



League of Women Voters of Minnesota Records

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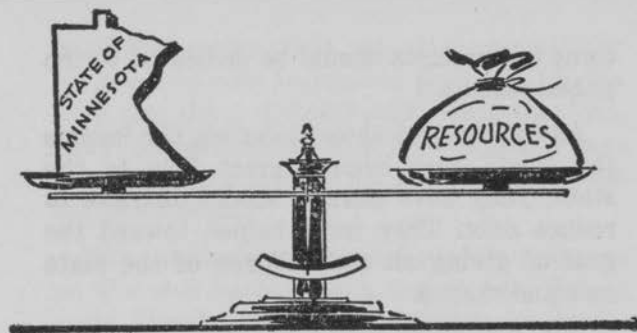
TO THE CITIZENS OF MINNESOTA:

It is never possible in this transitory world to point to an educational system and say, "There, that's finished. Now we can relax." It is a process of continual building, of continual vigilance,

For instance, during the 1951 legislative session, the pressure of various financial needs is almost certain to result in proposals to divert some funds now dedicated to public schools. There is only one sure way for the right decision to be made on these proposals: that is for each citizen to understand the problem and to make up his own mind intelligently.

For that reason, the organizations listed below are glad to recommend this booklet as a source of information about the state income tax and its relationship to education. After you have read it, you will be in a better position to take a stand one way or the other yourself, and to let your state leaders and legislative representatives know how you feel.

MINNESOTA FARM BUREAU AND AUXILIARY
MINNESOTA SCHOOL BOARD ASSOCIATION
MINNESOTA STATE CIO COUNCIL
MINNESOTA GROSS EARNINGS DISTRICTS
MINNESOTA JUNIOR COLLEGE ASSOCIATION
AMERICAN ASSOCIATION OF UNIVERSITY WOMEN
MINNESOTA ASSOCIATION OF COUNTY SUPERINTENDENTS
MINNESOTA COUNCIL OF SCHOOL EXECUTIVES
NATIONAL COUNCIL OF JEWISH WOMEN
PHI DELTA KAPPA
MINNESOTA EDUCATION ASSOCIATION
MINNESOTA CONGRESS OF PARENTS AND TEACHERS



Introduction

Minnesota has many resources, the greatest of which are its human resources. Without these resources, none of our other wealth would have any meaning.

That is why an investment in these resources — in the education of our children — is an investment in the future. It's an established fact that in Minnesota as everywhere else in the world, the standards of living go up as the level of education rises.

But in Minnesota, as everywhere else, the citizens have had to face the problem of financing their investment in education.

Nearly 20 years ago Minnesota passed an income tax law. It was hoped that the new law would ease some of the burden on the overworked state property tax. Recognizing the responsibility of the state to public education, the legislature provided that in-

come tax receipts should be dedicated to the public schools.

As this booklet shows later on, the income tax funds have been a great help to the state. They have enabled school districts to reduce debt. They have helped toward the goal of giving all the children of the state an equal chance.

But for many years, the legislature did not appropriate all income tax receipts.

There was some doubt as to the stability of the receipts, and a need was felt to provide a cushion for bad years. Then, after the war, income tax receipts became much larger along with the general increase in dollar volume in business activity.

As a result of limited expenditures and larger-than-anticipated receipts, a balance accumulated in the income tax fund. Some people called it a "surplus." Legislators and others facing rising state expenses have cast covetous eyes at this balance in the income tax fund.

Twice they dipped into it. Once \$12,000,000 was taken for the university and state teachers' colleges. In 1949, \$6,000,000 was taken for the general fund.

At present there is a balance of about \$40,000,000. That sounds like a lot of money

until you realize that school appropriations for one two-year legislative period in the future run about \$102,000,000. Thus the "balance" is less than enough for one year's payments at present state aid levels and at **present enrollment**.

But enrollment is headed rapidly upwards as the war babies reach school age. School costs, like the costs of everything, are rising. The future level of income tax receipts is uncertain. So it looks as if the so-called surplus is really just a cushion.

