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State Responsibility
for the
Support of Public Schools

By
R. C. WILLIAMS
Director of Research

DEPARTMENT OF PUBLIC INSTRUCTION
AGNES SAMUELSON, *Superintendent*

RESEARCH BULLETIN NO. 20
SEPTEMBER, 1936

Published by
THE STATE OF IOWA
Des Moines

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INTRODUCTION

During the three-quarters of a century that the public schools have been training its children many developments and changes have occurred. However, with all these advances the basis upon which our schools are financed has remained practically constant and has not been modified to reflect changing economic conditions.

The consciousness that some fundamental readjustments must be made in Iowa's present method of providing revenues for its public schools is rapidly becoming more and more general. If our schools are to survive and hold their rightful place their basis for financial support, as well as the form of organization, curriculum content, and other essential factors must be constantly sensitive to the general conditions in which they operate. One of the obvious solutions is the assumption by the state of a significant portion of the burden now borne by direct property taxation. The problem has been the subject of study and discussion by many organizations, such as parent-teacher associations, farm bureaus, leagues of women voters, women's clubs, teachers' associations, luncheon and service clubs, and other groups interested in social progress.

This bulletin has been prepared in response to the many requests for literature based upon Iowa conditions. We believe that it fairly interprets our present situation and the point of view from which it should be studied. Those who desire to be better informed regarding this vital matter will find this discussion both stimulating and profitable.

AGNES SAMUELSON,
Superintendent of Public Instruction.

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RESPONSIBILITY OF THE STATE FOR SUPPORT OF SCHOOLS

I. ESSENTIALS OF AN ADEQUATE PLAN OF SCHOOL SUPPORT

In 1933 there was held a National Conference on the Financing of Education. Those attending this conference were experts in the fields of public finance, taxation, and school finance, school administrators, and business men. This conference spent some time in considering the general problem of securing adequate funds for the maintenance of public schools and reviewed many of the studies made of situations throughout the United States. One of the results of this conference was a statement of principles which should be recognized in any plan for providing school funds, and which was called a "School Finance Charter." From this charter the following principles have been adopted:

1. Funds should be available to provide every child and youth a complete educational opportunity. This opportunity should be maintained regardless of the place of residence or physical condition of the child, or the financial ability of his parents.
2. The taxing system should be stable, flexible, and varied so as to provide adequate funds for the maintenance of all government activities including the schools, and to distribute the burden equitably among the people of the state.
3. Taxpayers and the public should be kept informed by frequent, understandable reports concerning the use of school money and the needs of schools.
4. Boards of education should be responsible directly to the people for the efficient and economical use of the funds at their disposal.
5. Local school districts should be large enough to provide the same essential services for all its children.
6. Each school community should be free to provide school facilities beyond the minimum standards if it so desires.
7. The state should contribute to the financial support of every district in order to guarantee to every child a minimum school program and to relieve local property tax, if it is carrying an unfair share of the cost of government.

8. Each state should have a long time plan for financing its schools, and this plan should be constantly revised to meet changing economic conditions.

II. INTEREST IN SCHOOL SUPPORT

Interest in the provisions made by the state of Iowa for financing its public schools has shown a considerable increase in the past few years. It is not difficult for the student of government or of school administration to locate some of the causes for this stimulation of interest. In order to have a balanced point of view toward the problem of school support it may be well to review some of the causes which have directed the attention of the people of Iowa toward this fundamental factor in the kind of education which is being provided for their boys and girls.

1. Being a public institution the schools derive their income from revenue levied and collected against certain financial resources. Financial conditions in past years have made it difficult if not impossible for people to meet these tax levies.
2. In the state of Iowa, the school district is the smallest political unit and consequently may be said to be the closest to the people. When one's ability to pay taxes becomes more and more strained, it is natural that he should turn his attention toward those agencies which are closest to him and to which he contributes most directly. The entire state is divided into several types of political units. The average size of each of these units is:

Unit	No. of Units	Average Size
State	1	56,147 sq. mi.
County	99	567 sq. mi.
Township	1,605	34.9 sq. mi.
School District	4,879	11.5 sq. mi.

3. It has become an axiom that direct taxation upon tangible property has broken down as a means of providing revenues for the support of the government. The schools depend almost entirely upon this base for their income.
4. Not only has the inability to pay property taxes made it difficult to secure adequate revenues for public schools but has in many cases brought undue criticisms on the schools as being the extravagant consumer of public funds. This has been accompanied by criticism of the effectiveness of our school system with a more or less general demand that school programs be reduced in proportion to the reduction of incomes from tangible property.

