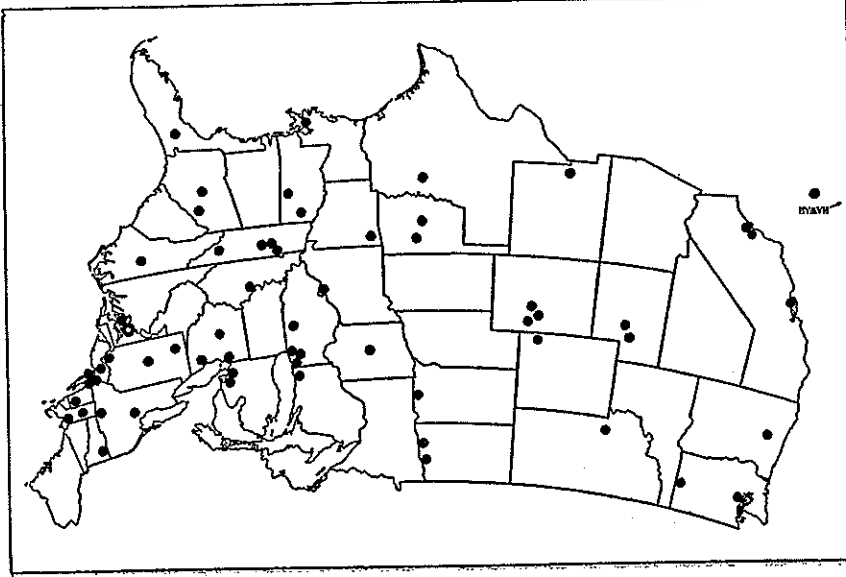


# Legislative Plans for Financing Public Education

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## FOREWORD

Education is an essential function of government in a democratic society. For this reason proper and adequate provision for the support of education is a major responsibility of the unit, or units, of government whose duty it is to provide and maintain school facilities. Whether the State, or a smaller unit of government, is the unit responsible for school support, the State legislature is obliged to set up the plan for such support. It is with the view chiefly of pointing to possible means of assistance to members of State legislatures in their work of establishing and revising plans for financing education that this manuscript has been prepared.

BESS GOODYKOONTZ,  
*Assistant Commissioner of Education.*

# LEGISLATIVE PLANS FOR FINANCING PUBLIC EDUCATION

## INTRODUCTION

*Purpose.*—The purpose of this publication is to afford useful information and guidance in the development of State legislation for the financial support of public education. It is designed especially to assist members of various educational committees, legislators, lay groups, and individuals in the various States who are interested in improving their respective systems of financing education.

*Scope and procedure.*—This pamphlet is limited to consideration of the principles upon which school systems are built and to objectives and practices generally applicable to the development of legislation for the support of public elementary and secondary education.

The procedure was (1) to define the principles and to indicate the essential objectives and features of satisfactory plans for financing public education; (2) to present relevant data pertaining to general present practices in school support; (3) to review a few State school support plans which seem to be equitable and sound and generally satisfactory; (4) to provide a check list which may be helpful to interest persons in evaluating their State system of school support; and (5) to outline a hypothetical State plan for financing public education.

*The problem.*—The important function of establishing provisions for the support of public education is vested primarily in State legislatures. The present problem of developing legislation for the support of education is deeply involved with the whole problem of obtaining State and local revenues and the control of public expenditures. This problem is vast, intricate, and prevailing. It includes the quantity and quality of education to be provided at public expense; the size of school districts and units for school revenue; the budgeting, auditing, accounting, and recording of relevant financial transactions; State standards of costs and regulations of expenditures; and the relationship of education to other functions of the State government. Among the important specific legislative problems involved are:

1. Adjustments in State and local systems of school administration.
2. Improvements in plans for raising school revenues.
3. Provisions for equity in school tax burdens and equality in educational opportunities.
4. Economies in costs of government including education.

## BASIC PRINCIPLES OF AMERICAN GOVERNMENT UPON WHICH PUBLIC SCHOOL SYSTEMS ARE ESTABLISHED

A satisfactory plan for financing education provides, of course, for the efficient and economical administration of the schools and for

their support in a sound, equitable, and scientific manner. Such a plan can be formulated in various ways. However, there are two underlying principles of American government to be observed. These may be stated as follows:

- I. Provision for free education in the form of tax-supported schools is a primary responsibility of the State government.
- II. The locality shall have freedom to tax itself for the purpose of establishing, maintaining, and improving its public schools.

The first principle is based on the convictions of the American people that universal understanding of civic problems is so vital to the welfare of our form of society and government that the opportunity for children to acquire such understanding must not depend upon the good-will of special groups of citizens or even the will of local districts. Furthermore, present recognition and observance of this principle of State responsibility shows that an adequate system of public education can no longer be dependent entirely or mainly upon the varying financial abilities of local political divisions or school districts of the respective States, as has been generally the case. New educational demands and changes in financial abilities of local communities have demanded marked revisions of earlier legal systems for supporting public education. For this reason the problem of financing education holds a major place on present-day legislative calendars.

The second principle, *the locality shall have freedom to tax itself for the purpose of establishing, maintaining, and improving its public schools*, is recognized in constitutional and statutory provisions and court decisions regarding public education in the various States. This principle means that in the general administration and maintenance of a State system of public-school support, local autonomy may be exercised in matters of detail concerning the conduct of the schools, including the local school program, curriculum experimentations, and the improvement and enrichment of educational facilities by local expense. Even though a State-wide foundation program is provided for at State expense the local school units still have authority to improve and enrich the educational facilities so long as the exercise of such local authority does not interfere with the administration of a minimum State-wide educational program. This principle may be characterized as the foundation stone upon which the support of the American public schools has developed.

#### TRENDS AND PRESENT PRACTICE IN SCHOOL FINANCE ENROLLMENT AND EXPENDITURES

It is obvious that public education among the States of this Union has developed into a vast and continuing enterprise. The need for educated citizens never ceases and the demand for education enlarges

as society becomes more complex. The following figures show trends during the past 30 years with respect to the enrollment in public elementary and secondary schools in the United States and expenditures for the maintenance of such schools:<sup>1</sup>

Year	Enrollment	Current costs per pupil in average daily attendance
1904	16,256,038	\$24.14
1914	19,153,786	39.04
1924	24,288,808	95.17
1934	26,434,193	76.22

The rate of increase in school enrollment and current costs per pupil during the 3 decades above mentioned are shown in table 1.

TABLE 1.—TRENDS IN ENROLLMENT AND EXPENDITURES IN PUBLIC ELEMENTARY AND SECONDARY SCHOOLS

Periods	Amount of increase			Percent of increase	
	Enrollment	Cost per pupil in average daily attendance	Enrollment	Cost per pupil in average daily attendance	
1	2	3	4	5	
1904-1914	2,897,748	\$14.90	17.8	61.7	
1914-1924	5,135,022	56.13	26.8	143.8	
1924-1934	2,146,365	1-18.95	8.8	1-19.9	
1904-1934	10,178,155	52.08	62.6	216.7	

<sup>1</sup>Decrease due to the industrial depression which reached its maximum effect on school expenditure in 1934.

#### STATE ASSUMPTION OF AN INCREASING SHARE OF PUBLIC SCHOOL COSTS

Many factors within the last two decades have necessitated revisions of State school support systems resulting in increased responsibility of the State for the financial support of public education. Among some of the reasons advanced for increasing State participation in school support are:

1. Inadequacy of local sources of revenue.
2. Unequal distribution of taxable wealth.
3. Need for State participation as a means of equalizing educational opportunities on a State-wide basis.
4. Possibility through State participation of distributing the burden of supporting education on a more equitable basis.

It is well known that many types of taxes commonly used by the several State governments are not and, in the judgment of authorities in public finance, cannot feasibly be used by local or county fiscal systems. In fact, local revenue units are obliged to rely almost wholly upon general property taxes. Revenues from such sources

<sup>1</sup>Data from Biennial Surveys of Education in the United States.

as the proceeds of fines, minor fees, and dog taxes, which in many cases are allocated to local school funds, usually constitute a small part of the total. Therefore, if the general property tax becomes inadequate, the production of school funds locally will no longer be satisfactory.

General property may have been a satisfactory tax basis for school revenues when school costs were low, but education is no longer a simple and inexpensive function of government. The school is no longer a place of instruction only—it is an institution of increasing complexity in which are centered many activities for the physical, moral, and mental development of children. These additional activities demand much in the way of curriculum offerings, professionally prepared teachers, buildings, and equipment that the schools of yesterday were not obliged to supply. Consequently, the cost of education has greatly increased during the last two or three decades.

The establishment of a reasonable and satisfactory State school support system includes measures to remedy faulty school district organization. In many cases the retention of small school districts is financially wasteful. In some States there are thousands of school districts small in area and in school population and weak in taxing resources. Whether or not they are obliged to depend chiefly upon their own individual resources for school revenue, the problem of establishing an efficient local organization must be recognized. It is important that, as the size and cost of the public education program increase, the organization for the administration and support of education be modified to meet new demands. Events of recent years rather pointedly show that such needed modifications have too frequently been postponed.

State participation in public-school support has increased greatly in a number of States during the decade 1924-34. For all States as a whole there was considerable increase; some, however, show no increase. The following tabulation indicates an upward trend in State participation in public-school support:

NUMBER OF STATES DISTRIBUTED ACCORDING TO THE PERCENTAGE OF SCHOOL REVENUE PROVIDED FROM STATE SOURCES<sup>1</sup>

Percent of revenue derived from State	Number of States	
	1923-24	1933-34
More than 60	1	3
40 to 49.9	1	3
30 to 39.9	8	6
20 to 29.9	13	15
10 to 19.9	9	7
0 to 9.9	10	14

<sup>1</sup> Data derived from chapters entitled "Statistics of State School Systems, in Biennial Surveys of Education."

Analyzing school revenue as to the unit of government from which such revenue is derived reveals the part each State plays in the production of revenue for the public schools within its border. That there is wide variation is evident. A few States appear to interpret their responsibility in regard to the financing of education as meaning the payment of the approved cost of the public schools or a major part thereof by means of State taxation. A majority provide funds from the State treasury ranging from 10 to 50 percent of the cost; while a few others provide State funds for a very small part of the cost. Nevertheless, State funds are provided in each State as a part of the public-school support plan (table 2).

