.

¹⁰ New York uses the theoretical yield at the uniform tax rate on the full, or 100 percent value of a district's property in computing the amount of State equalization funds to apportion the district and uses 9/10ths of a mill tax rate in all districts except 1-teacher districts where a 4-mill rate is used.

¹¹ Tax rate for elementary school purposes sufficient to produce 80.5 percent of the amount which a 5-mill tax levy yielded in 1931 and a 3-mill levy for secondary school purposes in counties having one high school each.

¹² City or county school district.

¹³ Equalization actually based upon ruling of State board of education.

¹⁴ The county provides \$250 per elementary teacher.

The equalization feature, or provision for apportioning State school funds on the ability-to-pay basis, is of comparatively recent development in State school-support systems and few States use this method exclusively. These facts probably explain, in part at least, why the local tax levy requirement in State equalization plans has usually been placed high. Nevertheless, any such plan indicates an attempt to establish equalization of the school cost burden and doubtless does raise educational standards throughout the State. The foregoing table shows the local tax rate required by States in 1933 for local district participation in equalization funds (table 3). The range extends from six-tenths of a mill in New York State, for all but one-teacher districts, to 20 mills on the dollar of assessed valuation in Minnesota.

When noting the rate of general property tax required of school districts in a State for participation in the State's equalization fund, or as the measure of a school district's ability to support school, as compared to the rate required for this purpose in another State, it should be borne in mind that the ratio of assessed valuation to true valuation upon which the tax is levied affects the significance of such rates. For this reason column 5 of the table shows the percent which taxable valuations, according to practice in the various States, are of true, salable, or actual valuations, as reported by the U. S. Bureau of the Census.¹

Probably another means of determining whether the required school district tax rate for participation in the State equalization fund is actually high or not is to compare such tax rate with the maximum local school district tax rate permitted under the law. Column 4 of the table shows these maxima rates.

In the light of the foregoing explanation, it is evident that State school equalization plans have developed along somewhat different lines. In fact no two are exactly alike. Their essential difference, however, is in the degree to which the State goes in setting up a program the cost of which is to be equalized or in the degree to which the costs are actually equalized among school revenue units of the State. The following descriptions illustrate plans which provide (a) for the distribution of sufficient State funds to equalize the cost of a minimum program above all other available revenue, including proceeds of a low local tax levy; (b) for the distribution of sufficient State funds to equalize such cost above all other available revenue, including the proceeds of a fairly high local tax levy; (c) for the distribution of the proceeds of a specified State tax to equalize such cost above all other available revenue, including the proceeds of the maximum local tax levy; and (d) for the distribution of certain State

¹ U. S. Department of Commerce. Bureau of the Census. Financial Statistics of States, 1930. p. 123.

funds to guarantee a specified salary for teachers when all other available revenue including the proceeds of a stated local tax levy is insufficient.

EQUALIZATION ABOVE THE PROCEEDS OF A LOW LOCAL SCHOOL TAX LEVY

The New York plan.—In a report prepared in 1932 by the Research Staff of the New York State Commission for the Revision of the Tax Laws these lines appear:²

The foundation underlying the New York system of educational finance is the equalization principle. According to this principle the State shall determine an acceptable minimum standard of educational opportunity below which no district shall be permitted to go and shall provide a financing system so developed that the burden of support of the minimum program shall fall equally on the people in all communities of the State.

State funds appropriated from the general fund of the State for the support of common schools are apportioned in large part according to the State's plan for equalizing costs in the manner outlined below. Other apportionment bases are used, but to a comparatively limited extent.

1. The sum of \$1,500 is allowed for each elementary teaching unit and \$1,900 for each high-school, part-time, or continuation school teaching unit.
2. From the amount, determined as indicated in (1), for each district employing two or more teachers, there is deducted the proceeds of a six-tenths of a mill tax on each dollar of actual valuation of the taxable property in the district; and for each district employing one teacher only, there is deducted the proceeds of a 4-mill tax. The balances remaining after such deductions, if any, are apportioned and paid to the districts entitled thereto by the State.
3. The number of teaching units are determined as follows: (a) *Elementary grades*—One teaching unit is allowed for each 1-teacher district. In a district employing more than 1 teacher and having an average daily attendance of 135 or less, 2 teaching units are allowed for the first 40 pupils in average daily attendance and 1 for each 32 pupils in excess of 40; if the attendance is less than 40 the actual number of teachers not to exceed 2 may be allowed. In a district whose attendance exceeds 135 pupils 1 teaching unit is allowed for each 27 pupils. (b) *Secondary grades, part-time, or continuation classes.*—In a district having an average daily attendance of less than 35 pupils, 2 teachers are allowed for the first 20 of such pupils and 1 for 15 additional pupils. In a district having an attendance of 35 or more pupils, 3 teachers are allowed for the first 35 pupils and 1 teacher for each additional 22 pupils.

The pupil-teacher ratios which are fixed by law, may be changed by the State board of regents as occasion demands. In addition, the State commissioner of education has certain leeway in apportioning

² Research staff. New York State commission for the revision of the tax laws. State support for public schools in New York as related to tax relief and educational expansion. Memorandum no. 2. (Albany, N. Y., 1932.) The Commission. pp. 37-8.

State funds to care for atypical cases of school attendance. However, there are limitations regarding the maximum apportionment which a district may receive. The apportionment is limited to the excess expenditures above all available revenue of the district, including the proceeds of a specified local tax levy and revenue from all other sources except that all districts are entitled to a minimum allotment per teacher.

New York State equalizes school costs on a low local tax requirement in all but 1-teacher districts. If the costs of a satisfactory educational program are accurately measured by the amounts stated in the law, the State has gone far in the direction of equalizing such costs in the large districts. A higher rate would be less likely to equalize.

EQUALIZATION ABOVE THE PROCEEDS OF A MEDIUM LOCAL TAX LEVY

The Maryland plan.—The Maryland plan for school administration and support contains a number of interesting features and, judged by the manner in which it has functioned during the past 10 years, it is one of the most successful to be found. The State school system consists of only 23 county school districts and 1 city school district. Each of the 23 counties constitutes, as does the city of Baltimore, a single unit for school administration and finance and there is no division of any for the purpose of raising school revenue. Each county school system is administered by a single board of education.

Recently the State has been contributing a little more than a fifth of the revenue used by the schools. For the year 1933-34, however, the amount of State funds increased approximately a million dollars, or 30 percent, over that of the previous year. The total for 1933-34 amounted to \$4,568,926 apportioned as follows: On the school census and aggregate days of attendance basis, \$1,800,000; for reduction of county school taxes, \$1,500,000; for certain specifically designated purposes, \$960,140; and for equalizing the cost of the minimum educational program above a 4.7-mill county school tax, \$303,786.