5. School officials, parents, and many public-spirited citizens realize that school enrollments do not fluctuate directly in proportion to economic conditions, and that the need for substantial, thorough work of the public schools is equally as necessary in times of depression as in normal times.
6. From year to year there has been an increasing demand for education. As is shown by the following table, the enrollment in high schools is one-fourth the total enrollment in our public schools, whereas fifteen years ago it was but one-eighth of the total enrollment. Not only have our high school enrollments increased much more rapidly than the enrollments in the elementary grades, but pupils who enter high schools are staying for a longer period of time. Last year 43.7 per cent of the number of pupils enrolled in high school were found in the last two years of high school work, an increase of six per cent over the percentage of the enrollment in these grades in 1920.

Year	Per Cent of Total Enrollment in High School	Per Cent of H. S. Enrollment in 11 and 12 grades
1920	12.9	37.7
1930	21.1	42.1
1931	21.7	42.7
1932	22.5	43.4
1933	23.2	43.7
1934	23.7	44.0
1935	24.5	43.7

7. The need for the revision of our method of financing public schools has been intensified. It has become more and more evident that we cannot continue to provide adequate revenues for public schools by keeping the burden of support upon direct property tax.
8. New forms of taxes have been created but none of them have been used for the benefit of the schools. The greatest change in years in our public revenue system was the enactment of the so-called three-point tax law which proposed to raise nineteen million dollars. None of this revenue was set aside for the schools.
9. Students of public administration are rapidly taking the position that the social and economic developments in our country have made it more and more obvious that the educational advantages offered to boys and girls should be a concern of the entire state and even the entire country. The several communities in which these children reside should not be expected to bear all the cost of their education.
10. The need for state support for public schools to be derived from new sources of revenue has been recommended by three recent

studies of taxation in Iowa—the joint legislative committee on taxation which reported in 1923, a similar committee which submitted a report in 1931 and the Brookings Institution, whose survey of government in Iowa was released in 1933.

11. The improvements in school finance in other states have led many people in Iowa to realize that we have not kept up with the trend of the times. In four states one-half or more of the income of the school districts is contributed by state funds. In fourteen states more than one-third, and in twenty-four states more than one-fourth, of the school income is contributed by state funds. In thirty-six states funds collected by the state government contribute at least ten per cent of the revenues of school districts. For the United States as a whole 26 per cent of the revenues of the public schools are contributed by state governments. The state of Iowa contributes but 2.2 per cent of the income of her public schools.

III. FACTS ABOUT SCHOOL SUPPORT

It is the purpose of this bulletin to present in as simple and accurate a manner as possible certain fundamental facts about the financial support of public schools in Iowa. This discussion aims to answer questions that are being frequently raised and to convey answers to many others which occur from time to time. Where it is believed helpful, the trends over a period of years are also shown. Our only intention is to clarify the understanding and thinking of those who are concerned about the welfare of our schools and to suggest some remedies for our present difficulties.

WHO IS A TAXPAYER?

Much of the confusion and apparent disagreement between statements and comments on school support is due to this interpretation of the word "tax." In the early history of our state, the tax on property was the only use of this term. This was shortly followed by a tax upon moneys and credits. Since those days various forms of indirect taxation have been levied and been used to pay a significant part of the costs of operating some branches of government in Iowa. At least once a year each property owner is called upon to pay to the county treasurer the taxes assessed against his property. It has been more or less traditional to refer to this source of revenue as taxes while other more recent forms of taxation such as the cigarette tax,

gasoline tax, sales tax, etc., are overlooked. Their collection is a continuous process but they are taxes to the same extent that revenues against properties are taxes. An individual who is subject to the payment of any of these revenues is as genuine a taxpayer as the one who pays property taxes.

It will be readily seen that the amount a property owner pays annually at the office of the county treasurer and the receipt he gets for this payment do not represent all of the taxes which this individual pays, and do not include all of the taxes which the several branches of government receive.

The recently enacted "three-point" tax law of Iowa has made "taxpayers" of most of the citizens of the state. No longer can it be said that the "taxpayers" are a small portion of the people of the state. If this term is to continue to refer only to those who pay taxes on property, then other terms should be brought into use to include the greater group. Who are paying the state income and retail sales taxes, and who, as a result, are contributing to the public treasury?

THE SCHOOLS' SHARE OF PUBLIC REVENUES

Reference has just been made to the fact that the property taxes constitute a large part of our source of public revenue; much is derived from other sources. Regardless of the source, these additional revenues are received and spent by certain branches of government together with receipts from property taxes. If we are to give fair consideration to this matter, we must include all of these revenues.