Besides that, in certain classifications state aid is inadequate. For instance, no provision exists for state help to the thirteenth and fourteenth grades — the community colleges which offer the only chance for post-high school education for many youngsters in rural areas. Aid to kindergartens is inadequate. Transportation aid is inadequate. At least \$15,000,000 should go into a building aid program.

Friends of education believe that the limited funds already available to the public schools should be protected, even though some may feel that the principle of dedicated funds is unwise. But until all dedicated funds are abolished, it seems unfair to begin with the schools. Unfortunately, under the present tax structure and with the pressure

"... Income tax funds should remain dedicated for school purposes . . . I believe that one of the best investments we can make is for the cause of education."

—GOVERNOR LUTHER YOUNGDAHL

"State income tax funds should be used exclusively for school purposes . . ."

—HARRY H. PETERSON,
1950 D-F-L Candidate for Governor

of other needs, to take away money already dedicated to schools would seem to mean inevitably a reduction in school funds—at a time when they should be increased, not decreased.

This booklet has some other facts about the relationship of the income tax to the state school aids. We hope you will read it and will find in it some of the answers to your questions about whether the income tax should be preserved for school use.

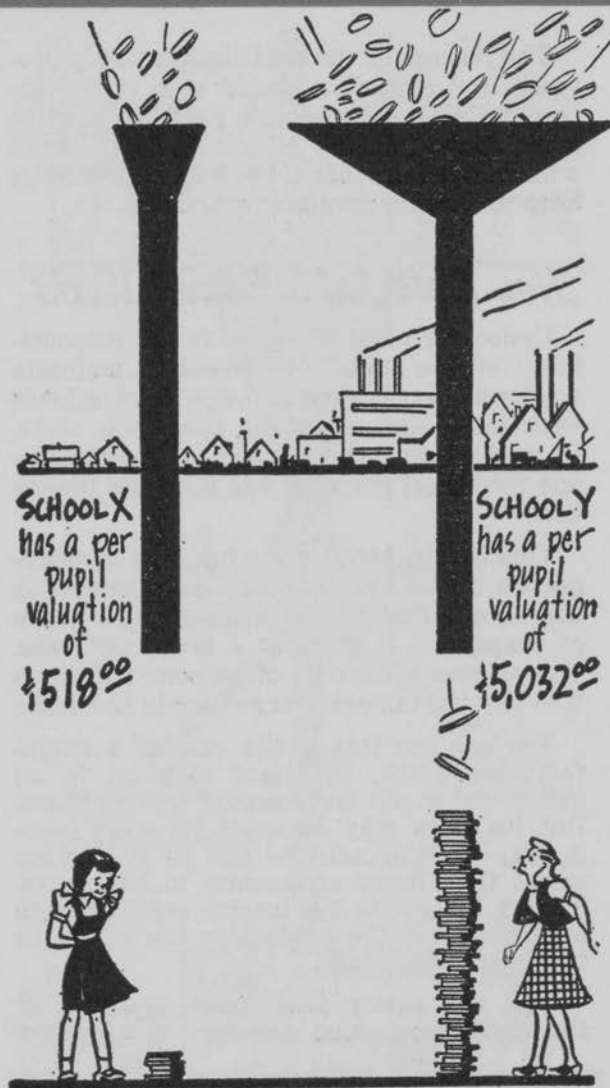
The Principle of State Aid

In local communities the assessed valuation of property—and therefore the tax base for school funds—varies tremendously. In school District X, for instance, the valuation per pupil unit is only \$518. In school District Y it is \$5,032. In District Z it is \$15,667. Extremes in valuation per pupil unit run from \$23 in one rural district to \$34,165. The median is \$1,768.

You can see that if each community had to pay the entire cost of educating its children, there would be a tremendous variation in facilities. Some districts would be able to provide good facilities with no undue strain. In others, no matter how great the sacrifices of the citizens, it would be impossible to maintain good schools.

"The legislature shall make such provisions, by taxation or otherwise, as with the income arising from the school fund, will secure a thorough and efficient system of public schools."