Previous to 1931 certain State taxes were levied especially for the schools. Since then, however, all State revenue for the public schools has been appropriated from the general fund of the State. State revenue is derived chiefly from general property, corporation, license, and inheritance taxes and earnings of various State departments.

The equalization fund has been provided since 1922. Previous to that time a considerable sum of money had been provided for the schools by the State and distributed on bases indicated above, but none had been used to guarantee minimum educational facilities in counties with low financial ability. When the equalization feature

became a part of the State plan for school support, the provision for funds to be distributed on the then existing bases were retained in the law and additional funds were provided for equalization purposes where necessary.

For the purpose of determining the school cost which is to be equalized, the State sets up a minimum salary schedule for a specified number of principals and teachers. The law then provides that not less than 24 percent of the school budget, excluding expense for transportation, debt service, and capital outlay, shall be for purposes other than teachers' salaries. The cost of the current expense budget, excluding transportation, of the minimum program, therefore, is found by dividing the minimum salary budget by 76 and multiplying the result by 100. To this result the entire cost of transporting elementary pupils and one-half that of transporting secondary pupils is added for the total cost of the minimum educational program.

The equalization aid goes to any county whose school revenue derived from a 4.7-mill (6.7 mills prior to 1933) county general property tax plus all other forms of State aid apportioned to it is not sufficient to meet the cost of the minimum program. Lowering the required tax rate for counties participating in the equalization fund from 6.7 mills to 4.7 mills was made possible by legislation in 1933 as an emergency measure which temporarily reduces costs and provides a large State appropriation for the purpose of reducing county school levies for current expenses in all counties, rather than by increasing the amount of equalization aid. In fact a smaller amount of equalization aid was needed as a result of the new fund which is distributed to counties on the basis of their 1930 population.

The present requirement of 4.7-mill school tax for county school districts participating in the State equalization fund appears somewhat high when compared with similar requirements in a few other States. Some counties were able to operate their schools on a lower tax than the 6.7 mills when that was the rate required of counties participating in the equalization aid, consequently the local financial effort necessary to support the minimum program had not been equalized. If no county levies less than 4.7 mills under the new plan it will indicate equalization, so far as local taxation is concerned, has been effected. It is pertinent in this connection to call attention to the fact that equalizing school costs among the 24 school districts of Maryland is a simpler matter than it is to equalize such costs in a State having 7,000 or more school taxing units. The Maryland county school tax is for the support of all schools within the county; in a county of a State where the small school district prevails, there may be 200 or more school districts each making its own levy low or high depending upon its taxable wealth.

DISTRIBUTION OF FUNDS FROM A SPECIFIED STATE TAX TO EQUALIZE SCHOOL COSTS ABOVE ALL OTHER AVAILABLE FUNDS, INCLUDING THE PROCEEDS OF THE MAXIMUM LOCAL SCHOOL DISTRICT LEVY

Several States provide equalization funds to guarantee school facilities of specified standards for all communities, but they require local school districts to exert the maximum effort permissible under the law before such funds may be used. In some of these States the equalization funds are limited to the proceeds of certain taxes. The Arkansas plan offers a good example, for it contains both of these features; consequently it is explained here.

The Arkansas plan.—The State school-support system of Arkansas provides three units for the production of public-school revenue. The State itself carries approximately a fifth of the financial burden, the county carries a much smaller share, while the local district raises nearly three-fourths of the funds used by the schools. With an estimate of the amount of funds which may be expected from State and county sources, local school-district taxpayers make a levy within the legal limitation on property in the district subject to local taxation sufficient to maintain school. School funds from county sources are derived from poll taxes, fines, and certain minor revenues. Certain State school funds coming to the county, however, are added to the county school funds before apportionment is made to local school districts.

Arkansas has three State school funds which contribute to the annual needs of the public schools. They are (1) the permanent school fund, (2) the common school fund, and (3) the equalization fund.

The permanent fund derived chiefly from the sale of school land granted to the State by the Federal Government amounts to approximately \$1,500,000. Money in this fund is used by the State chiefly in making loans to school districts for building purposes. Income derived from it is placed, as explained below, in the State's common school fund for annual distribution to the several districts.

The common school fund was derived in 1933-34 from (a) a 3-mill State general property tax; (b) income on the permanent school fund; (c) two-thirds of the proceeds of the State severance taxes on natural products; (d) the first \$750,000 and one-half of any amount above \$1,500,000, of the proceeds of taxes on cigars and cigarettes; and (e) certain minor miscellaneous sources. This fund, which in 1933-34 constituted practically all State school moneys, is apportioned to the several counties annually for the several schools of each county on the basis of scholastic population.

The equalization fund is derived, as the law is now interpreted, from (a) 50 percent of the proceeds of the cigar and cigarette taxes; (b) \$750,000 of the proceeds of State income taxes, if there are sufficient proceeds for this purpose, after a sinking-fund demand has been met for a State hospital debt which has a prior claim on the income-tax proceeds; and (c) certain minor State fees. The fund is distributed under rules and regulations of the State board of education to districts which are unable to support school on all available revenue including the proceeds of a local 18-mill (the maximum permitted) general property tax.

It should be noted that the revenue for the State's equalization fund is limited chiefly to the partial proceeds of two types of taxes, while the common school fund is derived from various sources. During the last 2 years revenue for the equalization fund has been insignificant. As a result, the State's guaranty to supply the additional funds necessary in any district which cannot support a school program after making the maximum effort, has not functioned and many schools have suffered.

Legislation enacted in 1935 provides for a new source of State school revenue for 1935-36. This is a State retail-sales tax, 65 percent of the proceeds of which are allocated to the common school fund. As pointed out above, however, that fund is distributed on the school-census basis rather than according to the actual needs of the districts.

DISTRIBUTION OF CERTAIN STATE SCHOOL FUNDS TO GUARANTEE TEACHERS' SALARIES

The Colorado plan.—Colorado provides for public-school support from State, county, and local school district sources. Regarding the relative amounts of funds produced, however, these three units for school revenue rank in importance in the reverse order from that in which they are named. The State levies no annual tax or makes no appropriation³ for general school purposes. State funds for annual apportionment to the public schools are derived from a permanent school fund and State school land rentals. Each county is required to levy a county-wide general property tax not to exceed 5 mills on the dollar of assessed valuation for the payment of teachers' salaries within the county. Local districts are required to levy a school tax of at least 5 mills, if they participate in State school funds, and they are authorized to levy up to 20 mills to supplement funds from the county for salaries for their teachers and to use for other school purposes. By reference to table 1 it will be seen that State funds accounted for 3.6 percent of the public-school revenue in 1933-34,

³ Appropriations are made for the State's general fund for vocational education and usually for certain welfare work of an education nature.

county funds for 24.1 percent, while local districts provided 72.3 percent.