What are the facts about the proportions into which property taxes and also all our public revenues are divided among our governmental units?

1. *The public schools of Iowa receive about forty-five per cent of all property taxes.* In 1934, the total amount of property tax levied in Iowa was \$76,889,902, and of this amount \$35,421,153 was levied for the support of public schools.
2. Of all the public revenues received in Iowa, including property taxes, other taxes, and income from non-tax sources, the public schools get about twenty-seven per cent. In its survey of government in Iowa, the Brookings Institution established this figure, and reported that the amount received and spent by school districts was less than that received by either the state government or by all county governments.

SOURCES OF SCHOOL FUNDS

During the year ending June 30, 1935, the net income of the school districts of Iowa was \$39,039,908. The sources of this total were:

Taxes on property.....	\$36,873,313
Permanent and temporary funds.....	303,033
State and federal aid.....	383,514
Other sources	1,480,048
Total	\$39,039,908

For approximately the past twenty-five years our state legislatures have been appropriating small amounts for distribution to school districts. Long before these state aids were available, the interest on the permanent fund was set aside for schools. The amounts available for distribution by the state to schools for the year 1934-35 were \$605,051 divided as follows:

Interest on permanent school fund....	\$ 208,051
Legislative appropriations for	
Classes for deaf children.....\$	10,000
Consolidated schools	125,000
Mining camp schools.....	72,000
Normal training schools.....	100,000
Standard rural schools.....	90,000
Total	\$ 605,051

It will be seen from these figures that the state of Iowa provides approximately one and one-half per cent of the annual income of its school districts. This small item of state support throws upon local property a large burden for the support of schools.

CHARACTERISTICS OF OUR METHOD OF SCHOOL SUPPORT

When one considers the above facts in connection with the way in which our system of schools is organized some very obvious elements of Iowa's finance plan for schools appear. While an extended list of these factors or analyses of their implications are not necessary, some of the essentials should be pointed out.

1. Revenue of school districts depends upon local property tax. Originally, this was true of state, county, city, and township government but new sources of revenue have been used to replace all of the state property tax and a considerable portion of the tax levied by these other political units. The relative dependence of these units upon property tax is shown by the following figures:

Unit	% of Revenue from Property Tax
State	none
County	70%
City and Town.....	55%
Schools	98%

2. We have a relatively large number of school districts (4,879 of them) and each of these districts must depend upon the property within the district to provide the major part of its revenue. Not only must the schools depend upon revenue from property taxes for practically all of their income, but that income must be produced by the property within each district. They do not have the advantages that might come from a larger county-wide or state-wide tax on property.
3. Each school district is fiscally independent of every other taxing unit. Members of boards of education are chosen by the people, and are accountable directly to them for their acts. This situation is held by students of administration to be extremely fortunate and makes it possible for boards of education to be directly responsible to the people to choose them and to direct the operation of public schools without the distracting or harmful influences of other political issues.

WEAKNESSES OF PRESENT METHOD OF FINANCING SCHOOLS

As a basis for consideration of the problem of state support of public schools, it will be well to point out some of the shortcomings of our present situation. These are not given in any order of importance, but rather to indicate some of the conditions which we should strive to improve.

1. Dependence upon property tax

Since our schools depend so largely upon property taxes (more than any other form of government), the criticisms of property as a tax base can be applied to our method of financing schools. It is readily seen that the possession of property does not indicate ability to support schools, neither are the benefits derived from schools determined by the amount of property one owns. The only justification for our dependence upon property tax for schools is that it has been done in the past. None of the cost of the state government, and less than three-fourths of the cost of city and county government come from property tax. When it becomes difficult to pay taxes on property, the schools are the subject of most of the criticism.

2. Local source of income

Most of the revenue of a school district comes from property within the district. This assumes that the benefits of a school are confined to the district itself, that the resources within the district are sufficient to pay for adequate schools for its children, and that the rest of the state has no responsibility to insure that good schools are provided. None of these assumptions are true. The great inequality between school districts in their ability to adequately provide schools is a very important consideration particularly in a state of such potential wealth as Iowa has. In some counties of Iowa it is necessary for certain school districts to levy four or five mills of tax in order to raise as much revenue as other school districts in the same county can raise by the levy of one mill.