—MINNESOTA STATE CONSTITUTION



Should the Minnesota Child at the left be penalized because she lives in District X rather than District Y?

The makers of our constitution wisely provided that education should be a state-wide responsibility. Minnesota's plan has been to leave control of the schools in local hands while providing state aid to help each district keep up certain minimum standards.

How State Aid to Schools Works

Under our constitution, it is the responsibility of the state government to maintain good schools. The state helps local schools with taxes gathered from the whole state. In recent years, the primary source of revenue for school purposes has been the income tax.

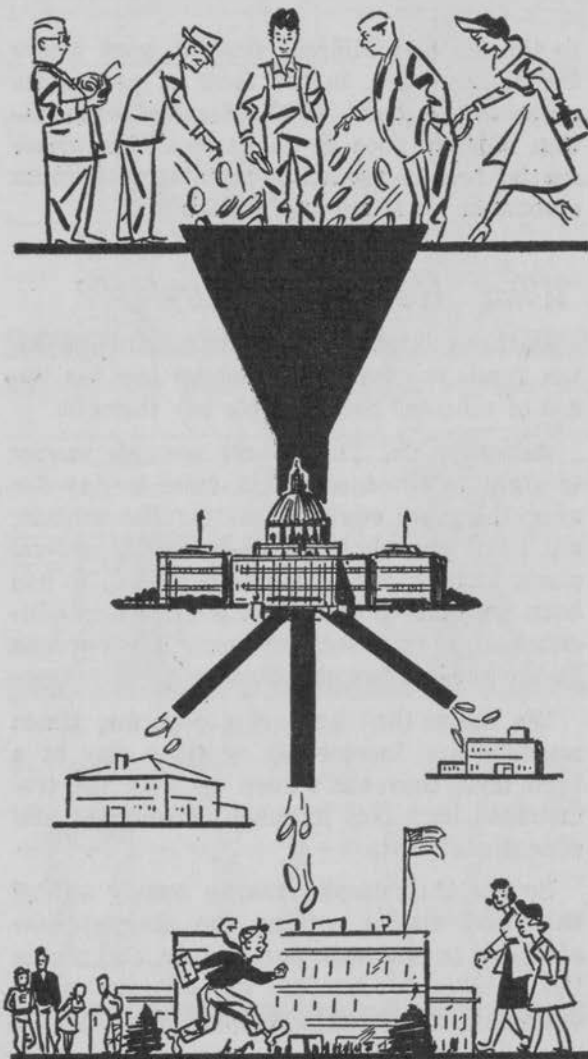
This is fair, because the income tax represents a tax on the wealth of the entire state, not on one limited and overburdened group of taxpayers. It provides a broad tax base. The sources of income of persons and firms who pay the tax are everywhere in the state.

You can see this in the case of a manufacturing plant. Its plant may be in an urban center. Its bookkeeping is done there. But its sales may be made in every community in Minnesota — and so its income comes from every community in Minnesota. Thus a tax on its net income represents an assessment on the productive life of people throughout the state.

This tax money that comes from all of the state's production goes back in two ways

"The whole people must take upon themselves the education of the whole people and be willing to bear the expense of it."

—JOHN ADAMS



Money for the schools comes from all kinds of taxpayers and goes back as an investment in the state's future through its children.

to the state's children; first, it goes where the children are, in the form of per capita state aids; second, in the form of equalization aids, it goes to those localities where special help is needed to maintain minimum standards for Minnesota's children.

What About The "Surplus"?

Is there extra money in the state income tax fund, the fund reserved by law for the use of schools? Some people say there is.

Actually, no. There isn't enough money in sight in the income tax fund to pay for everything we ought to do for the schools, not by a long shot. But because for several years income tax receipts increased, it has been possible to carry out a minimum educational program without heavy new burdens on the general tax structure.

We know that even if prosperous times continue and income tax receipts stay at a high level they can't keep up with the tremendous increases in school enrollment and educational costs.

So it's this simple: taking money out of the fund means cutting the amount now available to maintain our schools, and places the additional burden on already overburdened property tax payers.