The State's permanent school fund, derived in large part from the sale of school land granted to the State by the Federal Government at the time of statehood, amounted to \$10,756,978 in 1934. Unsold school land exceeds 2,000,000 acres. Interest and rental from these two sources, with the addition of certain minor sums derived from fines and sales of unclaimed property, for distribution to the schools in 1933-34 amounted to \$674,555.

Apportionment of State school funds.—If in any county the proceeds of a 5-mill general property tax is not sufficient to pay all teachers allowed at the State's salary schedule, the necessary amount to make up the deficiency is appropriated from the public-school income fund (interest on permanent school fund) of the State. Salary needs for teachers in a county are determined by legal formulas. Each school district is entitled to one teacher. The number of teachers for a district which employs more than one teacher is determined by pupil-teacher ratios written in the law. The salary guaranteed by the State is \$75 per month for a term not to exceed 9½ months annually.

After payments for teacher-salary claims and certain minor allotments have been made, the remainder of the public-school fund of the State is apportioned to each county in the proportion that its number of children between the ages of 6 and 21 bears to the entire number of these ages in the State. However, as indicated in table 2, owing to the financial emergency the need for State funds to guarantee the payment of teachers' salaries, where a 5-mill county-wide tax was inadequate, was so great that the major portion was allotted on this basis. Under normal financial conditions the State school money is distributed chiefly on the school census basis.

Although the Colorado plan which guarantees minimum salaries for teachers differs in many respects from the plan in Arkansas described on the immediately preceding pages, the two plans have an essential element of resemblance. It is the provision in both plans that local revenue units (the county in Colorado and the smaller local school district in Arkansas) must exhaust their financial resources before the State funds become available to them. In other words neither Colorado's fund to guarantee specified salaries for her county teachers nor the Arkansas fund to equalize educational costs among her school districts may be used in any county or school district which can, by levying the highest legal tax, pay the prescribed costs. However, the local school district in Colorado, that is the district within the county, is not required to levy the maximum rate of school tax in support of the foundation program as is true of the small district in Arkansas. Consequently, the locality in Colorado

with limited funds has leeway to exceed the foundation program which the one in Arkansas does not have.

The Colorado law which provides a salary guarantee fund does not, of course, state that salary costs are to be equalized, but sometimes the inference is that it does. On the other hand, the Arkansas law which provides a fund for distribution to weak districts is designated as the State equalizing fund. To guarantee is probably a more accurate term to use than the term to equalize, in connection with State school funds of the kind under discussion. As explained on page 23 a State fund to equalize educational costs must either be sufficient to pay the entire cost or be distributed to pay that part of the cost above the proceeds of a very low local tax levy.

Column 4 of table 4 indicates the number of States which provide State funds to guarantee educational facilities of specified (usually minimum) standards where needed, but require local school districts to exhaust their local revenue-producing ability in order to receive the State aid; by comparison it will be evident from the data in columns 2 and 3 that some States do not require the exhaustion of local revenues. Aside from the fact that wealthy school districts may be paying far below the maximum for excellent school facilities, when the State requires a district to exhaust its local revenues toward the support of the State's prescribed program, it is evident there will be no opportunity in that locality to exceed, or vary from, the State's requirement. With this view of the situation data revealed by table 3 become highly significant.

Column 3 of table 4 shows the amount of State school funds distributed in 1933-34 by each of 31 States to school districts on the basis of their ability to support school as measured by the proceeds of a stated tax rate. The percentages which these equalization funds were of the total State funds distributed to the public schools by the respective States that year are indicated in column 4. These range from less than 1 percent in Vermont to 100 percent in Idaho and New Hampshire. While 20 of the 31 States distributed less than a fourth of their school funds on this basis only 6 distributed as much as three-fourths. For the country as a whole, 29.5 percent of State school funds were so distributed.

Five States, as indicated in columns 5 and 6 distribute funds on the basis of local ability to support school as measured by school district valuation or tax proceeds. The State apportionment varies in amount inversely with the school district valuation, as in Pennsylvania, or tax proceeds as in Connecticut.

TABLE 4.—AMOUNT AND PERCENT OF STATE SCHOOL FUNDS APPORTIONED TO LOCAL DISTRICTS IN 1933-34, ACCORDING TO BASES INDICATED