The obvious explanation is that the assessed value of property is so low compared to other districts that the poor districts must tax themselves at an unreasonable rate in order to provide funds for the bare essentials of adequate schools. Even under such conditions adequate schools are impossible. While the average rate of taxation for school purposes in the state of Iowa is approximately twelve mills at the present time there are communities which are taxing themselves at more than four times this rate, and even under such excessive tax rates are not able to provide efficient schools for their children. There are school districts in Iowa which have 200 times as much property per child as other school districts in the state. The following figures are typical of the inequalities between rural independent districts of the same size in three counties.

County	District	Valuation	Levy Necessary to Raise \$1,000
Monroe	34	\$ 55,387	18.0 mills
Monroe	67	185,897	5.4 mills
Benton	72	281,056	3.6 mills
Benton	96	62,098	16.1 mills
Tama	84	287,883	3.5 mills
Tama	101	69,688	14.3 mills

Similar data showing even greater inequalities might be produced if desired, but these are considered sufficient to show the actual situation. It is unfair to expect some districts to tax themselves for schools at a rate four or five times as high as their

neighbors. These inequalities are not confined to individual districts but are quite evident when the total property within a county is compared with that of another county. The figures given below clearly illustrate this point. Note that Ida county has 2.8 times as much assessed property for every person of school age as has Appanoose county.

County	Assessed Valuation of School Districts	School Census	Amount of Property Per Census Person
Ida	\$20,146,030	3,385	\$5,952
Cedar	26,339,255	4,669	5,641
Monona	14,064,803	5,536	2,541
Appanoose	17,422,909	8,227	2,118

Such inequalities make it almost impossible for a large number of school districts to provide the minimum amount and kind of education which their boys and girls ought to have. We cannot be proud of a method which makes the educational opportunities of a child dependent upon the type of community in which he happens to live, the financial ability of his parents, or the real wealth of his home community; conditions for which he is not responsible.

3. No direct benefit from other taxes

While there has been a constant shift in wealth to intangibles, and new forms of taxes have been created to secure revenue from these intangibles, none of the revenue produced by these new taxes has been set aside for the public schools. The entire cost of our state government is being removed from property tax, while much of the cost of county and city government has been taken from property and replaced by money received from other sources.

4. Too little state support

While it may not be possible to state conclusively the amount of money which any state shall contribute toward the support of its public schools, there are certain principles which will help to define the state's obligation in this matter. The state should contribute to the total support of the public school in sufficient amount to do at least the following things:

- a. Insure that every child in the state will receive the amount and type of education which he ought to have in order to make the most of himself and to become a good citizen. Our first concern should be to define the amount and quality of instruction which each boy and girl should have. When this has

been done the resources which will guarantee essential educational services should be made available to those responsible for the maintenance of schools.

- b. Represent the interest which the state desires to have in its schools and the return which they bring to the state. Financial support is one measure of the value placed by the state upon those services which it considers essential.
- c. Assist in maintaining the services which the state requires local school districts to provide. As is pointed out later, the state has prescribed many of the services which boards of education are required to provide. The logical conclusion is that the state should contribute toward the maintenance of these services.
- d. Provide certain minimum educational opportunities which local school districts are unable to offer because of lack of financial or other resources. The extent to which many school districts do not have sufficient resources to supply adequate school facilities is illustrated by the following facts applying to certain districts in Iowa:

District	Wealth per Person of School Age	Millage Levy for Schools
A	\$ 597	52.3
B	533	30.5
C	23,201	2.1
D	33,825	2.6

No attempt has been made in these data to show the greatest extremes in local ability to finance schools. A study made by the present writer in 1930* showed that "there are instances in Iowa where some districts have two hundred fifty times as much assessed wealth for each pupil attending school as is possessed by other districts of the state."

- e. Distribute to school districts the amounts of money to which they are entitled by constitutional and statutory provisions. At the present time the legislature has appropriated about \$400,000 annually for state aid to schools. It will be noted that this is about one per cent of their total income, and is too small to be of any material value. If the legislature had appropriated an amount sufficient to give each school the aid specified by law, this appropriation would have been about \$750,000, or nearly twice the amount available. The result has been that schools have received much less than they are entitled to by law. The amount of aid for standard rural

*Williams, R. C., *Public School Finance in Iowa*, Department of Public Instruction, 1930.

schools is less than one-third of that necessary to give schools the aid specified by law.

Type of School	Amt. Schools Are Entitled to by Law	Amt. Appropriated by Legislature	Deficiency
Consolidated	\$275,250	\$125,000	\$150,250
Normal Training	124,500	100,000	24,500
Standard Rural	262,470	90,000	172,470
Mining Camp	72,000	72,000	*
Handicapped Children	10,000	10,000	
	<hr/>	<hr/>	<hr/>
	\$744,220	\$397,000	\$347,220

*No amount specified by law.