TABLE 2.—PERCENTAGE ANALYSIS OF PUBLIC-SCHOOL REVENUE RECEIPTS, 1933-34

State	State, county, and local governments					From the Federal Government	From subsidiaries and educational foundations
	Total	State	County	Local			
1	2	3	4	5	6	7	
United States.....	98.8	23.4	9.3	66.1	1.2	0.0002	
Alabama.....	87.3	34.0	30.3	23.0	12.5	.2	
Arizona.....	93.0	29.5	35.0	33.6	1.9		
Arkansas.....	92.4	20.0	5.6	66.8	7.3	.3	
California.....	89.8	48.7	4.3	46.8	2.2		
Colorado.....	96.3	3.3	24.5	71.5	.7		
Connecticut.....	99.7	9.2		90.5	.3		
Delaware.....	99.4	92.5		6.9	.6		
Florida.....	85.7	29.1	48.5	18.1	4.2	.1	
Georgia.....	89.7	29.4	33.6	33.6	10.2	.6	
Illinois.....	99.4	8.6	29.2	61.6	.5		
Indiana.....	99.9	0.8	.1	92.6	.4		
Iowa.....	99.7	27.0		72.6	.3		
Kansas.....	99.5	1.9	2.6	96.3	.3		
Kentucky.....	97.0	2.0	11.8	85.7	3.0		
Louisiana.....	94.7	33.7	44.1	16.9	5.2	.1	
Maryland.....	96.4	32.6		66.8	.6		
Massachusetts.....	99.6	24.3	28.2	47.1	.4		
Michigan.....	99.8	11.8		88.0	.2		
Minnesota.....	99.5	23.5		76.0	.5		
Mississippi.....	92.5	29.4	5.3	67.8	.5		
Missouri.....	93.1	37.9	26.1	23.1	13.6	.3	
Montana.....	98.7	7.9	2.1	98.7	1.3		
Nebraska.....	98.7	9.5	47.9	41.3	1.3		
Nevada.....	93.0	5.5	.5	93.0	1.0		
New Hampshire.....	98.5	15.3	56.6	26.6	1.5		
New Jersey.....	93.7	9.1		90.6	.3		
New Mexico.....	93.8	2.6	19.0	78.2	.2		
New York.....	94.9	16.9	90.3	18.7	6.0	.1	
North Carolina.....	99.8	23.3		71.5	.2		
North Dakota.....	97.2	61.5	22.6	13.1	2.7	.1	
Ohio.....	83.7	10.5	15.9	69.3	4.3		
Oklahoma.....	99.0	15.3	20.9	63.4	.4		
Oregon.....	93.4	29.4	2.5	63.5	4.6	.03	
Oregon.....	98.0	1.8	23.1	74.1	1.0		
Pennsylvania.....	92.7	20.3		79.4	.3		
Rhode Island.....	99.7	6.0		93.7	.3		
South Carolina.....	85.7	27.7	5.5	62.5	3.9	.4	
South Dakota.....	97.8	8.1		88.7	2.2		
Tennessee.....	95.8	42.5	39.8	13.5	4.2		

TABLE 2.—PERCENTAGE ANALYSIS OF PUBLIC-SCHOOL REVENUE RECEIPTS, 1933-34—Continued

State	State, county, and local governments					From subsidies and educational foundations	7
	Total	State	County	Local	Federal Government		
Texas.....	98.0	51.5	9.5	37.0	1.9		
Utah.....	98.5	35.2	34.4	29.9	1.5		.1
Vermont.....	99.7	15.7	34.4	85.0	4.3		
Virginia.....	95.3	26.7	34.4	35.2	4.3		.4
Washington.....	96.6	37.0	12.3	58.3	4.4		
West Virginia.....	97.0	49.1	47.9	69.1	3.0		
Wisconsin.....	96.6	16.8	10.7	10.7	1.4		
Wyoming.....	95.2	24.5	21.6	53.1	1.8		

<sup>1</sup> Excepting a few city and large rural school districts, local school funds in Utah are levied and administered on a county-wide basis.

<sup>2</sup> Approximately 1/3 of the funds indicated in column 3 as coming from the State actually comes from the Federal Government as royalty on the production of oil within the State on land belonging to the United States Government. A number of other States also receive such funds but in comparatively smaller amounts.

#### METHODS OF OBTAINING SCHOOL REVENUE

Some of the more important devices used in the various States for obtaining revenue to meet State responsibility for the support of education are indicated in table 3. It may be said that these devices or tax systems for securing school funds are attempts on the part of the State to solve problems which have developed or become complicated in the course of comparatively recent years. At any rate, in many States school revenue problems have become acute in recent years due apparently to expanding educational programs, the centering of taxable resources in limited areas, the general effects of present-day industrial developments, and to other causes.

It will be seen from table 3 that many States have made use of the practice of setting aside a part or all of the proceeds of a particular State tax or the income from invested funds for the use of public schools. This procedure may or may not serve to satisfy the financial needs of the schools. Under such a plan neither the schools nor the State or local fiscal officers can foretell with certainty what amount the schools will receive when the time for preparing the school budget has arrived.

Another common practice among the States is that of setting aside a certain amount for education from the proceeds of a given State tax or from the State's general fund. This method may also be criticized on the ground that while a definite amount is supplied for all schools of the State the amount which will be available for any given district cannot be foretold adequately until financial computations for the entire State have been made.

No attempt has been made to analyze the sources of State general funds.<sup>2</sup> It should be noted, however, that a majority of the States which make large appropriations from their general funds for education utilize the income, the franchise, the inheritance, and other various forms of taxation. In most cases State general property taxes are levied but there is a tendency to utilize other forms of tax systems. For example, six States: California, Delaware, Michigan, North Carolina, Oregon, and Pennsylvania, no longer levy the general property tax for State revenue. In 1933-34 only 17 States levied general State property taxes especially for public schools. However, this source accounted for 9 percent of all State school revenue for the year 1933-34 and was next in importance, considering the amount of State school funds produced for the country as a whole to general fund appropriations. In recent years there has been a considerable revision of school tax laws for the purpose of shifting the public-school tax burden from general property and for the purpose of reducing this type of tax for school purposes.

The relative significance of the sources of State school revenue is indicated in table 4. The data in this table were supplied by State departments of education in reply to a questionnaire 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 only.

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, table 4.) 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 from 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 are included in the amount indicated under general fund appropriations.

#### REVISION OF TAX LAWS FOR SUPPORT OF SCHOOLS

One of the first States to revise its school-support system with a view to reducing the general property-tax burden was Delaware. Concern-

<sup>3</sup> For an analysis of State revenues see *Financial Statistics of State Local Governments, 1932*, United States Summary, United States Bureau of the Census, p. 298.

ing the necessity for finding other sources of revenue for the public schools in 1920 the Delaware State Board of Education reported:<sup>3</sup>

With the coming of corporations, and the great increase of wealth in the shape of stocks and bonds: With the multiplication of industries, the development of new means of transportation and the consequent increase in sources of income other than that from real property, a shift of the burden of taxation from real property became not only just, but necessary, particularly in the light of constantly mounting costs attendant upon all phases of modern life.

Another report of the Delaware board states:<sup>4</sup>

The burden has been shifted from real property, which had borne the burden of support for a century, to sources where the load was far less burdensome. The decade which began a State-wide tax rate on real property at 25 cents per \$100 for schools saw that tax rate first reduced to 15 cents, and then eliminated in 1929, except in Wilmington and three special (school) districts.

Reports from other State school systems call attention to the inadequacy and increasingly burdensome effects of the general property tax for education. The State superintendent of public instruction of North Carolina in explaining the 1931 revision of the State school support system in North Carolina wrote:<sup>5</sup>

The taxing situation which confronted the General Assembly of 1931 was a very difficult one to handle. Land taxes were so high that property was robbed of its sales value. Taxes in many counties could not be collected; the counties could not meet their obligations or were running on borrowed money; and some of them were forced to pay their teachers in scrip which even at this date has not yet been redeemed. Some means had to be devised to reduce the taxes on land by a very considerable amount. Since the schools were the largest spenders from ad valorem taxes, they came in for the first consideration. \* \* \*

In order to meet the problems arising out of the increasing costs and the shrinking values, some drastic action, both in the field of costs and in the field of revenue, was necessary. It was not any longer a question of fixing the responsibility for effectuating a State purpose. It was a question of finding enough money to keep the schools open and running. It seemed a very inappropriate time to increase taxes on any source of revenue on account of the financial stringency. If the burden of taxes were to be shifted and lightened on some sources, however, they had, of course, to be increased on others or new resources of revenue had to be discovered.

Wide variation in the ability to support education has existed among the school administrative units of the different States for many years. Recently as the tendency for wealth to centralize has become more pronounced the variation probably has widened. Many school reports call attention to the great differences which exist among local

<sup>3</sup> State of Delaware. Annual report of the department of public instruction for the year ending June 30, 1929. Dover, Del., State board of education, p. 18.

<sup>4</sup> State of Delaware. Annual report of the department of public instruction for the year ending June 30, 1931. Dover, Del., State board of education, p. 12-15.

<sup>5</sup> Letter from the State superintendent of public instruction of North Carolina, Feb. 8, 1932, to the Office of Education.

school units in their ability to support school. For example, the report from one State indicates that equalized assessed valuations of urban districts of 2,500 to 5,000 population shows a ratio of 27 to 1 in ability to support schools. In another State the report shows that in urban districts having a population of 2,500 or more the tax rates for school purposes range from 8 to 38 mills on the dollar of true valuation. While the above-mentioned facts show a wide range in school tax rates and a correspondingly wide range in taxable resources per pupil in urban districts, it may be said that ordinarily there is a wider variation in ability to support schools among districts in rural communities.

### ESSENTIAL FACTORS OF LEGISLATION FOR THE SUPPORT OF PUBLIC SCHOOLS

Without a consideration of the most essential factors involved in a satisfactory plan for financing education, the development of legislation for the support of public schools is inadequate in any State. In general, these factors represent the framework upon which the legislation should be constructed; if some are omitted the completed plan will be weakened to that extent.

What are these essential factors or features for consideration in the development of a satisfactory legislative plan for financing public education?

There may not be agreement regarding all factors to be included as essential in a given State plan. There is considerable agreement, however, as to certain factors considered most essential for legislative attention. The following list includes most of these:

1. A definition of a foundation (or minimum) education program to be maintained throughout the State.
2. Provision for State participation in the cost of financing the foundation program.
3. Provision for revenue for an adequate and dependable supply of State funds for maintenance of State school program.
4. Provisions which assure an equitable distribution throughout the State of the cost of the foundation education program.
5. Provisions for the establishment of suitable school units that are effective and economical.
6. Provisions which will enable local school districts to compute with certainty each year the amount of funds available from the State and thereby determine definitely the amount of revenue which must be derived by local taxes.
7. Requirements that schools be operated on efficient methods of budgeting, purchasing, and accounting.
8. The establishment of or provision for State regulation of an equitable State-wide salary schedule for teachers and school officials.
9. Placing upon local school districts responsibility to exert a reasonable effort toward the support of a foundation education program.



10. Provisions which safeguard local school districts in their fundamental right to tax themselves in order to improve or enlarge the State educational program, and to administer the school program in a manner which will stimulate local initiative, interest, experimentation, and cooperation in the improvement of general educational facilities.

### EXAMPLES OF STATE PLANS FOR SUPPORTING EDUCATION

Under this heading are given digests or reviews of general legislative systems or methods now in operation in a few States for supporting education which seem to be operating satisfactorily and which include many of the factors previously defined.