State	Total amount apportioned	AMOUNT AND PERCENT OF ALL FUNDS APPORTIONED ON BASIS OF—							
		ABILITY OF DISTRICT TO SUPPORT SCHOOL AS MEASURED BY—				SCHOOL CENSUS OR SIMILAR MEASURE		ALL OTHER MEASURES	
		Proceeds of a stated tax rate		Valuation or total tax proceeds		Amount	Percent	Amount	Percent
		Amount	Percent	Amount	Percent				
1	2	3	4	5	6	7	8	9	10
Alabama	\$5,528,011	\$539,494	9.7			\$4,127,543	74.7	\$860,974	15.7
Arizona	1,551,338					1,551,338	100.0		
Arkansas ¹	2,157,246					2,157,246	100.0		
California	69,070,223					69,037,236	99.9	2,132,987	3.1
Colorado	674,555	549,494	81.5			103,633	15.3	21,428	3.2
Connecticut ²	1,810,743			\$806,248	44.5	921,151	50.9	83,344	4.6
Delaware	5,019,968					5,072,325	61.2	1,947,643	38.8
Florida	5,039,178					5,039,178	100.0		
Georgia	6,151,334	2,568,123	41.7			3,583,211	58.3		
Idaho	709,563	709,563	100.0						
Illinois	10,900,000	1,607,335	15.1			8,177,371	77.2	815,294	7.7
Indiana	14,539,837	1,948,220	13.5			11,708,869	80.5	882,748	6.0
Iowa	615,205	72,000	11.7			210,009	34.1	333,196	54.2
Kansas	504,858					434,858	86.1	70,000	13.9
Kentucky	4,319,232					4,319,232	100.0		
Louisiana	6,200,000	900,000	17.0			5,300,000	83.0		
Maine	2,508,679	125,000	5.0			575,987	23.0	1,807,692	72.0
Maryland	4,570,927	308,786	6.8			3,550,000	77.6	712,141	15.5
Massachusetts ³	6,976,753			1,290,699	18.4	5,560,472	79.8	125,582	1.8
Michigan	24,390,734	2,228,360	9.2			21,198,900	86.9	963,474	3.9
Minnesota	11,923,758	1,960,000	16.4			5,500,000	46.2	4,463,758	37.4
Mississippi ⁴	4,220,160	1,800,000	42.6			2,160,000	51.2	260,150	6.2
Missouri	4,700,816	3,684,764	78.4			1,016,052	21.6		
Montana	1,032,021	156,162	15.1			848,000	82.1	27,869	2.8
Nebraska	1,116,830	50,000	4.5			990,010	88.7	76,820	6.8
Nevada	332,586	27,933	8.4			285,882	86.0	18,771	5.6
New Hampshire	350,000	350,000	100.0						
New Jersey	5,867,395	179,428	3.1	2,671,195	45.5	987,837	16.8	2,028,935	34.6
New Mexico	949,023					949,023	100.0		
New York ⁵	103,938,974	99,348,640	95.6					4,590,334	4.4
North Carolina ⁶	16,277,015					16,277,015	100.0		
North Dakota	866,710					866,710	100.0		
Ohio	10,027,433	5,528,477	54.5			9,606,519	59.9	892,437	5.8
Oklahoma	8,293,025	1,420,018	17.1			5,981,986	72.1	891,021	10.8
Oregon	309,699					294,897	95.2	14,802	4.8
Pennsylvania	30,533,532			23,172,164	92.3			2,361,368	7.7
Rhode Island	453,773					384,925	85.0	68,848	15.0
South Carolina	3,002,560	2,768,560	92.2					234,000	7.8
South Dakota	1,904,843	73,295	3.8			1,831,548	96.2		
Tennessee	4,563,361	1,436,449	31.5			2,945,220	64.5	181,692	4.0
Texas	33,995,210	3,000,000	8.8			25,210,432	74.2	5,784,778	17.0
Utah	3,482,414	238,065	6.8			3,244,319	93.2		
Vermont	429,300	3,000	0.8	165,000	38.4			261,300	60.8
Virginia	5,951,791	700,000	11.8			4,478,768	75.2	773,033	13.0
Washington	9,129,918					9,129,918	100.0		
West Virginia	10,146,103	243,763	2.4			9,904,340	97.6		
Wisconsin	5,758,000	1,089,000	19.0			442,000	7.6	4,227,000	73.4
Wyoming	1,036,353					804,368	77.6	231,985	22.4
Total	458,591,957	139,613,959	30.5	23,105,306	7.3	359,662,918	78.5	35,140,404	8.2

¹ Statutory provision for an equalization fund, but no revenue was available for the fund in 1933-34.

² Distribution partly estimated.

³ Includes building fund estimated at \$1,625,000.

⁴ Instruction unit basis.

⁵ Amount subject to four specified deductions.

⁶ Data for 1934-35.

⁷ Includes oil royalty paid to the State from the Federal Government.

⁸ Data for 1933-34.

⁹ All items of cost except maintenance of plant and fixed charges are paid by the State.

It is apparent by reference to column 8 of the table that most States depend upon the scholastic basis as the chief measure in determining where to distribute State school funds. Thirty-five States use this basis for the distribution of 50 percent or more of their funds, while 13 distribute 90 percent or more of their State school revenue on such basis. Considering the 48 States, we find that 55 percent of all State school funds go to local districts, according to the number of children, or a similar measure, in each. Those States which finance their schools chiefly on revenue produced on a State-wide basis naturally distribute funds where the children reside irrespective of the local wealth.

Funds listed in column 9 under "All other measures" are distributed as subsidies to promote various educational projects, for buildings, for pupil transportation, and for other special projects which the State desires to promote.

CHAPTER IV: RECENT INCREASES IN STATE FUNDS FOR EDUCATION AND METHODS OF APPORTIONING THE INCREASE

There appears to be a definite trend in recent legislative action relating to public-school finance throughout the United States toward State assumption of a greater part of public-school costs. This movement, although not of recent origin (see ch. I), is much more in evidence in legislation enacted since 1930 or during the present industrial depression. The North Carolina plan, which goes farther than any other in this direction and which was inaugurated in 1931, and the revised plan in West Virginia have already been explained (see pp. 15-21). Among other States which have recently made provision for significant increases in the amount of revenue from State-wide sources for their public schools are Arkansas, California, Florida, Illinois, Indiana, Kentucky, Louisiana, Michigan, Minnesota, Montana, Ohio, Oklahoma, South Carolina, Texas, Virginia, Washington, and Wyoming. Some of the increases were provided for in 1933 (see table 1). Some were provided for in 1934, and others in 1935. A number of States revised their plans in 1933 and again in 1934 or 1935.

A review of the legislation relative to the movement toward increased State support for public schools reveals the fact that in most cases the provisions for apportioning the additional funds disregard the variations in ability of local districts to support school. Some of the States, as California and Washington, which now pay a larger share of their public-school costs than previously, had not been nor are they now distributing State school funds so as to equalize the costs of an acceptable, or fundamental, program among their local districts; others, as Arkansas and Indiana, had been distributing funds on this basis to some extent and continue to do so, but use other bases in apportioning the new funds; while at least two States, Florida and Virginia, which had used this basis no longer do so.

The plans for public-school support of two States which have recently provided for increases in the amount of State revenue for their schools are described in this chapter. In order to point out the changes, the old plans are compared with the new. Provision is made in one of these States, but not in the other, for equalizing the costs, above a specified local tax levy, of a fundamental school program among local districts. In one, California, the increase was provided by an amendment to the State constitution in 1933; in the other, Ohio, by acts of the legislature in 1934 and 1935. Consequently, data in

tables 1 and 2, which are for the school years 1933-34, reflect the increase under the new provisions in California, but not in Ohio.

THE CALIFORNIA PLAN

For a number of years previous to 1933 California provided revenue for her public schools from three taxing units: The State, the county, and the local school district. (The local school district prevails in California as the paramount school administrative unit. The county is a unit for supervision of smaller schools, school budget approval, and certain additional minor functions only.) The State provided an amount equal to \$30 per pupil, based on the preceding year's average daily attendance in elementary and secondary grades, and in addition an amount sufficient to pay specified costs in certain special schools and annual legislative appropriations for junior colleges and for vocational education and rehabilitation. The county provided an amount equal to at least \$30 per elementary pupil and \$60 per secondary school pupil. The local school district provided sufficient additional funds to meet the needs of approved budgets including those for kindergartens. A constitutional amendment adopted in 1933 and subsequent legislation transferred the burden formerly required of the counties to the State.

