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UA3/1/4 Support of Education by Assignment of Revenues

Henry Cherry

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Support of Education by Assignment of Revenues

There is practically unanimous agreement among students of finance who are also closely in touch with concrete problems of public administration that the state budget should be sufficiently comprehensive to include all revenues and all expenditures. Such a policy would mean in Kentucky extension of the state budget to include the common schools, the institutions of higher learning, and the state highway department. It would involve the consequent abolition of the present practice of financing education, as well as the practice of assigning motor registration, motor transportation, gasoline, and certain property tax revenues to the support of the state highway department. In the abstract, this plan would certainly represent an advance in the budgetary practice of the commonwealth.

Students are equally unanimous in their agreement that effective budgeting, which is all-inclusive in scope, should be coupled with a highly responsible government. There should be, for instance, such an integration of responsibility as to throw upon a chief executive the burden of all decisions concerning administrative policy. As long as the practice now prevailing in Kentucky of choosing numerous state officials by election and conducting other administrative functions by means of boards and commissions is retained, there will inevitably fail to result a specific assignment of responsibility for the entire state government. This shortcoming in the administrative organization extends even to the state's budgetary practice itself.

Grants in Educational Support Compared with Support
of Other Governmental Functions and with
Educational Support in Other States

In the absence of such a reorganization of the state

administration as will place upon a chief executive definite responsibility for the conduct of the state's business it appears unwise that the problem of educational support be shifted in its entirety into the political turmoil which would result from the discontinuation of the present practice of assigning the proceeds of certain tax measures, or specified parts of these proceeds, to the various educational functions. The recommendation, therefore, is that the present plan of assigning a fixed proportion of the revenues from certain taxes to educational purposes be continued till such a time as the administrative branch of the State government, including budgeting and accounting procedure, shall have been modernized. It is clearly recognized that this does not represent an ideal settlement of the issue but is simply a provisional solution of a problem which should be reopened as soon as the State has a tested, effective, and responsibly organized government.

The relation between the amount of money disbursed through the state school fund and the total state tax revenues is shown in Table I. A better understanding of the changes which have occurred between 1912 and 1934 can be secured by examining the three-year moving average than by consulting the single ratios shown at the top of the table. This ratio shows simply that the average amount of the tax revenues used for the common school fund in 1912, 1923, and 1934 was 34 per cent and that this average had declined as shown in the table to 21 per cent for

Trends in Educational Support Compared with Support
of Other Governmental Functions and with
Educational Support in Other States

In testing the generosity with which various educational activities in Kentucky are supported at the present time, a consideration of the relation of the tax burden to the income of the people out of which taxes must be paid is important. Table H constitutes a summary of the relation between state and local taxes and total income in Kentucky as compared with the other forty-seven states. This table indicates that the increase in state and local taxes levied in this commonwealth has been about the same as in other states. In both 1934 and 1930, Kentucky ranked forty-first and spent as taxes roughly 80 per cent as high a proportion as did the average (median) of the various states. It spent thus only a little more than one-third as much as the most expensive state, and it spent substantially less than 20 per cent more than did the most penurious of all the states. In general, the proportion of income paid in taxes in Kentucky has increased no more rapidly than in other states and has never risen to a high point in comparison with the tax levies in neighboring commonwealths.

The relation between the amount of money disbursed through the state school fund and the total state tax revenues is shown in Table I. A better understanding of the changes which have occurred between 1922 and 1932 can be secured by examining the three-year moving average than by consulting the simple ratio shown at the top of the table. This ratio means simply that the average amount of the tax revenues used for the common school fund in 1922, 1923, and 1924 was 32 per cent and that this average had declined as shown in the table to 22 per cent for

the average of 1930, 1931, and 1932. The data used for total tax revenues in this table are those shown in the reports of the state auditor from year to year and differ slightly from the figures taken from the Financial Statistics of States (directly or through the National Industrial Conference Board's Cost of Government in the United States) in some of the other tables incorporated in this report.

Table J is intended to check Table I by relating the entire cost of education to the states taxes. The table shows, as will be seen by an examination of the three-year moving average, that current state and local expenditures for in relation to total state taxes has declined from practically 100 per cent ten years ago to 71 per cent at the present time.

Table K shows data indicating the general trend of the relation between aggregate revenues from taxes and appropriations for common school purposes to total state and local revenues in the commonwealth of Kentucky as shown by a comparison of the data on file with the State Department of Education and the figures for aggregate tax revenues reported by the National Industrial Conference Board. As already indicated, these figures differ slightly from the presumably more accurate data used in the preceding tables. But the differences are not sufficient to render the general indication of a tendency invalid. Observation of this table will show that the proportion of tax monies used on common school purposes rose slightly between 1922 and 1924 and have declined somewhat more than 10 per cent since 1924.

Table L compares the data shown in Table K with similar statistics for other states for the year 1930, the last for which such statistics are available. The comparison indicates that Kentucky devotes a somewhat smaller proportion of her state and local tax revenues to education than does the bulk of the other states. The proportion in Kentucky is roughly two-thirds as much as in the state giving the largest proportion of its tax revenues to the development of its common school system.