During the years of the industrial depression, and even before 1929, many legislatures were faced with the necessity of providing additional State funds to relieve local general property taxpayers and to effect a more equitable distribution of the school cost burden. A study of the considerations of the legislative proposals and of the acts themselves indicates that these were the two dominant general purposes in revising existing laws. No two States, of course, have adopted plans which are exactly alike, but there is considerable similarity in practically all. In order to relieve local taxpayers of a part of the school cost burden, some States have greatly increased the amount of funds from State-wide sources and now distribute the increase in the form of flat grants. Others have established or increased the amount of State funds especially to equalize school costs.

While it is not likely that the plan for public-school support in any particular State is entirely satisfactory, a number of States have developed plans which include some features usually considered desirable or essential to a satisfactory plan. It should be understood that the State plans here reviewed are not the only plans which seem to be operating fairly satisfactorily or which embody many features worthy of consideration. Rather, the State plans presented here are selected principally because, first, they are typical of recently revised or developed systems to meet current conditions, and, second, they include many of the factors which are usually considered desirable and essential to an effective or satisfactory support of a modern school system.

Delaware, for example, has attained to a considerable extent most of the objectives named; however, few local school districts in that State participate in the expense of their public schools. The Maryland plan illustrates particularly the attainment of the following objectives: State participation in and provisions for equalizing school costs, efficient and economical school administrative units, and high educational standards as a part of the foundation program.

The Ohio and Oklahoma plans represent recent attempts to provide adequate State funds for (a) local school tax relief; (b) a State guaranty of definite sums for each school district; and (c) the further assistance of financially weak school districts in support of a foundation program and to improve educational standards in general by the raising of minimum requirements in all districts.

California has attained the following objectives in the State plan for school finance: Provision for a generous and stable supply of State funds from sources other than the general property tax, efficient budgeting and accounting, high educational standards, and a high degree of local interest in education with strong State leadership and oversight.

### THE DELAWARE PLAN

A plan was inaugurated by the Delaware Legislature in 1921 which provided funds from State-wide sources sufficient for the annually approved needs of the public schools. This action followed a considerable period of experimentation during which time the county had supplanted the small local district as the chief school revenue unit.

*Administrative machinery.*—At the head of the Delaware school system is a State board of education composed of six members appointed by the Governor for 3-year overlapping terms. This board is required by law 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 present, 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 four members, while the Wilmington city district has a board of six 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, three or four 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; income-tax payers however, were given 50 percent refunds in 1931, and an amendment to the law that year authorized 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:<sup>6</sup>

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:<sup>7</sup>

For—	Not more than following percent
General control.....	5
Instructional service.....	72
Operation.....	10
Maintenance.....	5
Auxiliary and coordinated activities.....	3
Fixed charges.....	2
Capital outlay.....	3
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.

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

<sup>6</sup> State department of public instruction. Annual report for the year ending June 30, 1934. State board of education. Dover, Del.

<sup>7</sup> *Ibid.*, p. 38.

The State superintendent of public instruction states in his annual report for the year 1933-34 concerning the Delaware plan of school support:<sup>8</sup>

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.

\* \* \* \* \*

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.

#### THE MARYLAND PLAN

The Maryland plan for supporting education illustrates a State plan which includes an equalization fund to supplement the proceeds of a medium local tax levy. It also has a number of other interesting features and, judging 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, \$308,786.

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 was 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 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 a 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 rate 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

<sup>8</sup>Ibid. p. 12, 14.

may be 200 or more school districts each making its own tax levy very low or high depending upon its taxable wealth.

#### THE OHIO PLAN\*

Until recently the Ohio plan for State school support 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. The administrative organization is the county-district type with the greater amount of authority concerning school control centered in the local district.

In common with many other States, Ohio has experienced much difficulty during recent years with school financial problems. In the midst of such difficulties a constitutional amendment was voted lowering the maximum tax rate on general property. As a result of the financial difficulties and the inability of many school districts to raise sufficient revenue to maintain schools, 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 (for a specified period of time) and a tax on classified intangibles in 1933, and a general sales tax in 1934 (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.*—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:

\* Description based upon *Administration of the State school fund*, by D. H. Sutton, State department of education, Columbus, Ohio, 1937.

#### 1. Attendance grants.<sup>10</sup>

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

A. In part-time, continuation, and evening schools.....	Cents	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	12½
Kindergartens.....		25
Elementary grades.....		37½
High-school grades.....		
(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.

The 1935 school foundation act for Ohio included a provision which required each county board of education to make an annual survey of the county school district and to promulgate plans for more efficient district organization and to prescribe the transfer of territory, elimination of school districts, or the creation of new districts which will provide more economical and efficient systems of county schools. The act provides that in case the affected boards of education fail to agree on the proposed plan, the proposition shall be transmitted to the State director of education who shall order such transfer of territory or the creation of such new school districts as he shall deem in harmony with principles of economy and efficiency and convenience. The director of education is vested with full power to make the county surveys and to prescribe the alteration in case any county fails to do so.

<sup>10</sup> 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.

It is evident that Ohio has, by legislation enacted in the past few years, relieved general property of a large school tax burden. To accomplish this the State assumed a much greater responsibility regarding public-school support and exercised wide power to levy and collect taxes from various sources. Under the Ohio plan no local school district will need to levy more than a 3-mill tax as its share of the cost of the foundation school program for kindergarten, elementary, and secondary grades.

#### THE OKLAHOMA PLAN<sup>11</sup>

A number of States in order to relieve local property levies for schools have greatly increased State school funds from State-wide sources and distributed the income in the form of flat grants. Some States have also established or increased the amount of State funds especially to equalize school costs. The revised plan in Oklahoma embodies both features. It is therefore described in considerable detail to illustrate the devices used for accomplishing these two objectives in a single State.

Several revisions in the Oklahoma program for school support have been made during the past decade in order to improve earlier plans for equalizing school costs and to provide larger amounts of State funds for the schools. The extensive legislative revision of 1935 was made to further the accomplishment of these two objectives. Like the majority of States, however, the school population of the respective districts has been the chief basis for distributing State school funds.

Since 1916 the State has levied taxes on the production of certain natural resources, various portions of the proceeds of which have been allocated to the schools from time to time. At present, one-tenth of such proceeds is returned for the public schools in those counties in which the taxes are produced. However, the State now relies less on revenues derived from taxes levied especially for the schools than it does upon legislative appropriations from the general revenues of the State. This is indicated by the following tabulation showing the amounts of State school revenues by sources for the years 1933-34 and 1935-36. It should be explained that the State-wide general property tax formerly levied for the public schools was abolished in 1933. Delinquent taxes account for the amount credited to this source for 1935-36. Ninety-five percent of the proceeds of the State beverage tax is allocated to the public schools. However, legislative action in 1937 reduced the rate of this tax somewhat. But general fund appropriations for the schools for the biennium, July 1, 1937, to June 30,

<sup>11</sup> Description based upon *Rules and regulations governing the appropriation of primary and secondary aid for the school year, 1935-36*, and *Finance circulars, Nos. 10 and 11*, State board of education, Oklahoma City, Okla.

1939, have been materially increased over those for the biennium 1935-37.

Proceeds of State taxes levied especially for the schools:<sup>12</sup>

	1933-34	1935-36
General property-----	\$214, 305	\$38, 069
Income-----	902, 068	-----
Gross production-----	1, 592, 938	1, 049, 440
Beverage-----	652, 421	847, 903
Sales-----	3, 688, 379	-----
Total State school taxes-----	7, 050, 111	1, 935, 412
Income from the State's permanent school fund-----	1, 171, 230	1, 301, 965
Legislative appropriations from the State's general revenues-----	40, 162	8, 200, 000
Grand total-----	8, 261, 503	11, 437, 377

The essential features of the present Oklahoma plan for public-school support may be outlined as follows:

1. *Local school districts.*—There are several types of school districts in Oklahoma, ranging from the small rural district which employs only one teacher to the large urban district with hundreds of teachers. Each is a unit for school administration and the production of revenue for its schools. The State provides funds for the schools in all types of districts—that is, it recognizes all types of districts in its method of distributing funds.

2. *Local autonomy in school administration and raising revenue for school support.*—The State permits local school patrons and/or school officials to prepare their budgets, but limits the annual local levy for current school expenses to 15 mills, and for capital outlays to 5 mills on the general property in the district. School bonded indebtedness may be voted in a district but not to exceed 5 percent of the assessed valuation of the general property.

3. *County unit for school revenue.*—In Oklahoma the county is a rather important unit for the production of school revenue. The county fiscal officers are authorized to levy taxes not in excess of 2 mills on the dollar of the assessed valuation of the general property for a county high school, the common schools of the county, and the necessary separate schools for racial groups. (Separate schools are maintained by each county for children of the minority racial group.)

Proceeds from certain fees, fines, and from other minor revenue sources in each county go into the county school fund. In addition, as previously explained, certain counties receive one-tenth of the proceeds of the natural products taxes produced within them. Revenues from these two sources and from general property taxes levied

<sup>12</sup> Data provided by State Department of Education of Oklahoma.

by the counties for the schools are distributed to each district of the respective counties on the school census basis.

4. *State school funds distributed on the basis of scholastic population.*—Oklahoma has an irreducible school fund which amounted in 1934 to \$31,061,777 and, in addition, 2,500,000 acres of unsold school lands with a reported value of \$6,250,000. Moneys in the fund are invested and the lands are leased for the benefit of the public schools. The annual income from these two sources is apportioned by the State to each county and by the respective counties to the local school districts in the same proportion that the number of children over the age of 6 years and under the age of 21 years residing in the respective districts bears to the total children of these ages in the State.

5. *State appropriations.*—Legislation enacted in 1935 authorized an annual appropriation of \$8,200,000 plus the net proceeds of a State tax on beverages for the public schools to relieve local district taxpayers and to more nearly equalize school costs throughout the State. The total amount is divided into two parts, designated in the law as "primary aid" and "secondary aid." The primary aid is distributed on the basis of number of teachers employed and the secondary aid on the basis of the financial need of the district.

(1) *Primary aid.*—Not more than \$5,400,000 of the general fund appropriation of \$8,200,000 for the public schools, plus the proceeds from the beverage tax, may be distributed as "primary aid." The distribution of the entire amount designated as primary aid and secondary aid is made according to specifications in the law and regulations of the State board of education, whose duty it is to administer the funds.

The "primary aid" is distributed to each school district in the State (except any district which had fewer than 18 pupils in average daily attendance during the previous year and which can be feasibly united with another district). The funds are apportioned on the basis of the number of needed teachers in elementary schools and in high schools in each district. The pupil-teacher ratio is not the same for elementary schools as for secondary schools. The number of needed teachers in a district depends upon the number of pupils per square mile who attended school in that district in the preceding year.