California now supplies nearly 50 percent of the public-school revenue from State-wide sources. For the year 1929-30 the State funds amounted to less than 26 percent (see table 1). This revenue is derived chiefly from (1) the annual income from the State's permanent school fund and school land and allotments to the State from the sale of Federal land within the State; (2) income allotted to the State from Federal mineral lands in the State, which is supplemented by legislative appropriations for junior colleges; and (3) a sum from the State's general fund which is sufficient to amount to at least \$90 per pupil in grades 9 to 12¹ and sufficient when added to the revenue derived from the source indicated in (1) to amount to at least \$60 per pupil in grades 1 to 8.¹

California levies no State taxes especially for schools, but the constitution gives the public schools first claim on all State revenue. The legislature may levy a general property tax, but in past years it has not done so. State revenue has been derived chiefly from taxes on the gross earnings and franchise values of public utilities, inheritance, and various minor bases. Recently, however, sales and income taxes have been levied.

The State's plan of apportioning State school funds is somewhat complicated. Besides basing apportionments on teacher units, average daily attendance, and number of years in the school course, there are a number of aids distributed for special educational func-

¹ School funds for elementary grades in California are entirely separate from those for secondary grades.

tions. By far the greatest amount of money, however, is distributed on the average daily attendance basis. As indicated above, funds for elementary grades are apportioned separately from those for secondary grades. The State also provides a separate fund for junior colleges, but junior college grades maintained in a high school are considered as high-school grades for purposes of apportionment. The following indicates the principal bases for and amounts of State aid:

A. Apportionment of State funds as general aid:

1. For elementary schools, \$1,400 per teacher unit (35, or fraction, units of average daily attendance); balance prorated on basis of average daily attendance.
2. For high schools, \$750 to each district for each year, or grade of school, maintained; balance prorated on basis of average daily attendance.
3. For junior colleges, \$2,000 for each junior college district; balance prorated on basis of average daily attendance.

B. Apportionment of State funds as special aids:

1. For supervision of instruction in elementary schools, \$1,400 for each 300 units of average daily attendance. (Small schools of a county pool their attendance for purposes of this apportionment basis and a major fraction of 300 counts as a unit for them.)
2. For school emergency purposes, amounts for elementary and for high schools, not exceeding 5 percent of preceding year's apportionments, which county superintendent considers necessary.
3. For physically handicapped, excess cost, not to exceed \$100, for each pupil in elementary and in high-school grades.
4. For special day and evening high schools, graduated amounts for specified number of units of attendance decreasing as the size of school increases.

THE OHIO PLAN

Until recently the Ohio plan for State school support, like California, provided three school revenue units: The State, the county, and the local school district. Under the present (1935) law the county does not constitute such a unit. As in most States west of the Allegheny Mountains, the local school district prevails in Ohio and, in spite of the fact that the State and county both contributed to the support of schools, the local school district has been obliged to carry the greater part of the burden; in 1933-34 the State paid 15.7 percent, the county 20.9 percent, and local districts 63.4 percent.

The administrative organization is the county-district type with the greater amount of authority concerning school control centered in the local district. There were in 1933-34, 2,033 local school districts in the 88 counties of the State. Of these 109 were city districts, 52 were independent village districts, and 1,872 village and rural districts under county supervision.

Previous to January 1935 each county was required to levy a tax of 2.65 mills on the dollar of assessed valuation of its general property. Proceeds of this county school tax in city and independent village districts were retained in the respective districts, but the proceeds of the

tax in the territory of each county outside of the independent districts constituted a county fund for equalizing school costs among the small or dependent village and rural school districts which met prescribed standards. The State also provided an equalization fund for those districts which could not maintain specified school standards with all other available revenue including their local revenue from a uniform local tax levy. However, State funds, as indicated in table 4, were distributed chiefly on the school-census basis.

In common with many other States, Ohio has experienced much difficulty during recent years with school financial problems. In the midst of her difficulties a constitutional amendment was voted lowering the maximum tax rate on general property which governmental units might levy. As a result of the financial difficulties and the inability of many school districts to raise sufficient revenue to maintain school, the State's plan for school support has undergone almost complete revision since 1931.

Present sources of State school funds.—Funds provided by the State for the public schools are derived from a number of sources: (1) The State pays interest (appropriations from the general fund) on a part of an irreducible debt it owes to its school-land fund. The debt of approximately 4 million dollars yields 6 percent interest for the support of schools in districts in which school land had been sold previous to 1917; (2) the State maintains a small trust fund derived from school-land sales since 1917 and income from unsold school lands which yields annual revenue for school districts in which such lands were, or are, located; (3) the legislature provided for a cigarette tax in 1931, a liquid fuel tax (to be levied for a specified period of time) and a tax on classified intangibles in 1933, and a general sales tax in 1934 (to be levied for a specified period of time), the proceeds of which are partially or wholly for the State public-school fund; and (4) the legislature appropriates from the general fund for vocational education and from this or other sources for the education of handicapped children and frequently appropriates from the general fund for the State public-school fund.

*The 1935 plan of apportionment.*²—Legislation enacted in 1935 provides for the apportionment of the State's public-school fund (revenue derived from sources indicated in (3) of the preceding paragraph) on two bases. These are average daily attendance and equalization of school costs. The following indicates the essential features of these two bases:

² A plan effective during the school year 1934-35 was quite similar to the one adopted in 1935.

1. Attendance grants:³

Amount apportioned per pupil in average daily attendance for each day of attendance during the preceding school year:

	Cents
A. In part-time, continuation, and evening schools.....	20
B. In regular day schools:	
(a) Kindergartens.....	8½
(b) Grades 1 to 8, inclusive.....	17
(c) Grades 9 to 12, inclusive.....	25½

2. Equalization grants:

The new law guarantees that no district will need to pay more than a 3-mill local school tax as its share of the cost of an approved school program. This program is defined in the law as one which costs the amounts indicated below.

A. For schools with 180 or more pupils:

(a) Attendance costs per pupil per day:	Cents
Kindergartens.....	12½
Elementary grades.....	25
High-school grades.....	37½
(b) Transportation costs, approved budget of transportation expense.	
(c) Tuition costs, approved budget of tuition expense.	

B. For schools with fewer than 180 pupils:

Schedules of foundation operating costs in small schools, which are approved as necessary by the director of education and the State controlling board, shall be established by the director of education, with a minimum of \$1,150 and \$2,400 each for 1- and 2-teacher schools, respectively, plus approved transportation and tuition costs.