NOTE: Whatever amount is necessary is available for deaf classes, hence there is no deficiency to report there.

As has been previously pointed out, the interest on the permanent school fund is prorated among all school districts of the state on a school census basis and amounted in 1934 to 29 cents per census person. Its relation to the total financial requirements of schools (about one-half of one per cent) is so insignificant that it is ordinarily of little consequence to a district which has a majority of its children enrolled in the public schools.

- f. Contribute a portion of the financial needs of the schools of such amount as will be recognized as a worthy expression of its obligations.

If Iowa had a state school fund sufficient to:	Our state school fund would annually be:
(1) Equal the average proportion of school income in the United States provided from state sources	\$ 8,750,000
(2) Provide one-fourth of the present income of school districts in Iowa	\$10,000,000
(3) Pay salaries of all teachers up to the legal minimum	\$11,250,000

5. Unfair apportionment among schools

The basis upon which state funds are distributed to consolidated, normal training, and standard rural schools are specified by law, and the amounts so distributed constitute nearly four-fifths of all funds provided for the schools by our state legislature. It is unfortunate that these provisions do not take into consideration the varying needs of the schools to which they apply.

Each consolidated school approved for state aid receives the same amount regardless of its size, financial ability, or operating costs. Larson found that in one district state aid amounted to 81 cents for each pupil attending school, while in another district

the amount was \$8.98 per pupil. State aid per teaching position varied from \$15.11 in one school to \$105.77 in another. In one district the state aid was only eight-tenths of one per cent (.8%) of the operating costs of the school and in no district did it exceed 4.8 per cent of the operating costs. For all consolidated districts, state aid averaged 2.8 per cent of the costs of running the schools.

If state aid to consolidated schools is considered as contributing toward costs of transporting children, the basis again appears faulty. The amount distributed to consolidated schools is less than 10 per cent of the amount they pay out for transportation. In one school, state aid paid more than three-fourths (77%) of the costs of transportation while in another district state aid paid but three and six-tenths per cent (3.6%) of the transportation costs. The same criticisms apply to state aid in normal training in high schools. Each school receives the same amount of aid for a school year regardless of the number of students in the teacher training classes, the size of the school, or any other factor. One school, which has fifty-six pupils enrolled in the normal training course, received no more state aid than another school with the legal minimum of ten pupils.

6. Many school districts overlooked

The basis upon which state aid is distributed to schools of the state is equally as important as the amount of aid available. A look at the result of our present distribution of state funds to schools will readily convince one of the need for revision.

Under our present system only a part of the schools of the state receive state aid. Nearly three-fourths of the rural schools and about one-half of the city and town school systems do not get state aid. While it might be possible for the remaining rural schools to qualify for aid as standard rural schools, there is no provision for state funds for the city and town schools which are not now receiving state funds.

In its report entitled, "State Support for Public Education," the National Survey of School Finance, which was sponsored by the United States Office of Education, made an appraisal of the state aid system of each state. This appraisal was made in terms of certain common characteristics which were applied to all state systems. Their descriptions of the Iowa plan are:

Variation for size of school.....	inferior
Like treatment of districts of same size.....	complete
Correction for high school.....	lacking
Treatment for non-residents.....	low
Correction for cost of living.....	lacking
Transportation	inferior
Capital outlay	lacking
Rehousing rural schools.....	lacking

The above outline lists some of the elements of a desirable plan for the distribution of state funds to schools, and also suggests that our present situation has little to be commended. It offers an opportunity for a constructive program which will make the best use of an adequate state school fund.

IV. PROPOSED IMPROVEMENTS FOR FINANCIAL SUPPORT OF SCHOOLS

The public schools are a creation of the state, and funds are derived from revenues authorized by the state legislature and provided from within the state. The sources of revenue to which boards of education may look for providing the necessary funds are almost entirely beyond their control.

Even a casual acquaintance with the development of our public schools reveals the fact that some outstanding improvements have taken place in materials of instruction, methods of teaching, physical plants, equipment, and in other directions. However, a review of the history of school finance in Iowa shows that there has been relatively little change in the basis for financing of schools while these other developments have occurred. While the far reaching economic changes have been going on, the schools of Iowa have continued to depend upon sources of support which were created early in the history of the state. It is obvious that we can no longer afford to disregard this situation and the need for revising our basis of school support.