In *elementary districts* having an average daily attendance of fewer than two pupils per square mile the attendance is divided by 18; in those having 2 and less than 3 pupils per square mile the attendance is divided by 22; in those having 3 and less than 6 pupils per square mile the attendance is divided by 26; in those having 6 and less than 9 pupils per square mile the attendance is divided by 30; and in those having 9 or more pupils per square mile the attendance is divided by 32.<sup>12</sup>

<sup>12</sup> The rules of the State board of education provide that schools may be maintained in sparsely settled areas even if they cannot economically organize to secure an average daily attendance sufficient for 1 teacher according to the foregoing schedule.

In *high-school districts* if the attendance during the preceding year was fewer than 1 pupil per square mile, the attendance is divided by 20; if the attendance was 1 and less than 2, the number is divided by 22; and if the attendance was 2 or more, the number is divided by 25.<sup>14</sup>

The law states that the purpose of the "primary aid" is to supplement district funds for the payment of the salaries of teachers, and that the State board of education is to apportion the funds according to a salary schedule with the following minimum amounts per teacher per month, according to type of certificate held:<sup>15</sup>

First-grade elementary certificate issued on examination, \$50.

Elementary certificate issued on 40 hours of college work, \$65.

State certificate issued on 2 years of college work, \$75.

State certificate issued on 3 years of college work, \$80.

State certificate issued on a bachelor's degree, \$90.

State certificate issued on a master's degree, \$100.

(2) *Secondary aid.*—The 1935 legislature provided "secondary aid" to supplement the amount appropriated for teachers' salaries in any school district where a 10-mill levy and other revenue, including the "primary aid," will not maintain the minimum school program for the minimum term. Each district may petition the State board of education for secondary aid and must affirmatively show by sworn statement that:

(a) A ten (10) mill levy on lawfully assessed valuation has been laid in the district, if secondary aid is sought for the common schools; or if for the separate schools that a 1.5 mill levy has been made by the county for said separate schools.

(b) The aforesaid tax levied, together with other income and revenue, including the primary State aid \* \* \*, are insufficient to maintain the schools for the minimum term.

(c) The proportion of teachers to pupils is proper.

(d) The schedule of teachers' salaries is reasonable.

(e) The budget for maintenance expenses and building repairs is commensurate with the actual needs of the district.

Upon such showing the State board of education, with the approval of the Governor, shall promulgate rules and regulations, not inconsistent with the provisions hereof, providing for the distribution of secondary aid as a fixed right to every district making such showing taking into consideration the conditions of the district and the number of applications for secondary aid. The rules and regulations so made and the benefits to accrue thereunder and hereunder shall apply alike to all school districts applying for secondary aid. (*Sec. 465, par. II, School Laws of Oklahoma, 1935.*)

In order for any district to receive "secondary aid" the State department requires—

(1) That not less than 20 nor more than 50 percent of the total school expense may be for items other than teachers' salaries and transportation of pupils.

<sup>14</sup> *Ibid.*

<sup>15</sup> The State department has supplemented this schedule by providing increased amounts based on experience.

- (2) That the local salary schedules of teachers and supervisors meet the approval of the State board of education, and that part of the cost of the foundation program for teachers' salaries be calculated in accordance with a State-approved schedule.
- (3) That the maximum number of teachers allowed for the foundation program be calculated according to fixed pupil-teacher ratios promulgated by the State department of education in conformity with statutory provisions.

The foundation program which Oklahoma guarantees to districts may include \$12 per year for the transportation of resident pupils residing more than 1 mile from school and \$15 for approved transportation of nonresident pupils. The general maintenance cost (exclusive of salaries of teachers and supervisors and transportation costs) is fixed at \$150 per teacher allowed.

It is provided by statute that State primary and State secondary aids may be withheld from full-time schools in case the average daily attendance falls below 18 and when the school district fails to meet the standards established by the State board of education.

The foregoing description indicates that the Oklahoma plan for school support, as revised in 1935, contains most of the provisions usually considered fundamental to the proper functioning of a satisfactory plan. First, localities have a large degree of freedom in the conduct of their schools and in the matter of taxing themselves, up to a maximum amount, for school purposes. Second, the State provides definite amounts from State-wide sources for each approved school as basic support. (This provision shifts part of the school cost burden formerly carried by local general property taxpayers to those who pay taxes levied by the State.) Third, the State defines the foundation education program which it is willing to guarantee for each school and provides funds from State-wide sources for that part of the cost thereof which is needed in any district above the proceeds of a 10-mill local general property tax.

The education program which the State guarantees compares favorably with similar programs in some other States. However, the local school requirement, above which costs are equalized by the State's "secondary aid", appears high if complete equalization is to be effected. Complete equalization of the costs of a specified education program can result throughout a State, if local districts are participating in such costs by local taxation, only when the local school tax rate, based on equalized assessed valuation, is exactly the same in all districts.

#### THE CALIFORNIA PLAN<sup>16</sup>

*Administrative machinery.*—The local school district prevails in California as the paramount school administrative unit. San Fran-

<sup>16</sup> This description is based largely upon *Financing Public Education in California*, by Walter E. Morgan, State department of education, Sacramento, Calif., in Bulletin No. 15. August 1937.

cisco constitutes a single county-city school administrative unit. In all other cases the county is a unit for supervision of small schools, school budget approval, and certain additional minor functions only. There are four kinds of local districts: (1) Elementary school districts, (2) high-school districts, (3) junior college districts, and (4) unified school districts (composed of coterminous elementary and high-school districts, or of elementary, high, and junior-college districts). Each school district is under the jurisdiction of a board of trustees or a board of education. Joint control of the schools of the several types of districts is vested in one governing board in the case of unified school districts, and in the case of city districts joint control is vested in its board of education. In the latter case the area of the city high-school district may be greater than that of the city elementary district by virtue of annexation of outside elementary-school districts to the city high-school district for high-school purposes only. Where junior college district boundaries are coterminous with those of a high-school district, the governing board of the high-school district also serves as the governing board of the junior-college district.

*Bases of taxation and public-school support.*—School district taxes are levied upon the properties which are subject to local taxation within the respective school districts. At present such properties include real and personal property of individuals and corporations, including those used in the operation of public-utility enterprises. (Elementary school support in California is separate and distinct from secondary school support in most cases.)

Since repeal of the State tax on public utilities and corporations in 1935, the 3 percent sales tax and the State income tax, enacted in 1935, have constituted the major sources of revenue for the State general fund.

*School district budgets.*—The governing board of each school district is required to submit a budget at the beginning of each school year showing the proposed expenditures and estimated income of the district for the ensuing school year. The amount of the budget is discretionary with the governing board of the school district, subject to certain limitations imposed by the constitution and statutes. Any excess in the amount of the proposed expenditures above amounts to be received from State apportionments and from additional sources other than district taxation must be provided by a tax levied upon the district by the county board of supervisors, subject to certain statutory limitations.

*Types of schools and methods of support.*—(1) KINDERGARTENS.—Kindergartens may be established and maintained by elementary school districts. The use of State or county funds for the support of kindergartens is prohibited by statute. Any school district which maintains one or more kindergartens may levy a tax on the dollar of

its assessed valuation for current school expenses 1 mill higher than elementary districts which do not maintain kindergartens.

(2) **ELEMENTARY SCHOOLS.**—(a) *Local support.*—Elementary schools in California are now supported by local district taxation and State apportionments. Previous to 1933 elementary and secondary school revenues were provided from three taxing units: The State, the county, and the local school district. A constitutional amendment adopted in 1933 and subsequent legislation transferred the burden formerly carried by the counties to the State. In separate elementary school districts the tax rate may not without an affirmative vote exceed 8 mills on the dollar of assessed valuation (9 mills if a kindergarten is maintained). All school district taxes are levied for combined current and capital outlay expenses. In unified school districts the tax for all purposes may not exceed 15 mills for elementary and secondary grades with an additional mill for kindergartens and two and one-half mills for junior college grades.

(b) *State support.*—There is apportioned from the State fund \$30 per pupil in average daily attendance in the elementary schools (plus one-half the excess cost, not to exceed \$100 per pupil in classes for the physically handicapped). This State fund is derived from two sources: (1) The annual income from the State's permanent school fund, and (2) appropriation from the general revenues of the State. The amount transferred each year from general revenue sources is, of course, much greater than the annual income from the permanent school fund. This fund is provided by the State constitution which gives it a first claim on the general revenues of the State. Since 1933, the State provides an additional fund from its general revenues to take the place of previously required county taxes for elementary schools. The amount of this fund cannot be less than the amount above stated, and it may be larger owing to the fact that certain estimates for emergency schools may be added to the average daily attendance of the preceding year. Therefore the amount of funds provided by the State each year for the elementary schools is equal to at least \$60 per pupil.

(3) **HIGH SCHOOLS.**—(a) *Local support.*—While the plan for high-school support is separate and distinct from that for elementary schools, the two are similar. The revenue, as for elementary schools, is now derived from the two sources, local district and State. Local district taxes for all high-school (grades 9 to 12, inclusive) purposes without an affirmative vote may not exceed 7.5 mills on the dollar of assessed valuation (10 mills for combined high-school and junior college purposes). Any school district may issue bonds for capital outlay and debt refunding purposes not to exceed 5 percent of the assessed valuation of the district, when authorized by a two-thirds affirmative vote of the electorate.

(b) *State support.*—There is an annual State high-school fund the amount of which is determined in exactly the same manner with respect to high-school attendance as is the first State elementary fund described above with respect to elementary school attendance. This fund like the one for elementary schools is provided for in the State constitution. It is derived entirely, however, from the general fund of the State.

In addition to the State high-school fund of \$30 per pupil plus half the excess costs of educating physically handicapped pupils, a second annual fund for high schools in amount at least twice the size of the first has been provided by the State since 1933. This fund, as does the second State fund described for elementary schools, replaces one previously required of each county. Like the other high-school fund, it is derived from the general fund of the State. These two annual State funds for high schools are equal to at least \$90 per pupil.

(4) **JUNIOR COLLEGES.**—There are three types of tax-supported junior colleges in California. They are junior colleges maintained by high-school districts, those maintained by separately organized junior college districts, and those maintained as lower divisions of the several State colleges and the State university.

(a) *Local support.*—Junior colleges maintained by high-school districts are supported as integral parts of the high schools of which they are parts. Junior colleges maintained by junior college districts derive their support from the local district, from county, and from State sources. The district levy may not exceed 3.5 mills on the dollar of assessed valuation without an affirmative vote of the electorate to increase this rate for a specified time. The voters may also authorize junior college district boards for capital outlay and debt refunding purposes. Junior colleges which constitute the lower divisions of State institutions of higher learning receive no local support.

(b) *County support.*—County support is provided for junior colleges through a county nonresident tuition tax levied upon those portions of each county not included in any district maintaining a junior college, for the tuition of students residing in the county but not in a district maintaining a junior college and attending a junior college. The amount of the tuition is fixed by law as the average current expenditure per pupil in average daily attendance for the junior college attended, exclusive of State apportionments, plus a flat charge of \$65 per unit of average daily attendance of nonresident students for use of buildings and equipment. The county support applies to junior colleges maintained by high-school districts as well as to those maintained by junior college districts.