"Whatever else we do, let's not stint our children. Education is not a luxury, it's a necessity."

—HENRY FORD



INCREASE IN INCOME TAX ALLOTMENTS TO ELEMENTARY & SECONDARY SCHOOLS



INCREASE IN AVERAGE COST PER PUPIL



INCREASE IN ENROLLMENT

Income tax receipts have risen tremendously. But the cost of living, which affects schools as well as individuals, has gone up, too. And the state's enrollments are headed for all-time highs.

The Income Tax Has Helped Relieve Tax Burden

The Minnesota income tax was originally intended as a supplementary help for schools. It was hoped to relieve some of the burden on property owners.

Actually, results have been better than expected. Since 1940 the income tax fund has been large enough to pay **all** the special state aids to schools, **completely** relieving the burden on property owners.

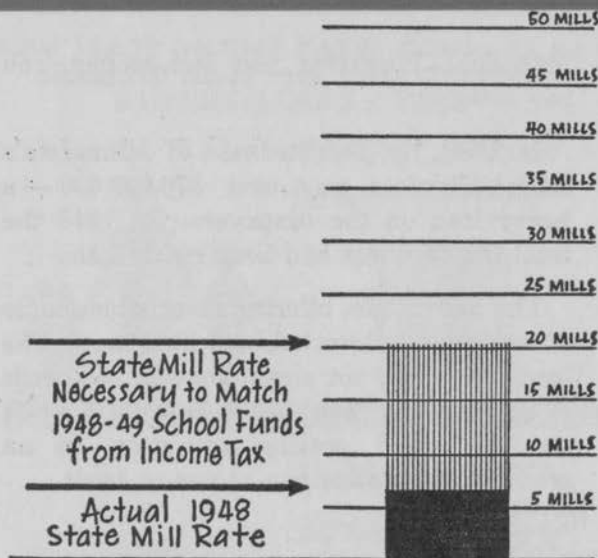
In 1948, a state property tax of 20.4 mills would have been necessary to replace the nearly 31 million dollars allotted to schools from the income tax fund. The income tax, then, has not been an **additional** burden on the people of the state. Instead, it has been a means of broadening the tax base and avoiding heavy increases in property taxes necessary to help the state fulfill its constitutional responsibilities to education.

How Income Tax Has Helped Reduce Debt

It costs money to be in debt. This is just as true for a school district as it is for an

"What the best and wisest parent wants for his child . . . that must the community want for all its children."

—JOHN DEWEY



The state property tax was less than one-third of what it would have been if property taxes had raised the money allotted to schools from the income tax.



The income tax has helped cut the state's burden of school debt.

individual. Whenever you owe money, you pay interest.

In 1928, the indebtedness of Minnesota's school districts was over \$70,000,000 — a heavy load on the taxpayers. By 1948 the total indebtedness had been cut in half.

The income tax, offering an equable source of revenue to education, was the reason. The income tax has not meant that all the needs of education are met. But it has meant great strides toward putting education on an economical, sensible pay-as-you-go basis.

How High Are Our Taxes?

Nobody likes to pay taxes. And some people in Minnesota think we have an especially high income tax. Actually, that isn't the case. On medium-sized incomes Minnesota takes a little bit more than some states, but less than many states.

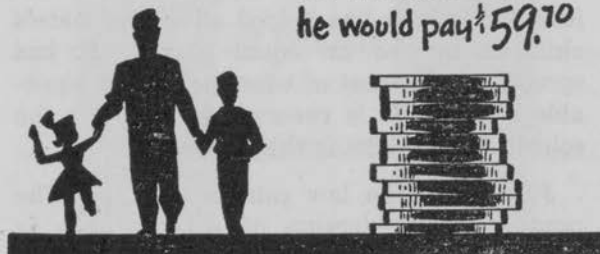
The point about the income tax is this. If it weren't for what it does for the state's schools, other — more burdensome — taxes would go up in proportion, or away out of proportion in some communities.