PREVIOUS RECOMMENDATIONS

In recent years a number of agencies and official committees have studied the organization of government in Iowa and have commented upon the urgency of the school financial situation. Their conclusions have been submitted to legislatures on several occasions and have

emphasized repeatedly the need for a change in the school revenue situation in Iowa.

A committee was authorized by the thirty-ninth general assembly in 1921 to study taxation in the state. This committee recognized the school situation and recommended a tax on admission to amusements, the proceeds to be directed to reduction of property taxes of schools.

In 1925 the Educational Financial Inquiry made a study of the problem and submitted a report under the title of "The Financing of Education in Iowa." This report stated that the financial problems of school districts were due to an outworn revenue system rather than a lack of economic resources. They pointed out that the greater portion of the burden of school support upon the localities was an obstacle to the development of adequate educational programs for the state, and stated that the solution of these difficulties depended upon an increase in the size of the school districts and a better system of state aid.

A second committee on taxation reporting to the forty-fourth general assembly in 1931 recommended an amusement tax, the proceeds of which were to be apportioned among the districts of the state.

The committee on reduction of governmental expenditures provided for by the forty-fifth general assembly in 1933 secured the services of the Institute for Government Research of the Brookings Institution to make a survey of government in Iowa. The report of this agency contains a number of references to the school situation. They recommend that the proceeds from the new business and sales taxes should be used, after the expenses of the offices of sheriffs and county attorneys have been met, to provide a school equalization fund.

A careful analysis of present conditions, supplemented by the studies above referred to, and also many others, leads to some obvious conclusions relative to the improvement of school finance in Iowa. These conclusions will be briefly mentioned.

1. The schools should benefit from new forms of taxes. A considerable part of the revenue from these sources should be set aside by the state in a special fund for distribution to school districts. As is pointed out below, in recent years the legislature has provided for revenues other than taxes on property, but has diverted these revenues to other places. The extent to which this has been taking place is illustrated by the data in the following table,

which should be understood does not list all of the types of revenues which the legislature has created or authorized, but merely indicates some of the more significant ones, and those which are ordinarily considered as taxes. It does not include the fees and licenses collected by the state and municipalities, and which in many cases constitute a significant part of the income of these agencies.

Date Created	Tax Base	1934 Revenue	For What Purpose Earmarked
1839	General Property.....	\$74,883,000	All governing units
1839	Poll	334,000	Roads
1851	Moneys and Credits.....	2,007,000	Five mills apportioned to all taxing districts. One mill to soldiers' bonus
1896	Inheritance	1,252,000	State
1897	Insurance Companies....	1,446,000	State
1902	Equipment Car.....	29,000	State
1921	Cigarettes	1,314,000	State
1925	Gasoline	12,117,000	Roads
1931	Oleomargarine	70,000	State
1934	Retail Sales.....	11,302,000	First six million to state—three million to emergency relief—remainder to property owners
1934	Individual Income	1,832,000	First six million to state—three million to emergency relief—remainder to property owners
1934	Corporation Income.....	278,000	First six million to state—three million to emergency relief—remainder to property owners

The above facts are submitted merely as evidence of the extent to which the state government has been creating new forms of revenue since the general property tax was instituted, but has overlooked the needs of the schools in directing the use of these funds. The obvious conclusion is that at least a considerable part of revenues from sources other than property tax should be set aside by the state for distribution to school districts.

2. The state should assist local communities to maintain their schools and replace at least a portion of their heavy property taxes by collecting money from other sources. This principle is commented upon later in this bulletin. Until the people of the state set aside certain funds for distribution to local school districts it cannot be said that the state is assisting in the operation of these schools.
3. The state should help the poorer school districts to provide a minimum educational opportunity for their children. Not only should the state assist in the support of schools, but it should

recognize the well known fact that it is much more difficult for some districts to provide adequate schools than others. From an era of independent, scattered, communities we have moved into a new world of cooperating dependent communities and regions. Through no fault of their own many communities have seen their wealth depleted and transferred to other places in the state while the obligation and need of state education of their children remains. The only way in which these communities may provide adequate facilities is for the state to recognize the great inequalities and assume the task of guaranteeing a minimum education for every child.

V. JUSTIFICATION FOR STATE SUPPORT

Those who are advocating increased state support for schools must have more than an emotional foundation. Neither can the cause be advanced because of the possibility of participating in new state revenues. State participation is based upon a number of well-established principles, which will be stated as briefly as possible.