(c) *State support.*—State support for junior college grades maintained by high-school districts is provided exactly as for grades 9 to 12 of the high schools, as above explained.



A State fund is provided for junior colleges maintained by junior college districts. It is derived from Federal Government oil and mineral royalties<sup>17</sup> which the State receives plus an amount from the State's general fund sufficient to make \$2,000 for each approved junior college in junior college districts and \$90 per unit of average daily attendance (as defined by law) in such colleges.

*Apportionment of State school funds for elementary and high schools, and junior colleges.*—The methods of apportioning State funds to the schools, particularly those for elementary schools and high schools, are somewhat complicated. As previously explained, there are two annual State funds for the elementary schools and two for the high schools. While the legal unit of average daily attendance is the principal basis upon which the funds are apportioned, there are a number of special bases for both types of schools. When making the apportionment, each of the two funds for the elementary schools and each of the two funds for high schools is considered separately. For the present purpose it is sufficient to indicate below the total amount apportioned according to the principal bases used.

1. *Apportionment of State funds as general aid:*

- (a) For elementary schools, \$1,400 per teacher unit (35, or fraction, units of average daily attendance); balance prorated on basis of average daily attendance).
- (b) For high schools, \$800 to each district for each year, or grade of school maintained; balance prorated on basis of average daily attendance.
- (c) For junior colleges, \$2,000 for each junior college district; balance prorated on basis of average daily attendance.

2. *Apportionment of State funds as special aids:*

- (a) For supervision of instruction in the elementary schools of each county, \$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).
- (b) For school emergency purposes, amounts for elementary and high schools not exceeding 10 percent of preceding year's apportionments which county superintendent considers necessary.
- (c) For physically handicapped, excess cost not to exceed \$100 for each pupil in elementary and in high-school grades.
- (d) For special day and evening high schools, graduated amounts for specified number of units of attendance, decreasing as the size of school increases.
- (e) Each new high-school district receives \$3,200 during the first school year its organization is effective.

It is evident that the public-school system of the State of California is highly involved. The State assumes a relatively large share

<sup>17</sup> The Federal Government leases certain public domains for coal, phosphate, oil, oil shale, gas, and sodium mining, and 37½ percent of the receipts from bonuses, royalties, and rentals is paid to the respective States within whose boundaries the leased lands are located for the construction of public roads or the support of public schools.

of the expense for education and draws chiefly upon the general revenues of the State rather than upon special State revenues for this function of government. No special State taxes are levied for the schools. The State levies no general property tax but utilizes such types as income, sales, inheritance, and liquor taxes in securing the revenue for its general fund.

While a large part of the expense of public education at all levels, with the exception of kindergartens, is met by funds from the State's general revenue, the State employs two distinct methods for determining the annual amount of State funds needed by the schools. With the exception of junior colleges operated as lower divisions of institutions of higher learning, there are fixed or continuing amounts set aside each year for the schools of elementary, secondary, and junior college grades. The fact that each elementary and secondary school district knows at the time for preparing the annual budget the approximate amount of funds that it will receive from the State makes it possible for local fiscal officers to levy the correct rate of taxes in the respective school districts for additional funds needed by them.

Concerning the present plan for school support in the State, Dr. Morgan states:<sup>18</sup>

Considerable interest has been evinced during recent years with respect to the extent to which school districts in California have come to rely exclusively upon the State or the State and the county for financial support of the local schools. This interest has been accentuated since 1933 as a result of the enactment of the measure of eliminating the county school taxes and transferring to the State the former mandatory burden of county school support. Particularly is interest in this matter shown by those individuals and groups who have expressed themselves as believing either that the levy of the district tax should be required in all districts as a sort of guarantee of greater interest in economical administration by local school officials; or that extended and more detailed responsibility should be assumed by the State itself in matters of local school administration as a result of the increased extent to which the State participates in the financing of the local schools.

Dr. Morgan gives the total number of school districts actually maintaining elementary schools during the year 1935-36 as 2,708. Of these, 1,260, or 46.5 percent, levied no taxes for current expenses for that year. A somewhat similar situation with respect to high-school districts exists although a smaller percent levied no taxes. Attention has previously been called to the desirable effect which local interest has had on Government in general and on education in particular throughout our Nation's life. If the State plan for school support tends to discourage such interest or remove local responsibility, certain features of the plan may be in need of revision, or it

<sup>18</sup> Financing public education in California, by Walter E. Morgan. In California Schools 7: 352 November 1936. State department of education, Sacramento, Calif.

may be that the plan in its relation to local units for school administration is in need of revision.

Under the new California plan, an acceptable education program seems virtually assured without excessive local taxation in any community of the State. Apparently, the locality enjoys considerable freedom regarding school administration and the matter of levying taxes for special projects in which it may be interested. 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.

### EVALUATING PRESENT STATE LAWS ON SCHOOL SUPPORT

It may be helpful to those interested in making a self-survey of their State systems of supporting education to give here some questions which may serve as a check list on certain features of State laws. The questions below do not represent or suggest all of the features of any particular State system; they do, however, indicate some of the desirable features found in many State laws.

### CHECK LIST ON STATE LAWS AFFECTING THE SUPPORT OF PUBLIC ELEMENTARY AND SECONDARY EDUCATION

	Yes	No	Comment
Part I—State funds and their administration:			
1. Does your State law (or State Board of Education) establish and define a State-wide elementary and secondary education program which the State undertakes to guarantee?-----			
2. Is the State educational program based upon an annual term of at least 9 months?-----			
3. Does the State assume the responsibility for paying that part of the cost of a foundation education program which any district is unable to pay with the proceeds from a local tax levy at a rate made uniform for the purpose throughout the State?-----			
4. Are State funds provided for the annual needs of the schools from the following State-wide sources: (a) Income from invested permanent school funds and school lands?----- (b) Appropriations from the general revenue of the State?-----			

### CHECK LIST ON STATE LAWS AFFECTING THE SUPPORT OF PUBLIC ELEMENTARY AND SECONDARY EDUCATION—Continued

	Yes	No	Comment
Part I—State funds and their administration.—Continued.			
5. Are State appropriations sufficient to meet its obligations under (3) above?-----			
6. Is the State educational budget prepared by the State department of education?-----			
7. Does the State utilize nonproperty tax systems, such as income, sales franchises, beverages, etc., to supplement the revenue from general property tax?-----			
8. Is your State board of education required to prepare or submit to the Governor each year a budget showing in detail its financial needs for personal services and for conducting the affairs of the State department of education?-----			
9. Are State funds apportioned by the State board of education on the basis of local budgetary needs filed according to law?-----			
10. Does the law provide for apportionment of State funds to districts on a per-teacher quota ranging from \$600 to \$1,200?-----			
11. Does the law provide a satisfactory method of distributing teacher-quota funds?-----			
12. Does the State school-support plan include a carefully prepared salary schedule which is uniform for teachers with equal qualifications and experience irrespective of the grade of school in which they teach?-----			
13. Does the distribution of teacher-quota funds operate to discourage the maintenance of small schools except where special conditions justify their maintenance?-----			
14. Does the State supplement the teacher-quota fund with an equalization fund to assist those districts which are unable to support the approved program with their own and State teacher-quota funds?-----			
15. Is the equalization fund distributed on the basis of a reasonable maximum tax effort on the part of districts which recognized their differences in financial ability?-----			

CHECK LIST ON STATE LAWS AFFECTING THE SUPPORT OF PUBLIC ELEMENTARY AND SECONDARY EDUCATION—Continued

Yes	No	Comment
<p>Part I—State funds and their administration.— Continued.</p>		
<p>16. Are transportation and tuition costs included as legitimate expenses of your State educational program?</p>		
<p>17. Does the law require that an audit be made each year of the accounts of each school district and of all State educational institutions and also the State education department by certified public accountant?</p>		
<p>18. Does the State department render advisory service and assistance in the purchasing of adequate school supplies on an economical basis?</p>		
<p>19. Does the State department of education make continuous study and render advisory service concerning the most effective, economic, and equitable methods of securing and distributing school revenue?</p>		
<p>20. Is the State school support plan fairly free from features which tend to control the nature or extent of the educational program or restrict the initiative of local school districts?</p>		
<p>Part II—Local funds and their administration:</p>		
<p>21. Are school districts in the State suitable in size for economic and efficient school administration?</p>		
<p>22. Are all local school districts required to levy a minimum property tax?</p>		
<p>23. Are the electors in school districts free to petition an election to decide on the question of increasing school tax for school buildings, equipment, etc.?</p>		
<p>24. Does the law fix a minimum school tax rate requirement which local school districts must levy in order to receive State support?</p>		
<p>25. Does your State provide for uniform procedure and standards in determining property assessments in all school districts?</p>		
<p>26. Does the State law enable school districts to compute definitely amount of funds which will be available from the State for each ensuing school year?</p>		

CHECK LIST ON STATE LAWS AFFECTING THE SUPPORT OF PUBLIC ELEMENTARY AND SECONDARY EDUCATION—Continued

Yes	No	Comment
<p>Part II—Local funds and their administration.— Continued.</p>		
<p>27. Are local boards of education with the assistance of the school superintendent required to prepare annually complete and itemized statements of the district's financial conditions showing all receipts, expenditures, and balances for the year?</p>		
<p>28. Are local boards of education with the assistance of the school superintendent required to prepare a school budget setting forth in detail the needs of the schools of the district for the ensuing year?</p>		
<p>29. Does the law provide adequately for less against fire, storms, etc.?</p>		
<p>30. Does the State law provide adequate protection against loss of school funds by bank failures, improper investments, embezzlement, theft, graft and fraud, and general mismanagement?</p>		
<p>31. Do State and local school support plans stimulate initiative and cooperation on the part of local school districts in the improvement and extension of educational facilities?</p>		

HYPOTHETICAL STATE PLAN FOR FINANCING PUBLIC EDUCATION

Under this heading is given an outline of the principal features of a composite plan for the support of public education which indicates important features found in different State plans. It should be understood that this outline represents a hypothetical State plan rather than the plan used in any particular State.

*Constitutional provision.*—The conviction is expressed in the State constitution that an understanding of the duties of good citizenship on the part of every person is necessary to the general welfare. This document makes it the duty of the legislature to provide for the establishment and support of a system of common schools for the training of the youth of the State and such additional schools (including teacher-training institutions, a State university, and special schools) as the legislature deems necessary.

*Legislative provisions for school support*

I. For the public or common schools (kindergartens, elementary and secondary schools, and junior colleges).

## A. State funds:

1. Sources. Funds are provided for the annual needs of the common schools from the State-wide sources as follows:
  - (a) All income from invested permanent State school funds and school lands.
  - (b) All gifts received by the State during any year for the schools and specifically designated for current use.
  - (c) In addition to funds accruing from sources named under (a) and (b), an amount from the State's general revenues equal to the remainder of the State's obligation to the schools as defined under apportionment.