Table M. Shows by means of another table of comparison the relative generosity of the commonwealth of Kentucky to its common schools as compared with the various other functions on which tax revenues are expended. A comparison of column III with column VI shows that in 1930, whereas the United States as a whole devoted to current common school expenses 27.12 per cent of aggregate state and local taxes, Kentucky spent thus only 25.96 per cent. Again, if the table be examined from the point of view of discovering the general tendency, it is immediately obvious that current expenses for common schools in Kentucky in 1924 were a higher proportion of total state and local tax revenues than in the United States as a whole. Moreover, the percentage in Kentucky had declined by a greater margin than had the ratios for other states by 1930, and the reduction has been continued through 1931 and 1932. The decline in proportion between 1924 and 1931-32 of approximately 18 per cent in Kentucky represents a very substantial figure and is the more alarming in view of the lesser decline in other states.

Data with respect to expenditures of tax revenues by the local governmental agencies of Kentucky are not available. However, the Bureau of Public Roads of

the United States Department of Agriculture publishes annually the statistics of expenditures for rural highways. Table N. represents a comparison of the support of education and of rural highways in Kentucky with the aggregate of the other states and with the aggregate of the states bordering on this commonwealth. Examination of the table shows that from 1922 to 1930 the relation between common school income and rural highway income in Kentucky, as compared with all of the states, or as compared with those adjoining this state, has been such as to indicate a comparatively ungenerous educational policy on the part of this commonwealth. Moreover, the table discloses that, whereas in 1930 common school income was some 28.6 per cent above rural highway income in the average state, it was more than 7 per cent below the rural high way income in Kentucky. A comparison of the figures for Kentucky with those for states adjoining Kentucky suggests somewhat similar conclusions regarding the generosity of Kentucky's educational policy.

From this analysis of the data exhibited in Tables H to N, inclusive, certain definite conclusions seem justified. (1) The taxes levied in Kentucky are not excessive as compared with those imposed by the other states and their subdivisions; quite the contrary. (2) Irrespective of the particular measure used, the tendency in Kentucky in the past decade has been toward relatively less generous support of the common school system than of other functions. (3) In general, a comparison of Kentucky statistics with data for other states indicates that at the present time the state supports education less generously, as compared with other functions, than do the other states.

The support of the various branches of education in Kentucky may be appraised in part by comparing the situation in this state with that in the other commonwealths of the United States. Several variables in the situation may thus be measured; (a) the generosity with which the state and its subdivisions support the educational function (some aspects of this have already been examined); (b) the effectiveness with which educational support is distributed among the various forms of educational service; and (c) the relative wisdom with which the educational funds are provided for sites and buildings as compared with current expenditures.

The A table attempts a comparison between Kentucky and other states respecting the generosity with which various branches of education are supported in relation to the need for educational service as measured by the population of the states. An examination of this table reveals that the money put into the common school system for each thousand persons in this state is less than half the amount spent in the average (median) of all the states. It is less than one-third the amount spent in the state most generously supporting this function and only slightly more than the amount spent by the state ranking at the very bottom of the list. Looking at the matter another way, it may be observed that in receipts for education per thousand persons, Kentucky ranks fifth from the bottom of the forty-eight states.

Teachers' colleges from only thirty-five states have reported data which make a comparison of this sort possible. Kentucky ranks among the highest 25 per cent in the generosity with which it supported this particular type of educational activity in 1929-30. In other words, it is the fourth highest state of all the thirty-five in the amount of money available to state teachers' colleges for all purposes for each thousand of population in that year.

An examination of the last column discloses that, in generosity of support of state universities and technological institutes,¹

1. This figure has been based on the principle of showing the aggregate for all institutions which were part of the university system of the state, except colleges for women, unless administratively included as a part of the university, and negro colleges. These two types of institutions were excluded on the double ground that expenditures for such purposes are probably very largely for the preparation of teachers, and to the extent that this is not the case, are disbursements which may be regarded as involving an additional type of educational service.

Kentucky ranks sixth from the bottom of the forty-six states which have reported on these matters. The total receipts in relation to population are about 40 per cent of the average (median) for the various states. The highest support to be found in any of the states is more than seven and a half times the amount of money per thousand population devoted to this purpose in Kentucky.

Table B. provides perhaps a more accurate measure of the generosity with which the state and its subdivisions as such provide for each unit of population. In this table, only that support which is derived directly or indirectly from taxation is included. It is clear from an examination of this table, however that the position of Kentucky is not unfairly represented by the data presented in Table A. Table B shows that in its support of common schools and university education Kentucky ranks low, whereas in support of teachers' colleges Kentucky's rank is relatively high. For example, Kentucky's tax support of common schools and the University per thousand persons is less than half the average (median) for the United States, and for the state teachers' colleges the tax support is about one and a half times as much as in the average (median) of the various states reporting on this subject.