1. Good citizenship and the future welfare of the state depend upon people who are educated, and the schools are training boys and girls in proper habits and attitudes of good citizenship.
2. The state should guarantee to each child a certain amount of education. Every child in Iowa is entitled to an equal opportunity to secure an education, regardless of where he lives. There are great inequalities between school districts in their ability to provide good schools, and it is many times as difficult for some school districts to keep their schools going as for other districts.
3. Since the laws of the state specify the amount and kind of education that local communities shall give their children, the state should assist in paying the cost of these schools. The laws of Iowa require the following of local school districts:
 - a. Minimum length of school year
 - b. Teaching of 17 subjects
 - c. Minimum salary for teachers
 - d. Compulsory attendance of pupils
 - e. Transportation of pupils (under certain conditions)
4. People do not remain throughout life in the communities where they attended school. A recent survey in several parts of Iowa showed that less than one-half of those who graduate from high school are living in the same counties after five years.
5. The state can collect taxes from sources which are not available to individual communities. The gradual shift of wealth to in-

tangible forms and the creation of new taxes has made necessary larger units for the collection of taxes. Sales taxes paid in a city are not collected exclusively from the residents of that city and obviously should not remain there.

6. In most communities, the heaviest property tax is for schools. This is not necessarily due to the fact that schools are more expensive, but because other governmental units are now sharing in revenues from other sources. If property taxes are to be decreased, relief must be supplied to the schools.

VI. FUNDS FOR DISTRIBUTION TO SCHOOLS

One of the major aspects of this problem is that of providing the necessary funds to be distributed by the state. Primarily, it is a legislative matter which involves the revenue system of the state. We have pointed out previously that the state is now collecting revenues from many sources other than property taxes. Some of these are allocated for special purposes while others are placed in the general revenue fund. In addition to these, it has the authority to levy state-wide taxes on property to provide for appropriations approved by the legislature.

State support of public schools involves the revision of our tax system and the redistribution of tax revenues rather than an increase in the total amount of taxes paid. Adjustment of the present inequalities in tax rates, educational opportunities, and ability to support schools, depend upon the creation of a special school fund which is to be distributed by the state to school districts. This fund may be made up by:

1. Allocating all or a portion of the proceeds of taxes now being collected by the state
2. Setting aside all or a portion of the revenue to be derived from new taxes which may be created by the legislature
3. Appropriation by the legislature of a definite amount of money from the state general revenue fund

Each of these practices is being followed by certain states which have provided state school funds of any significance. Three-fourths of the states (Iowa is not included here) set aside certain taxes and revenues for their school funds and approximately the same number secure such funds by legislative appropriations. As has been previ-

ously shown, nearly two-thirds (\$407,000) of the amount distributed by the state of Iowa to schools is appropriated by the legislature, the remainder (interest on the permanent school fund) being provided for by the constitution of the state.

VII. METHODS OF DISTRIBUTION

Attention has been directed to the weaknesses in our present methods for distributing state funds to schools, and the need for some changes which will insure a more equitable use of these funds. A summary of accepted principles to be followed when the state of Iowa considers the financial needs of school districts is herewith submitted:

1. The state should assist local communities in maintaining a minimum educational program. By the term "minimum educational program" is meant certain school facilities which will assure a satisfactory amount of education, both elementary and high school, for each child.
2. The best known definition of what this minimum program should be is to indicate the number of teachers which the state considers necessary to provide that program. For convenience in distinguishing it from the number of teachers actually employed, the term "classroom unit" is used to refer to the number of pupils for whom the state will assist in providing a teacher. The amount of money given to a school district would be proportional to the number of classroom units needed by that district.
 - a. According to one proposed plan, one elementary classroom unit would be allowed for every twenty-seven (27) pupils in average daily attendance and one high school classroom unit for every twenty-two (22) pupils in average daily attendance.
 - b. For smaller schools the ratios are slightly lower than these figures above.
3. To equalize the difference between the financial ability of districts, those whose assessed valuation of property is low in proportion to their "educational load" would be given larger amounts than the wealthier districts.
4. If local communities desire to go beyond the prescribed minimum, they are at liberty to do so but without the financial assistance of the state.
5. Small schools should be encouraged to contract with each other

for school facilities by making it financially advantageous for them to do so.

6. The proposed plan takes into consideration the following facts:
 - a. To provide a minimum standard of educational opportunity in a small school is relatively more expensive than to provide the same program in a large school.
 - b. A satisfactory educational program is more expensive in a high school than in an elementary school.
 - c. Many pupils attend schools in districts other than those in which they reside.
7. The state should adopt a basis for distributing funds to schools which is generally recognized as being the most practical and constructive.