2. Apportionment. State funds are distributed quarterly to school districts whose reports have been filed according to law and the regulations of the State board of education upon order of such board (through its executive officer), according to the following bases:

- (a) Teacher quotas. To each legally organized school district an amount ranging from \$600 to \$1,200 is distributed for each needed teacher for kindergarten, elementary, or secondary school or junior college work. The exact amount for a given school depends upon a salary schedule, prepared by the State board of education, based upon qualification of teachers rather than upon the grade or level of school in which the teacher is employed.

The number of teachers needed in a district for purposes of distributing teacher-quota funds is determined as follows:

Each school maintained with the approval of the State board of education is allowed one teacher for each 35 units of average daily attendance (as defined by the State board of education) or major fraction thereof during the preceding school year. However, since extremely small schools are expensive and probably of doubtful efficiency compared to those attended by 100 or more pupils and employing more than one teacher, the State board of education is instructed to discourage the maintenance of small schools by local school districts. Furthermore, the State board of education is authorized to withhold State teacher quota funds from any elementary or secondary school or junior college which, in said board's judgment, had an insufficient number of pupils during the preceding school year for an efficient school; provided, that any district with newly organized and approved schools is entitled to receive State

teacher quota funds for the number of teachers actually needed for their new schools, which number shall be determined by rules and regulations of the State board of education.

- (b) Equalization funds. To any legally organized school district which is unable to meet the cost of the foundation program or programs, as approved for the district by the State board of education, with the proceeds of a 2-mill local district tax for kindergarten and elementary school purposes, a 3-mill tax for kindergarten, elementary, and secondary school purposes, and a 4-mill tax for kindergarten, elementary, secondary school, and junior college purposes plus the State funds which are received by the district as teacher quotas, an amount sufficient for the deficit is distributed. Consequently, only those districts which are unable to support the approved program with their own and State teacher quota funds receive the equalization funds.

Since it is necessary in distributing the equalization funds to know the cost of the education program which the State undertakes to guarantee, it is the mandatory duty of the State board of education to establish and define such a program for kindergartens, elementary and secondary schools, and junior colleges, and to fix the cost thereof; provided, that the cost of the foundation program shall be based upon an annual term of 9 months in all schools; that all salary costs shall be based upon carefully prepared salary schedules which are uniform for teachers with equal qualification, irrespective of the grade of school in which they teach, and similarly shall be uniform for principals and for other groups of employees; and that transportation costs shall be a legitimate expense of the foundation program.

B. Local funds. It is the duty of the board of education of each legally organized school district with the assistance of its executive officer each year to prepare a complete and itemized statement of the district's finances. Such statement shall show in detail all receipts, expenditures, and balances or deficits for the year. It shall also be the duty of the board of education to prepare a budget setting forth in detail the financial needs of the schools of the district for the ensuing school year showing the amount to be received from the State as teacher quotas, the amount as equalization aid, if any, and the amount necessary to be raised by local taxation. Both statements (that of the previous school year and that of the budget for the ensuing school year) shall be published in a local paper and copies sent to the State board of education. The amount of funds to be raised locally shall be spread on the general property tax rolls by the proper fiscal officers as are the amounts for other local government functions.

The question of raising funds in any school district for capital outlays in excess of \$50,000 shall be submitted for decision to a vote of the electors; provided, that when at least 50 percent of the legal electors in any district petition the board of education to submit the question of raising a smaller amount than \$50,000 to a vote of the electors such question shall be so submitted.

II. For the several State educational institutions of higher learning and State institutions for the educational training of atypical groups. It is the duty of the State board of education to administer and coordinate the work of all such institutions so that they will serve as integral parts of the public-school system of the State. This board with the assistance of the principal officer of each institution shall annually prepare and publish in a newspaper of State-wide circulation an itemized statement of the finances of the several institutions showing all receipts, expenditures, and balances or deficits of each. The board shall also prepare a budget showing in detail the financial needs and the probable amounts of income by sources of each institution for the ensuing year. The State board of education shall submit each such budget to the governor who shall submit same, as approved, to the legislature as parts of the State's annual budget.

Sources of revenue:

1. All funds received annually from the Federal Government for any State educational institution shall be placed in the State treasury by the State board of education for the annual needs of such institution.
2. All annual income from any invested funds and properties of any State educational institution shall be placed semi-annually by the State treasurer in the proper account to the credit of such institution.
3. All current cash earnings, including student fees fixed by law or by rulings of the State board of education of any State educational institution, shall become a part of the current general fund of such institution.
4. The use of funds from the State's general revenues is authorized to meet the needs each year of that part of the approved budget of each State educational institution which cannot be met by funds of the respective institutions designated under 1, 2, and 3.

III. For the State board of education. The State board of education shall prepare a budget each year showing in detail its financial needs for personal services and for conducting the affairs of the State department of education. Such budget shall be submitted by the State board of education to the Governor who shall submit same, as approved, to the legislature as a part of his annual budget. A report of the annual expenditures in detail of the State board of education for personal services and for the State department of education shall be published each year in a newspaper of State-wide circulation.

IV. Auditing of school accounts. A yearly audit shall be made of the accounts of each school district, of each State educational institution and of the office of the State board of education by the legally constituted State auditing authorities. The reports of such audits shall be submitted by the Governor to the legislature each year.

TABLE 3.—STATE ASSUMPTION OF AN INCREASING SHARE OF PUBLIC-SCHOOL COSTS

State	Percent of public-school revenue provided by the State		Disposition of proceeds of taxes named in column (4)
	1920	1934	
1	2	3	4
Alabama.....	51.3	34.0	All proceeds at specified rates to State school fund. All to State's general fund from which appropriations are made for schools.
Arizona.....	18.7	23.5	Specified amounts, or all proceeds at specified rates, allocated to State school fund. All to State's general fund on which the school funds have first claim. All income from permanent school fund.
Arkansas.....	23.7	20.0	All to State's general fund from which appropriations are made for schools.
California.....	20.4	48.7	In practice, all to State's general fund from which appropriations are made to schools. All to State school fund.
Colorado.....	9.0	3.3	(a) All to public schools. (b) All to State's general fund from which appropriations are made for schools.
Connecticut.....	12.3	9.2	All net revenue from chain-store tax, one-half revenue from beer tax, and all income from the State's permanent school fund allocated to the public schools. State school revenues for the year 1933-34 apparently derived chiefly from a 2-percent sales tax and one-third of the proceeds of motor fuel taxes. (a) All to public schools. (b) 67 1/2 percent to schools. (c) All to State's general fund from which appropriations are made for schools.
Delaware.....	35.3	92.5	(a) Annual income to public schools. All of annual income to public schools. (a) Approximately two-thirds of proceeds allocated to public schools. (b) All annual income to public schools. (c) All to public schools.
Florida.....	7.2	20.1	(a) All to general fund, but the schools have first claim on the proceeds. (c) All to State's general fund from which appropriations to education are made.
Georgia.....	43.5	29.4	(a) All to State's general fund from which appropriations are made for schools.
Idaho.....	9.7	8.6	(a) All to State's general fund from which appropriations are made for schools.
Illinois.....	8.7	6.8	(a) All to State's general fund from which appropriations are made for schools.
Indiana.....	10.6	27.0	(a) All to State's general fund from which appropriations are made for schools.
Iowa.....	1.5	1.9	(a) All to State's general fund from which appropriations are made for schools.
Kansas.....	2.3	2.0	(a) All to State's general fund from which appropriations are made for schools.
Kentucky.....	37.1	24.2	(a) All to State's general fund from which appropriations are made for schools.
Louisiana.....	24.5	33.7	(a) All to State's general fund from which appropriations are made for schools.

1. A number of important changes have been made since this date. In addition, \$500,000 is appropriated to the school fund from the State's general fund, annually. Since 1933 Arizona has levied personal and corporate income and gross sales taxes.

TABLE 3.—STATE ASSUMPTION OF AN INCREASING SHARE OF PUBLIC-SCHOOL COSTS—Continued

State	Percent of public-school revenue provided by the State		Principal State taxes levied, directly or indirectly, for public schools, 1932-34	Disposition of proceeds of taxes named in column (4)
	1920	1934		
1	2	3	4	5
Maine	35.6	32.6	General property franchises on banking institutions, and permanent school funds.	Proceeds of a 3¼ mill general property tax, one-fourth of income from the franchise taxes and all the annual income from the State's permanent school funds allocated to schools. All to State's general fund from which appropriations are made for schools.
Maryland	41.6	24.3	General property and securities, corporations, and various licenses and fees.	Necessary amounts distributed for school expenses from the proceeds of income taxes, certain legislative appropriations from the general fund and the annual income from the permanent school fund.
Massachusetts	12.3	11.8	Public utilities, various incomes and fees, and permanent school fund.	
Michigan	17.1	23.5	(a) Property of certain public utilities, inheritance or estate, corporation licenses and sales, (b) Alcoholic beverages	(a) All in excess of a stated amount allocated to public schools. (c) All to public schools.
Minnesota	19.5	26.4	(a) General property (1 mill), income, and chain store. (b) Production of iron ore. (c) General property, money and credits earnings of certain public utilities, and production of iron.	(a) 50 percent to education. (c) All to general fund from which appropriations to schools are made.
Mississippi	52.1	37.9	(a) General sales, franchises, and the property of certain corporations. (b) Permanent school fund.	(a) All to State's general fund from which appropriations are made to schools. (b) Annual income to public schools.
Missouri	11.9	7.9	(a) County foreign insurance. (b) Income, inheritances, general sales, franchises, and liquor. (c) Permanent school fund.	(a) One-half to public schools. (b) All to State's general revenue fund from which, by custom, one-third is appropriated to public schools. (c) All annual income to public schools.
Montana	9.9	9.5	(a) Metalliferous mines, oil licenses, inheritances, incomes, and chain stores. (b) Permanent school fund. (c) General property, mines production, and corporation franchise.	(a) Specified portions of the proceeds of each tax named allocated to schools. (b) All annual incomes to schools.
Nebraska	6.6	5.5	(a) General property, mines production, and corporation franchise.	(a) Proceeds of a 1.1 mill general property and mines production taxes and one-half of proceeds from certain franchise taxes allocated to schools. (b) All annual incomes to schools.
Nevada	26.6	15.3	(b) Permanent school fund and school lands. (c) Public road toll, motor licenses, corporation franchise and business.	(a) Natural products or gross production on various products. (b) Income.
New Hampshire	8.7	9.1	(a) Public road toll, motor licenses, corporation franchise and business.	(a) General property (0.25 mill, year), alcoholic beverages, and general sales. State's permanent school fund.

\* This State receives a large amount annually in Federal oil royalties, a considerable portion of which goes to the public schools.

† Small legislative appropriations are made from State's general revenues.