The State's guarantee.—Any district which does not have sufficient revenue from all sources, including attendance grants and the proceeds of a local school tax of 3 mills on the assessed valuation of the general property in the district for the cost of the program, indicated in (A) or (B) as the case may be, will receive the necessary additional money from the State.

It is evident that the two States of California and Ohio have, by legislation enacted within the past few years, relieved general property of a large school-tax burden. To accomplish this the State in each case assumes a much greater responsibility regarding public-school support and exercises its wide power to levy and collect taxes from various sources. Under the new plans an acceptable education program is virtually assured without excessive local taxation in any community of either State.

The fact that the California plan does not attempt to equalize the 40 percent or more of the school cost burden which is carried by local districts, probably results in considerable variation in the amount of local effort required to pay for like educational programs. However, the State apportionment of \$1,400 per elementary teacher

³ School term is limited to 180 days; and attendance grants to 1- and 2-teacher schools cannot exceed the minimum cost of the foundation programs, as defined in the law.

unit appears quite munificent when compared with similar apportionments of other States. Although the Ohio plan does not provide such liberal amounts of revenue for the schools from State-wide sources as does the California plan, it goes a step further toward equalizing the local school tax burden among the districts of the State. Thus the Ohio plan provides that no local school district will need to levy more than a 3-mill tax as its share of the cost, as established by law, of the school program for kindergarten, elementary, and secondary grades.

INCREASING USE OF FLAT GRANTS IN APPORTIONMENT OF STATE SCHOOL FUNDS

A number of other recent revisions of State school support plans which increase the amount of State aid, provide general-fund appropriations or allotments from certain revenues for the schools in definite amounts; some, like the new Ohio plan, include provision for equalizing costs among local districts in the methods of apportionment, but the major portion of the funds are to be distributed as flat grants.

Legislation enacted in Florida in 1935 provides that the entire annual apportionment of State school money shall be on the basis of \$800 per instruction (teacher) unit, as determined by law. The funds for this purpose will be derived from a 1-mill State-wide general property tax, various minor sources, and an appropriation sufficient for the balance from the general revenues of the State. Previously the State did not provide a definite amount per teacher unit, but made a lump-sum appropriation. Local school districts in Florida are required to levy a 3-mill tax and may levy not to exceed 10 mills in order to secure the necessary additional revenue for their approved budgets.

Legislation of 1933 in the State of Washington provides for an annual State school fund equal to 25 cents per pupil per day's attendance in the elementary grades and larger amounts for attendance in secondary grades and special schools. Previously a smaller amount of State funds had been apportioned chiefly on the basis of aggregate days of attendance. Revenue sources (see table 2) did not yield a sufficient amount for the full apportionment in 1933-34 or 1934-35, but legislation enacted in 1935 for additional revenue sources for the State school fund will, it is thought, correct this deficiency. Concerning the new plan for State school support, the State department of education reports.⁴

Under our present system of distribution our State school fund is a State support fund. It meets about 50 percent of the necessary cost of operating the schools. To that extent it is complete equalization. No attempt is made to distribute the

⁴ From a report made to the U. S. Office of Education by L. D. Burrus, director of research and statistics Washington State Department of Education, March 1935.

fund upon a valuation basis. We hope eventually to raise State support to 90 percent of the operating cost of the schools.

The Indiana Legislature in 1933 increased State aid for the public schools by providing for a gross income tax for the benefit of the State's general fund and for annual appropriations to the schools from that fund amounting to \$600 per teacher unit. The amount, however, was reduced to \$400 per teacher unit by the legislature in 1935. This interesting feature of Indiana's plan of State school support is the result of legislation to relieve local taxation. In 1931-32 the State supplied only 10 percent of the revenue used by the public schools. New State aid, in the form of these flat grants from the general fund and average daily attendance grants from an excise tax, increased this percentage to 36 for the year 1933-34.

Under the present plan, each district in Indiana receives (a) the \$400 per teacher unit from the State's general fund, (b) average daily attendance grants derived in part from the excise tax, levied for the first time in 1933, and in part (as in the past) from income on the State's permanent school fund, and (c) if the foregoing revenue and the proceeds of a local 5-mill tax are insufficient to support the minimum or foundation program, equalization funds equal to the deficit from a State-wide general property tax. This State then, like a number of others, has recently established a guarantee fund for local tax relief of considerable size for each classroom unit in the State as the primary step in the plan for school finance. As the second and equally essential step Indiana provides funds for the purpose of equalizing the costs of a foundation program among its local school taxing units.

An incidental but somewhat nonessential feature of the present Indiana plan for school finance is the constitutional provision for apportioning certain State school revenues on the basis of average daily attendance. Since average daily attendance is a fairly accurate measure of the size of the school load, this basis and the teacher-unit basis are essentially one and the same thing.

The new (1935) State school-support plan in Montana establishes a foundational school program and provides for the apportionment of State funds toward the cost of such program as follows: To each legally defined elementary school or teacher unit, \$500 plus 12 cents per pupil-day of attendance (based on previous year's record); and to each secondary school unit, \$600 plus 15 cents per pupil-day of attendance. Pupil transportation is included in the foundation program, but definite amounts of State aid will not be granted for its cost; instead the State will pay one-half of the approved cost. The State has been distributing funds according to variation in local district ability to support school, and will continue to do so until

March 1937. After that time the newly established teacher-unit basis and the constitutionally provided school census basis will prevail as the chief bases for distributing State funds for the public schools in Montana.

The amount of State funds for the public schools of Oklahoma for the 2 years ending June 30, 1937, will exceed the amount provided for the preceding biennium by approximately 25 percent. This increase will be a result of considerable revision in 1935 of the State's plan for school support. The new plan provides: First, for the distribution of monthly teacher allotments to each school district, varying (from \$50 to \$100 per needed teacher, as defined by law) with the qualifications of the teachers; and, second, for additional apportionments to districts whose funds (including the foregoing allotments, school census apportionment, and the proceeds of a local 10-mill school tax) are not sufficient to support the minimum school program, as defined by law. As in the past school districts will continue to receive their school-census apportionment from the annual income of the State's permanent school fund. At present the State's annual public-school fund is derived from the income on the permanent school fund, 10 percent of the proceeds of a gross production tax, proceeds of a beverage tax, and \$8,200,000 appropriated from the general fund. Previously sales and income tax proceeds were allocated to State school funds, but revenue from these now go into the State's general fund.