VIII. ADVANTAGES OF PROPOSED PLAN

It is not possible within the scope of this bulletin to discuss the advantages which would come from a plan of state support for schools, such as is described above. We have not attempted to point out the various alternatives which are possible, or the details which would of necessity be given attention. We believe it will be sufficient to list some of the more obvious and fundamental advantages, leaving the detailed study to those who care to follow up some of the references given in the bibliography at the end of the bulletin.

1. It provides for relief from property taxation.
2. It is recognized by experts in school finance, as reported in the National Survey of School Finance and National Conference on Financing Education, as being the most adequate basis, and is now being followed in a number of states.
3. It indicates the limits to which the state will go in contributing to the cost of education.
4. It is flexible for various amounts the state may provide.
5. It suggests to local school authorities the extent of a minimum program without forcing its acceptance.
6. It can be modified in limitless ways to suit various desires and needs.
7. It will tend to promote economy and efficiency in school administration.

8. It is easy and objective in its administration.
9. It is the foundation for a later program of equalization and need not be overthrown at that time.
10. It recognizes the principle that all school costs are in general proportional to the number of teachers.
11. It is our best known measure of educational need.

That the classroom unit has been found satisfactory as a measure of educational load is shown by the fact that it has been adopted as a basis for the distribution of state school funds in the following seventeen states:

Alabama	Idaho	Nevada
Arkansas	Indiana	New York
Colorado	Louisiana	South Carolina
California	Maryland	Virginia
Florida	Missouri	West Virginia
Georgia	Montana	

IX. HOW DOES IOWA COMPARE WITH OTHER STATES?

One approach to the need for improving our school finance system is to note the progress that has been made in other states. Unfortunately, such comparisons place our state in an unfavorable light. Others have recognized the justice and desirability of state support. The following table shows for each state the percentage of the total revenue of school districts which was provided by the state for the school year 1933-34. These figures have been taken from a recent publication of the United States Office of Education.*

*Covert, Timon, *State Provisions for Equalizing the Cost of Public Education*, United States Department of Interior, Office of Education, Bulletin 1936, No. 4.

PER CENT OF SCHOOL REVENUE FROM STATE SOURCES

State	Per Cent	State	Per Cent
1. Delaware	93.1	25. Maryland	24.7
2. North Carolina	68.3	26. Arkansas	21.7
3. West Virginia	54.1	27. Pennsylvania	20.6
4. Texas	52.3	28. Wisconsin	20.6
5. California	48.9	29. South Dakota	18.8
6. Mississippi	45.0	30. New Mexico	18.3
7. Tennessee	44.9	31. Nevada	16.2
8. Utah	39.7	32. Vermont	16.0
9. Alabama	39.6	33. Ohio	15.7
10. Georgia	37.4	34. North Dakota	13.6
11. Washington	37.3	35. Massachusetts	11.9
12. Indiana	36.3	36. Missouri	10.5
13. Louisiana	36.1	37. Montana	9.8
14. New York	34.1	38. Connecticut	9.5
15. Maine	33.3	39. New Hampshire	9.3
16. Michigan	32.2	40. Idaho	9.0
17. Oklahoma	31.2	41. Illinois	8.8
18. Florida	31.0	42. New Jersey	6.7
19. Arizona	30.6	43. Rhode Island	6.3
20. South Carolina	30.0	44. Nebraska	6.0
21. Virginia	29.0	45. Colorado	3.6
22. Minnesota	26.8	46. IOWA	2.2
23. Kentucky	25.6	47. Oregon	2.2
24. Wyoming	25.4	48. Kansas	1.9

United States as a whole 26.0

These data show that Iowa is third from the bottom of the list of states in this respect. In forty-five (45) of these states a larger part of the cost of schools is paid from state sources than Iowa contributes. This average for all states is twenty-six per cent (26.0%) from state sources. Twenty-four (24) states contribute more than one-fourth of the income of their school districts, and thirty-six (36) of them provide at least one-tenth (10%). The state of Iowa supplies slightly more than two per cent of the revenue of school districts.

It has been impossible to include in this bulletin much of the interesting and valuable material on this problem which is available from many sources. Many will want to follow this problem to a greater extent and in more detail. For those who wish to verify certain data presented or to continue their study, the following list of references has been prepared. Since this list is not intended to be comprehensive, the research division of the department of public instruction will be glad to answer inquiries on points not covered in these references.

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