TABLE 3.—STATE ASSUMPTION OF AN INCREASING SHARE OF PUBLIC-SCHOOL COSTS—Continued

State	Percent of public-school revenue provided by the State		Principal State taxes levied, directly or indirectly, for public schools, 1932-34	Disposition of proceeds of taxes named in column (4)
	1920	1934		
1	2	3	4	5
New Hampshire	8.7	9.1	(b) General property and deposits and stock in banking and other financial institutions.	(b) Each school district levies a general property tax sufficient to yield \$2 per pupil and a 3¼-mill tax is levied on general property in unorganized territory for the State's current school supervision fund; the yield of taxes on deposits and stock in financial institutions goes to the State current school fund.
New Jersey	35.6	2.6	(a) Railroad property, general property, and penalties. (b) Permanent school funds.	(a) Specified parts of the yield of railroad and general property taxes, also of certain penalties, allocated to State's current school fund. (b) All annual incomes to public schools.
New Mexico	17.6	16.9	(a) Business sales, liquor sales, general property, motor vehicles, personal and corporate incomes, and licenses on businesses. (b) Permanent school fund and school lands. (c) Corporation, motor fuel, and inheritance, income, stock transfer, and income. Franchise, income, sales license, inheritance, liquor, certain minor fees, and State's literary fund.	(a) Designated portions of the proceeds of some, and of the proceeds of specified rates of others allocated to public schools. (b) All annual income distributed to public schools. All to State's general fund from which appropriations to schools are made. Income on State's literary fund goes to schools. Proceeds of all taxes named to State's general fund from which appropriations to schools are made. (c) All to State's general fund from which appropriations for schools are made.
New York	12.1	28.3	(a) General property, intangible property, public utilities, tobacco, inheritances, incomes, and franchises. (b) Permanent school fund and school lands. (c) Tobacco, liquid fuel, and classed intangibles. (d) Corporation franchise, public utilities, inheritance, and licenses on certain businesses and amusements. (e) Natural products or gross production on various products. (f) Income.	(a) All annual income goes to public schools. (b) All to public schools. (c) All to State's general fund from which appropriations to the public schools are made. (d) One-fourth to one-half is used for the public schools. (e) Three-fourths of net proceeds allocated to the public schools. (f) All except a small administration cost to the public schools.
North Carolina	30.1	61.5	(a) General property, intangible property, public utilities, tobacco, inheritances, incomes, and franchises. (b) Permanent school fund and school lands. (c) Tobacco, liquid fuel, and classed intangibles. (d) Corporation franchise, public utilities, inheritance, and licenses on certain businesses and amusements. (e) Natural products or gross production on various products. (f) Income.	(a) All to State's general fund from which appropriations for schools are made. (b) All annual income goes to public schools. (c) All to public schools. (d) All to State's general fund from which appropriations to the public schools are made. (e) One-fourth to one-half is used for the public schools. (f) Three-fourths of net proceeds allocated to the public schools. (g) All except a small administration cost to the public schools.
North Dakota	12.1	10.5	(a) General property, intangible property, public utilities, tobacco, inheritances, incomes, and franchises. (b) Permanent school fund and school lands. (c) Tobacco, liquid fuel, and classed intangibles. (d) Corporation franchise, public utilities, inheritance, and licenses on certain businesses and amusements. (e) Natural products or gross production on various products. (f) Income.	(a) General property, intangible property, public utilities, tobacco, inheritances, incomes, and franchises. (b) Permanent school fund and school lands. (c) Tobacco, liquid fuel, and classed intangibles. (d) Corporation franchise, public utilities, inheritance, and licenses on certain businesses and amusements. (e) Natural products or gross production on various products. (f) Income.
Ohio	7.3	12.3	(a) General property, intangible property, public utilities, tobacco, inheritances, incomes, and franchises. (b) Permanent school fund and school lands. (c) Tobacco, liquid fuel, and classed intangibles. (d) Corporation franchise, public utilities, inheritance, and licenses on certain businesses and amusements. (e) Natural products or gross production on various products. (f) Income.	(a) General property, intangible property, public utilities, tobacco, inheritances, incomes, and franchises. (b) Permanent school fund and school lands. (c) Tobacco, liquid fuel, and classed intangibles. (d) Corporation franchise, public utilities, inheritance, and licenses on certain businesses and amusements. (e) Natural products or gross production on various products. (f) Income.
Oklahoma	7.5	29.4	(a) General property, intangible property, public utilities, tobacco, inheritances, incomes, and franchises. (b) Permanent school fund and school lands. (c) Tobacco, liquid fuel, and classed intangibles. (d) Corporation franchise, public utilities, inheritance, and licenses on certain businesses and amusements. (e) Natural products or gross production on various products. (f) Income.	(a) General property (0.25 mill, year), alcoholic beverages, and general sales. State's permanent school fund.
Oregon	4.8	1.8	(a) General property, intangible property, public utilities, tobacco, inheritances, incomes, and franchises. (b) Permanent school fund and school lands. (c) Tobacco, liquid fuel, and classed intangibles. (d) Corporation franchise, public utilities, inheritance, and licenses on certain businesses and amusements. (e) Natural products or gross production on various products. (f) Income.	All annual proceeds to the public schools. All to State's general fund from which appropriations are made to the public schools.
Pennsylvania	15.9	20.3	(a) General property, intangible property, public utilities, tobacco, inheritances, incomes, and franchises. (b) Permanent school fund and school lands. (c) Tobacco, liquid fuel, and classed intangibles. (d) Corporation franchise, public utilities, inheritance, and licenses on certain businesses and amusements. (e) Natural products or gross production on various products. (f) Income.	Inheritance, capital stock, corporate loans, franchise or certain public utilities, insurance premiums, certain amusement licenses, and a number of small items. Corporation licenses, inheritances, liquor, motor vehicles, banking institutions, and general property.
Rhode Island	5.2	6.0	(a) General property, intangible property, public utilities, tobacco, inheritances, incomes, and franchises. (b) Permanent school fund and school lands. (c) Tobacco, liquid fuel, and classed intangibles. (d) Corporation franchise, public utilities, inheritance, and licenses on certain businesses and amusements. (e) Natural products or gross production on various products. (f) Income.	All to State's general fund from which appropriations are made for schools.

\* Data for 1934-35.

TABLE 3.—STATE ASSUMPTION OF AN INCREASING SHARE OF PUBLIC-SCHOOL COSTS—Continued

State	Percent of public-school revenue provided by the State		Principal State taxes levied, directly or indirectly, for public schools, 1933-34 <sup>1</sup>	Disposition of proceeds of taxes named in column (4)	5
	1920	1934			
1	2	3	4		
South Carolina.....	15.8	27.7	(a) Personal and corporate income, corporation license on certain public utilities, and license on dealers in meat and various beverages. (b) General property, business, tobacco, public utilities, income, documentary stamp, and various fees. (c) Gross income, permanent school fund, and school lands.	(a) A stated amount from each allocated to the public schools. (b) Part of proceeds to State's general fund from which appropriations are made to the public schools. (c) 50 percent of proceeds of gross income taxes and all the annual income from the State's permanent school fund and school lands go to the current State school fund. (d) All to public schools. (e) Specified amounts for elementary and for secondary schools and for the State university. (f) Two-thirds to public schools although the county may vote to use a part of its share for other government purposes. (g) Proceeds of a 3½-mill general property, two-thirds of a \$1 poll tax, and one-fourth of the occupation taxes placed in the State school fund. (h) All to current State school fund. (i) Designated parts allocated to State's general fund from which legislative appropriations are made for schools. (j) 1. All to public high-school fund. 2. Amount necessary when added to 75 percent of proceeds of State income taxes to make \$25 per educable. 3. Amount sufficient to amount to \$2 per educable in 1933-34. (k) 75 percent allocated to public schools. (l) Any amount above the first \$2,000,000 goes to the public schools. (m) \$600,000 of proceeds allocated to current State school fund. (n) Proceeds allocated chiefly to State's general fund from which annual appropriation is made for schools. (o) All to State's general fund from which appropriations are made for schools. (p) Two-thirds of poll tax receipts go to current State school fund and proceeds of fines are added to permanent State school fund.	
South Dakota.....	16.6	31.1	(a) General property (0.8 of 1 mill). (b) Tobacco. (c) Beer.		
Tennessee.....	17.8	42.5	(a) General property, poll taxes, and occupation licenses. (b) Permanent school fund and school lands. (c) Gross receipts of public utilities and various business licenses.		
Texas.....	54.0	51.5	(a) General property, poll taxes, and occupation licenses. (b) Permanent school fund and school lands. (c) Gross receipts of public utilities and various business licenses.		
Utah.....	31.5	39.2	(a) General property— 1. 2½ of a mill. 2. Rate varies (in 1933-34 it was reported at approximately 7 mills). 3. Rate varies. (b) Personal and corporate income. (c) Sales. (d) Personal and corporate income. (e) Income, inheritances, public utilities, and licenses.		
Vermont.....	33.1	15.7	(a) Public utilities, personal and corporate income, various business licenses and permits, farm-leases, and inheritances. (b) Poll taxes and fines.		
Virginia.....	36.7	26.7	(a) Public utilities, personal and corporate income, various business licenses and permits, farm-leases, and inheritances. (b) Poll taxes and fines.		

TABLE 3.—STATE ASSUMPTION OF AN INCREASING SHARE OF PUBLIC-SCHOOL COSTS—Continued

State	Percent of public-school revenue provided by the State		Principal State taxes levied, directly or indirectly, for public schools, 1933-34	Disposition of proceeds of taxes named in column (4)
	1920	1934		
1	2	3	4	5
Washington.....	18.1	37.0	(a) General property (rate sufficient to produce, with all other school revenue, 25 cents per pupil per day in attendance). (b) Classified business and occupation. (c) Chain store and general sales.	(a) All income from the tax at the rate specified for the public schools. (b) All proceeds up to a specified amount to public schools. (c) Proceeds go to State's general fund, but included with appropriation for schools. (d) All for State's general fund made to schools. (e) Specified amount for the emergency needs for schools. (f) All to State's general fund from which appropriations are made for schools. (g) All annual income goes to current State school fund.
West Virginia.....	6.4	49.1	(a) Income, inheritance, and corporation occupation or license. (b) Beer and liquor.	(a) All proceeds up to a specified amount to public schools. (b) Proceeds go to State's general fund, but included with appropriation for schools. (c) All for State's general fund made to schools. (d) Specified amount for the emergency needs for schools. (e) All to State's general fund from which appropriations are made for schools. (f) All annual income goes to current State school fund.
Wisconsin.....	15.6	19.8	(a) Beer and liquor. (b) Public utilities, income, inheritance, chain store, occupation, and natural products. (c) Permanent school fund and school lands. <sup>4</sup>	(a) All proceeds up to a specified amount to public schools. (b) Proceeds go to State's general fund, but included with appropriation for schools. (c) All for State's general fund made to schools. (d) Specified amount for the emergency needs for schools. (e) All to State's general fund from which appropriations are made for schools. (f) All annual income goes to current State school fund.
Wyoming <sup>4</sup> .....	24.3	24.5	(a) Beer and liquor. (b) Public utilities, income, inheritance, chain store, occupation, and natural products. (c) Permanent school fund and school lands. <sup>4</sup>	(a) All proceeds up to a specified amount to public schools. (b) Proceeds go to State's general fund, but included with appropriation for schools. (c) All for State's general fund made to schools. (d) Specified amount for the emergency needs for schools. (e) All to State's general fund from which appropriations are made for schools. (f) All annual income goes to current State school fund.