It is evident from recent provisions for increasing State support for public schools, some of which are outlined above, that State responsibility for financial assistance for education is receiving serious consideration throughout the country. Methods of apportioning recently granted State aid, although varying greatly, appear to indicate a tendency toward provision for flat grants per unit of cost. Be this as it may, data showing a percentage analysis of revenue receipts for education for 1935-36 will no doubt place a larger number of States in the group which supplies half or more of the school revenue from State sources than did the analysis for the year 1933-34.

CHAPTER V: STATES WHICH PROVIDE FOR SCHOOL SUPPORT CHIEFLY BY LOCAL TAXATION

Although all States carry part of the current financial burden of their public schools (see table 1), a few assume only a small proportion of the burden. Funds from State-wide sources in each of four States, Colorado, Iowa, Kansas, and Oregon, constituted less than 4 percent of the total revenue for their public schools in 1933-34. Some other States do not participate in public-school costs to any very great extent more than the four States named, but these four appear to be the only ones which do not levy a State tax or make an appropriation for general distribution to their public schools.

In these States a permanent school fund is the chief source of the State's annual revenue for general distribution to the public schools. By State constitutional provision in each case the income from the permanent funds is apportioned to the several school districts of the respective States for current school expenses. The income from the permanent fund is augmented by certain minor revenues, such as the proceeds of fines and the sale of unclaimed property. The laws of each State provide for the apportionment of the annual income from the permanent school fund on a school-census basis. However, as explained on page 31, the Colorado law provides that an amount shall be set aside from the annual income of her permanent school fund for a teachers' minimum salary guarantee before the regular school-census apportionment is made. In addition, the Colorado Legislature has frequently given other special allotments priority claims on the permanent school fund income.

Each of the four States (Colorado, Iowa, Kansas, and Oregon) makes provision for revenue from State-wide sources for public-school purposes in addition to the income from its permanent school fund. Such revenue is for special schools or purposes and not for general distribution to all public schools, and the total amount is small in comparison to the funds raised locally. All four States provide funds for vocational education, although Iowa supplies a very small amount from the State treasury. In addition to appropriations for vocational education, Iowa makes appropriations from the general fund of the State for current expenses in consolidated, mining camp, normal training, and standard rural schools, and for classes for deaf children; Kansas makes appropriations for certain schools in connection with the institutions.

Interesting features of the State school support plans of the States named above are their provisions for county-wide school taxes. It should be noted that in these four States the small local district

prevails¹ as the dominant school-revenue unit. In Colorado, as explained, a general property tax not to exceed 5 mills annually on each dollar of assessed valuation in the county is levied for the purpose of establishing a minimum salary fund for the teachers of the county. (See page 31.) In Iowa the fiscal officers of each county are required to levy annually a tax of not less than 1 or more than 3 mills on the dollar of assessed valuation for the benefit of the public schools of the county; in Oregon,¹ there is a similar requirement with a mandatory 2-mill levy. Revenue derived from the county school tax in each case remains in the county where collected and is distributed with funds received from the State for apportionment on a school-census basis to the several local school districts of the respective counties. In Kansas most counties are required to levy county-wide school taxes, but for high schools, or high-school tuition funds, only. The tax rates levied in the Kansas counties range from a fraction of a mill to 3 mills depending upon the particular law applicable to the county and the budget needs.

The fact that local school districts in these four States, with the assistance of the counties, raise approximately 96 percent of the revenue necessary for current school expense indicates that little revision has been made in their provisions for public-school revenue during recent years. The source of such local revenue is, of course, chiefly general property taxes. Proceeds of county-wide school tax levies equalize school costs somewhat within the respective counties of these States but do not remove the tax burden from general property. It is interesting to note in this connection that recent official studies of government in each of these States recommend State assumption of a material part of the cost of public education.

¹ There are 3 exceptions in Oregon, where 3 counties are organized on the county-unit basis.

CHAPTER VI: STATE AID FOR SPECIAL EDUCATION PROJECTS

Every State provides funds from the State treasury for one or more special projects in connection with the public schools. These projects cover a wide range of educational activities and movements. Appropriations in the various States for vocational education in secondary grades are examples of such special grants and probably the only ones made for a common purpose in all States.

State funds for special education projects represent, or previously represented, the State's desire to promote particular phases of education or school development. For example, the lawmakers of a State decide that the consolidation of schools, the erection of buildings of a certain standard, and the establishment of libraries, normal training courses, and various other special-curriculum features are desirable and should be promoted. Accordingly, legislation is enacted providing State funds especially for school districts which effect consolidation or complete other subsidized projects.

No doubt much school improvement has been accomplished as a result of State grants for special education projects. Such grants are frequently criticized, however, on the ground that they cause over-emphasis at a particular place in the education program and under-emphasis at others. Authorities maintain that it is ordinarily more scientific and in the interest of a well-balanced program for a State to assist with the cost of the basic school program as a whole rather than to single out certain parts to promote and encourage. In other words, the State should use its funds to "equalize" the cost of a foundation program among its several school districts instead of using them to "stimulate" selected phases of education.

However, it is important not to confuse State grants made for the purpose of promoting certain phases or types of education with State aid for special, but legitimate items of cost of the basic education program. This basic or minimum program which the State is willing to guarantee for all school communities will have special items of cost in some districts, but not in other districts. Foremost among these are the cost of transporting children, tuition fees, and excessive living costs in certain districts or sections of the State. Since these extraordinary factors are beyond the control of single communities and do not affect all sections alike, the State as a unit and not the local district should bear the necessary additional expense. About two-thirds of the States either grant aid for the transportation of pupils and tuition or recognize these items¹ of cost in computing the cost of education programs which are paid for in part or entirely by the State.

¹ Sutton, D. H. *Statutory provisions and judicial interpretations affecting pupil tuition and transportation in the various States, 1933. In State support for public education, a report of the National Survey of School Finance, 1933. Pp. 63-64, 374-425.*

CHAPTER VII: SUMMARY

This study calls attention to the consistent manner in which State legal documents classify public education as a function of the State government and to the inconsistency between such legal classifications and the many cases of neglect on the part of States to provide adequately for public-school support. The data show that for the country as a whole State governments supply about a fourth of the fund used by public schools. Since 1900 the part supplied by the State governments has varied considerably, decreasing from 20.3 percent at that time rather regularly during each 5-year period to 16 percent in 1925. Since then it has been increasing, with a significant increase since 1930. As would be expected, there is a much wider range of variation in the percent of public-school revenue provided by individual States than in the percent provided by all States combined during the last 34 years. Two-thirds of the States provided a smaller percent in 1930 than they did in 1900; in 1934, however, the percentage was greater in three-fourths of the States than it was in 1930.