But measuring the situation in terms of need for educational service is perhaps only half the story. It is important also to consider the problem from the point of view of the ability of the state to support educational activity. It is generally agreed that the best single measure of the ability of any group to make tax contributions is income. Fortunately there is available in the estimate by the Breckmire Service a reasonably satisfactory indication of the people's income in each of the various states. If the ratio of total receipts for each educational purpose to the income of the people of the state be examined, the result which is disclosed is pictured in Table C. Hereas, as shown above, Kentucky ranks very low on common school expenditures per unit of population; it ranks almost at the average for the states in the ratio of total receipts for common school purposes to total income in the state.

The state teachers' colleges of Kentucky, however, received approximately three times as much per thousand dollars of total income of the people of the state as did the teachers' colleges in the average (median) of the thirty-five states reporting. In this respect, the generosity of supporting teachers' colleges is exceptionally high in Kentucky.

Turning to the relative support of state universities, it is observed that the University of Kentucky receives only about three-fourths as large a proportion of the income of the people as does the average (median) of the forty-six states reporting. In other words, the support of university education in Kentucky, relatively speaking, appears from this showing to be penurious. A better measure of the generosity of the public is perhaps shown in the ratio of total income from taxes and appropriations to the income of the people. (Table D). Table D discloses much the same situation as is evidenced in Table C. The only difference worth comment is the evidence, as measured by tax support from state and local sources, that the University of Kentucky ranks almost as high as the average (median) of the various states.

It may be worth while to turn from the problem of the generosity of support in general to the question as to whether the buildings and sites available for educational purposes are relatively adequate, or relatively inadequate, in the commonwealth of Kentucky. While it has been shown that Kentucky ranked first among the various states in the increase in the school term between 1924-30, the same authority, the National Educational Association, has disclosed that Kentucky ranks forty-eighth among the states in the increase in value of sites and buildings during the same period. It is, therefore, important to find out the position of Kentucky's educational plant as the present time in comparison with the plants in other states.

Table E is designed to show the relationship between the value of sites and buildings and population in Kentucky as compared with other states. An examination of the table indicates that the average (median) state has nearly three times as valuable sites and buildings in relation to the population served as has Kentucky and this state ranks next to the bottom among the thirty-nine which have reported data respecting this point. It would appear from this showing that the common school plant is inadequate as compared with those provided in other states.

Examination of the second column discloses that teachers Colleges, on the other hand have about one and a half times as much money invested in sites and buildings per thousand population in the state as has the average median of the thirty-five states reporting information on this point.

Turning to the last column, it immediately becomes apparent that the plant of the University of Kentucky is less than half as valuable in relation to the population of the state as is the average (median) of university sites and buildings of the forty-six states reporting. Kentucky thus obviously ranks

of the state, in plant equipment.

Again it is important to consider the problem of educational plant from the point of view of the ability of the people of the state to support such investments, and Table F. represents an attempt to show the relation between total value of sites and buildings and the income of the people of the states. The facts disclosed by this analysis are not essentially different from those shown in the preceding table measuring the plant in relation to need, except that the state teachers colleges rank somewhat higher and the University of Kentucky somewhat lower in support in relation to the ability of the state to provide educational plant than in relation to the need for such plant.

Another attack on this problem which will probably help to a better understanding of the situation is presented in Table G. This table shows the proportion of the total wealth of the state which is invested in school plants in each state. It also shows the relative position of Kentucky as compared with the various states which have reported information on this point. The ratio of common school plant value to estimated wealth is only three-fourths as high in Kentucky as in the average (median) of the states. In the case of state teachers colleges, Kentucky has three times as much investment in sites and plants in relation to wealth as has the average (median) of the states. The State University has approximately half as much thus invested as has the average (median) of the states.

Certain conclusions based on the showing in Tables A to G inclusive appear to be possible. (1) Examination of the data on which these several tables are based indicates in general that those states which spend least money and yet which show a remarkably high level of performance are those which have a relatively small number of institutions for teacher training or institutions of the university rank².

². L.M. Chamberlain and L. E. Meece, State Performance in Higher Education. Table X and content.

This suggests pointedly that sound policy in the commonwealth of Kentucky dictaton emphasis on the maintenance of institutions already in existence.

rather than the development of new institutions of higher learning. (2) Whether measured in terms of need or in terms of ability to provide support, the common school system of the state is not very generously treated by the taxpayers. It would appear in particular that the common school plant is relatively inadequate, so that in the long run the state probably cannot afford to ignore the necessity for improving buildings and sites for common school purposes. (3) Taking the situation in 1929-30, it is apparent that the state teachers colleges are generously supported, particularly so as regards plant and equipment. Support for the University of Kentucky is relatively scanty. However, it should be kept in mind that the state has wisely concentrated its university work in one institution, thereby securing certain economies which would not be available to a state with institutions of university grade scattered over two or more campuses and with decentralized administration. (4) The evidence is clearly against reducing the support of institutions of higher learning for operations purposes during the next several years in order to provide for additions to plant.