<sup>4</sup>This State receives a large amount annually in Federal oil royalties, a considerable portion of which goes to the public schools.

TABLE 4—AMOUNT BY SOURCES OF

STATE SCHOOL REVENUE IN 1933-34

AMOUNT AND PERCENT OF TOTAL FUNDS DERIVED FROM SOURCES INDICATED

STATE	Total amount <sup>1</sup>	APPROPRIATED FROM SPARES GENERAL FUND						STATE TAXES LEVIED SPECIALLY FOR PUBLIC SCHOOLS			SEVERANCE OR PRODUCTION			SALES			SPECIAL OTHER THAN TOBACCO			OTHER TYPES			ALL OTHER SOURCES, SUCH AS INCOME FROM PERMANENT SCHOOL FUNDS																																																																						
		GENERAL PROPERTY		INCOME (PERSONAL, CORPORATE, OR BOTH)		MOTOR FUEL		Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent																																																																					
		5	6	7	8	9	10																		11	12	13	14	15	16	17	18	19	20	21	22																																																									
Total	\$461,840,321	\$307,971,570	66.7	\$41,475,574	9.0	\$12,271,657	2.7	\$19,652,652	4.3	\$7,723,019	1.7	\$3,263,612	0.7	\$33,808,920	7.3	\$22,098,298	4.7	189,675	0.04	156,873	0.03	83,860	0.02	587,257	0.13	674,555	0.14	97,306	0.02	52,834	0.01	135,379	0.03	557,417	0.12	1,763,396	0.4	210,099	0.05	434,858	0.1	141,148	0.03	250,000	0.05	21,451	0.005	205,226	0.04	2,600,000	0.6	62,160	0.01	187,040	0.04	791,024	0.17	990,010	0.21	743,657	0.16	819,371	0.18	227,015	0.05	760,710	0.16	250,269	0.05	1,171,350	0.25	294,897	0.06	66,950	0.01	15,833	0.003	887,852	0.19	150,750	0.03	2,961,015	0.6	169,987	0.04	325,623	0.07	1,319,015	0.28	442,000	0.1	21,032,068	4.6
Alabama	5,298,011	500,000	9.1	2,997,490	54.2	1,365,466	25.7	691,655	12.4	1,840,646	33.3	675,586	12.6	14,482	0.3	195,675	3.4	156,873	2.6	83,860	1.2	587,257	9.9	674,555	100.0	97,306	1.0	52,834	0.5	135,379	1.0	1,763,396	12.1	210,099	1.1	434,858	3.4	141,148	1.0	250,000	3.6	21,451	0.9	205,226	3.0	2,600,000	21.8	62,160	1.5	187,040	4.0	791,024	77.6	990,010	88.6	743,657	12.7	819,371	86.3	227,015	1.4	760,710	88.4	250,269	1.5	1,171,350	14.2	294,897	95.2	66,950	2.2	15,833	3.3	887,852	46.6	150,750	3.2	2,961,015	8.7	169,987	4.9	325,623	5.5	1,319,015	14.5	442,000	7.7	21,032,068	99.6				
Arizona	1,551,338	1,355,466	87.4	1,363,541	88.0	436,755	8.7	2,830,368	19.5	4,178,394	26.6	2,000,300	13.0	1,718,511	7.3	1,400,900	11.7	5,835,659	33.6	2,000,000	16.8	47,887	4.0	2,757,622	11.5	3,959,000	4.0	17,398,000	73.2	1,840,646	11.6	1,762,588	12.1	87,699	0.6	1,763,396	12.1	210,099	34.1	434,858	86.1	141,148	3.4	250,000	3.6	21,451	0.9	205,226	3.0	2,600,000	21.8	62,160	1.5	187,040	4.0	791,024	77.6	990,010	88.6	743,657	12.7	819,371	86.3	227,015	1.4	760,710	88.4	250,269	1.5	1,171,350	14.2	294,897	95.2	66,950	2.2	15,833	3.3	887,852	46.6	150,750	3.2	2,961,015	8.7	169,987	4.9	325,623	5.5	1,319,015	14.5	442,000	7.7	21,032,068	99.6

<sup>1</sup> In some cases the data supplied were preliminary and consequently may vary slightly from final figures.  
<sup>2</sup> One-half amount appropriated in 1933 for biennium 1932-35 plus special appropriation of \$376,000 for 1933-34; all for school buildings.  
<sup>3</sup> Proceeds of corporation franchise taxes.  
<sup>4</sup> Proceeds of liquor taxes, or liquor store license fees, or both, for schools.  
<sup>5</sup> Proceeds of chain-store tax for schools.  
<sup>6</sup> Part of this amount was derived from a retail sales tax for schools.  
<sup>7</sup> Proceeds of dog taxes.  
<sup>8</sup> One-half proceeds of taxes on savings banks and trust companies.  
<sup>9</sup> Derived from taxes on public utilities property and includes approximately \$360,000 interest on 3 per cent debts the State owes its school funds.  
<sup>10</sup> One-half proceeds from taxes on foreign insurance companies.

AMOUNT AND PERCENT OF TOTAL FUNDS DERIVED FROM SOURCES INDICATED—Continued  
 STATE TAXES LEVIED SPECIALLY FOR PUBLIC SCHOOLS—Continued  
 SEVERANCE OR PRODUCTION  
 SALES  
 SPECIAL OTHER THAN TOBACCO  
 OTHER TYPES  
 ALL OTHER SOURCES, SUCH AS INCOME FROM PERMANENT SCHOOL FUNDS  
 Proceeds of tax on gross earnings of freight car companies and corporation license taxes and one-half proceeds of inheritance and chain-store licenses.  
 Proceeds of railroad taxes remaining after certain deductions are made.  
 Data for 1932-33.  
 Revenue derived chiefly from cigarette tax which was dedicated to the educational equalization fund.  
 Proceeds of State taxes on intangible property for schools.  
 Proceeds of corporation license fees on dealers in certain alcoholic beverages.  
 Proceeds of beer taxes from May 1, 1933, to June 20, 1934.  
 Proceeds of occupation taxes based on gross receipts.  
 Derived in part or wholly from State poll taxes for schools.  
 A large part of this amount is derived from Federal oil royalties.



SELECTED REFERENCES ON SCHOOL FINANCE<sup>1</sup>

Administration of the State public school fund. David H. Sutton. Columbus, Ohio. 1935. State of Ohio, Department of education. Bulletin No. 1. 69 p.

Explains in detail the plan used in Ohio for financing education, including definitions of terminology used in the law.

The application of selected State-aid and State-equalization plans to public education in Colorado. Arnold E. Joyal. Report of a study by Colorado W. P. A. project 546. State department of education. Denver, Colo. 1936. 150 p.

Considers the relative merits of several different plans for State financial assistance to the public schools. Shows amounts of State funds necessary in the application of different plans.

The economic ability of the States to finance public schools. Leslie L. Chism. New York, N. Y., Teachers college, Columbia university, 1936. 169 p. (Contributions to education, no. 669.)

Analyzes the potential sources of public revenue of the several States in relation to their educational load. Uses many relevant facts.

The efforts of the States to support education. Lyle W. Ashby. Washington, D. C. National education association, 1936. 63 p.

Shows the effort of the several States to support education and analyzes the effort they make in the light of their taxing resources.

Federal and State school finance. Fletcher H. Swift. New York, N. Y., Ginn & Co., 1931. 472 p.

Reviews development of provisions for public-school finance in the United States, explains in considerable detail the features of the various plans in operation, and shows how improvements can be made.

Finance and business administration. Review of educational research (Entire issue p. 121-184) vol. v, no. 2, April 1935. American education research association, 1201 Sixteenth St., N.W., Washington, D. C.

Discusses 10 problems of school finance and lists 315 selected references.

How public schools are financed. Walter E. Morgan. Tax Digest, Subway Terminal Bldg., Los Angeles, Calif., January 1937, p. 13-15, 22-28. Tables. North Carolina's school tax revolution. A. T. Aller. The Indiana teacher, 76: 14-15, May 1932.

Dr. Allen, who was State superintendent of public instruction in North Carolina when the new plan for school finance was adopted in that State, explains the essential features of the plan adopted in 1931, in this article.

School revenue. Henry C. Morrison. Chicago, Ill., the University of Chicago Press. 1930. 242 p.

Presents the problem of school finance in a philosophical manner and attempts to place this problem in its logical position with reference to the financial organization of society.

State and county educational reorganization: the revised constitution and school code of the State of Osceola. E. P. Cubberley. New York, N. Y., Macmillan, 1914. 257 p.

Presents a model school code including a plan for school finances for a hypothetical State.

<sup>1</sup> This brief list of references is incomplete. It includes only a few of the many studies which the interested reader will find helpful. State school codes, as well as a number of official school reports, of course, contain source materials. For a more complete list, see Office of Education, Bulletin 1932, No. 16, Bibliography on educational finance.

State provisions for equalizing the cost of public education. Timon Covert. Washington, D. C., U. S. Government Printing Office, 1936. 49 p. (Office of Education bulletin 1936, No. 4.)

Shows present methods, by States, of school support, including sources of revenue, methods of distribution, and special provisions for equalizing school costs.

State responsibility for the support of public schools. R. C. Williams. Des Moines, Iowa, 1936. 27 p. The State of Iowa, Department of public instruction, research bulletin No. 20. September 1936.

Explains in a concise manner Iowa's plan for school support, including some comparisons with other States.

State support for public education. Report of the National Survey of School Finance, U. S. Department of the Interior, Office of Education. Paul R. Mort and others. Washington, D. C., 1933. 496 p. The American Council on Education, Washington, D. C.

Explains comprehensively the various State plans for school finance and points out how those plans may be improved.

State support for public schools. Paul R. Mort. New York, N. Y., Teachers college, Columbia university, 1926. 104 p. (School administration series.)

Sets up criteria for adequate system of State support which will equalize the costs of a minimum program throughout the State.

Taxation and school support—For Minnesota schools. Roy G. Blakey and others. Minneapolis, Minn., Minnesota education association. 1935. 96 p. Bulletin no. 3.

Analyzes the problem of school finance in Minnesota and makes recommendations for improvement.

A technique for computing the amount of new aid required for State equalization programs. Eugene S. Lawler. New York, N. Y., Teachers college, Columbia university, 1932. 46 p. (Contributions to education, no. 547.)

Presents a technique for the rapid and convenient use of information from the school districts of any State in finding the amount of State funds needed to equalize school costs.