Purposes of providing funds from State-wide sources for public schools.—The increase in State participation in school support is a result of a universal effort, particularly noticeable since 1930, on the part of States to make provision for a constant and dependable supply of revenue for the schools, to relieve local school districts of at least a part of their general property-tax burden, and to equalize school costs among school districts. At least 10 States have recently enacted legislation transferring 20 percent, or more, and several have provided for transferring at least some of the school cost burden previously carried by local taxing units to the State. California, Indiana, North Carolina, and South Carolina are among the outstanding examples of this change of policy.

Sources of State school revenue.—Revenue from the State as a unit for the public schools is obtained from numerous sources. For all States combined, considerably more than half is appropriated from general State funds; 11 States use general-fund appropriations almost exclusively, while 10 others make no such appropriations for their public schools. Although 17 States levy general property taxes for their public-school funds and 3 of the 17 rely chiefly on such taxes, only 6 States obtain as much as 50 percent of their State school revenue in this manner. Some States either allocate a certain part of the proceeds of comparatively new types of State taxes to their funds for annual distribution to the schools or levy such taxes especially for this purpose. These include the income tax which is used

in this manner by 10 States; the motor-fuel tax by 4; the severance tax by 5; the general sales tax by 3; the tobacco tax by 5; and other sales taxes, including liquor taxes, by 5 States. Revenues from various other State taxes, fees, and funds are earmarked for the schools and constitute important sources of income for the annual school funds in a number of States. Among these are taxes on public-utility corporations, on intangibles, and on certain classified general property; franchise fees; and income from State permanent school funds.

Apportionment of State school funds.—In more States the apportionment of State school funds is made according to the number of school children, the number of teacher units, or other presumable measure of the educational load and without regard to local ability to pay than in any other way. All except 6 States use such measures in apportioning some or all State school funds disregarding variation in local financial ability; 13 apportion at least 90 percent of their funds in this manner. For the country as a whole considerably more than half of all State school revenue is apportioned in this manner. The main purpose appears to be a guarantee from the State of a dependable supply of local tax relief funds for each school district according to its educational needs.

However, revenue is provided from the State at large not only to insure a stabilized supply of funds for the schools and to relieve general property taxpayers, but nearly two-thirds of the States use funds derived from State sources to equalize that part of the school cost burden which local districts carry. They do this by recognizing in their apportionment methods variation in the ability of school districts to support school. To be sure, those State school funds which are apportioned without regard to local financial ability in 42 States, on such bases as the school census, equalize school costs among local districts to a certain extent, but they serve chiefly as stable and relief funds for local school-taxing districts.

The burden of paying for a given educational program is distributed equitably only in those States which carry the entire burden or in those whose apportionment provisions effect equal tax rates for all local school districts for the support of such program. In no State is the burden completely equalized. However, 2 States, Delaware and North Carolina, effect fairly complete equalization of foundation programs by carrying practically the entire burden of current school costs and 34 attempt to equalize the local school-cost burden in their provisions for apportioning State school revenue. Approximately a third of all State school revenue was apportioned in this manner in 1933-34.

Thirty-one of the thirty-four States which attempt the equalization of local school costs in their apportionment methods provide funds

normally sufficient to pay that part of specified school costs which any district cannot pay with the proceeds of a uniform local tax levy plus all other available revenue. Excepting funds provided for vocational education, 2 States apportion all State public-school revenue in this manner and 4 others apportion more than half, while 11 use less than 10 percent of theirs for such purposes. The local school tax required in these States as the measure of the district's ability to support school varies from rather low rates in some States to the maximum legal rates in others.

The other three States, Connecticut, Massachusetts, and Pennsylvania, apportion funds to local school districts in graduated amounts varying inversely with the valuation or with the total tax receipts of the districts in their attempts to equalize local school costs. One of the three apportions more than 90 percent of all public-school funds inversely to the wealth of the district.

Two of the thirty-four States, New Jersey and Vermont, combine the valuation basis with that of ability to raise sufficient local funds to support school on a uniform tax rate.

Funds are provided and apportioned by 32 States for a great number of special purposes in connection with the public schools, such as transportation and tuition of pupils, maintenance of certain courses of study and libraries, and the establishment of consolidated and standard schools. The apportionments are based on various measures in most cases representing a definite part of a particular school expense which the State is willing to share.

Recent increases in State funds and their apportionment.—State legislatures meeting recently, faced with the necessity of providing additional State aid for the public schools, have made many revisions in State school support systems which materially increase the amount of State aid. The movement has been particularly evident since 1931, when North Carolina inaugurated a movement in the direction of complete State assumption of the principal items of cost of an 8-months school term throughout the State. In 1933 a number of States provided for additional State school revenues. As a result of this increase 16 States supplied more funds from State-wide sources for their public schools for the year 1933-34 than they had supplied for 1929-30; in 8 of these the increase was less than 40 percent; in the others it ranged from 105 to 391 percent.

The movement toward greater responsibility on the part of State governments for the support of schools continued through 1934 and 1935. Legislation in one State in 1933 which provided for the payment by the State of all public-school teachers' salaries at the State schedule for 4 months of school was amended by special legislation in 1934 making the State responsible for salary payments for 8 months in place of 4. At least seven States provide for significant increases in

revenue from State-wide sources in legislation enacted in 1935. The effect of such legislation on the financing of schools will be felt during the school year 1935-36.

Recent legislation for additional State school revenue provides for apportionment of the increase to school districts chiefly on such bases as the number of pupils in each, disregarding variation in local ability to support school. In most cases where provision has been written in the law for equalizing school costs above a specified local tax levy, equalization will not be effected because the tax rate is too high. However, the fact that a number of States are assuming a larger share of the burden of school support means that localities will have a smaller share of the burden to carry.

States which provide for school support chiefly by local taxation.—A few States provide little State aid for their schools except the annual income on their permanent school funds. In four of these, local school districts and counties are obliged to raise 96 percent, or more of the revenue used by the public schools. This lack of State support results in great variation in local effort necessary to maintain school and the policy is contrary to recommendations of official survey findings in each case.

State aid for special education projects.—Every State provides funds for promoting one or more special education projects or school services. Approximately 10 percent of all State school revenue is distributed according to such measures of need. Although these aids have served, and in some instances are serving, useful purposes, some of them are continued after the special need no longer exists. State aid for pupil transportation and tuition, which accounts for a large part of special aid in some States, is justifiable, of course, since these services may bring the State foundation program within reach of children otherwise deprived of such advantages.