"The support for the schools of the state through the income tax has been all important in providing our youth with training for citizenship."

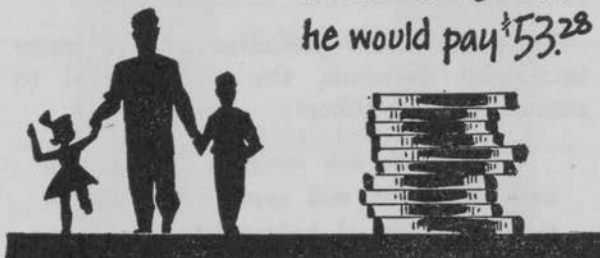
—HJALMAR PETERSEN

HOW STATE INCOME TAXES COMPARE for a MARRIED MAN with TWO CHILDREN, EARNING \$5,000 a YEAR*

IN WISCONSIN
he would pay \$59.⁷⁰



IN MINNESOTA
he would pay \$53.²⁸



IN OREGON
he would pay \$58.³²



*This chart based on information furnished by Minnesota department of taxation, adjusted to take into account differences in computing taxes and allowable deductions, and assuming normal expenses.

The Minnesota figure includes special tax for veterans bonus.

Summary

The income tax has helped schools cut indebtedness. It has helped all of the state's children toward an equal chance. It has spread out the cost of education in an equitable manner. It is reserved by law for the schools. Then what is the fuss about?

Just this. The law can be changed. The pressure for diversion of school funds is strong. The friends of education are afraid that this pressure will be strong enough to rob the schools of their minimum funds.

To resist these pressures and to make intelligent decisions, the citizens need to remember these things:

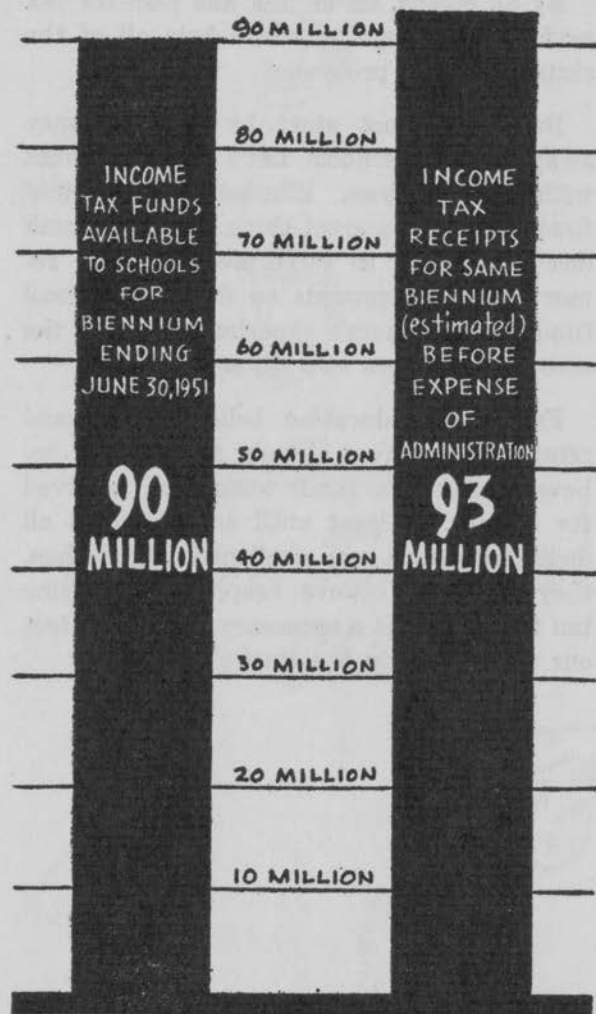
School costs are rising with increased enrollment and will continue to rise as the new crop of babies hits the classroom.

Income tax receipts are likely to decline, as federal taxes go up and result in increased exemptions for state taxpayers.

The present "surplus" in the income tax fund is a working balance that would last less than a year for PRESENT state school appropriations.

"For every child: an education which . . . prepares him for life."

—THE CHILDREN'S CHARTER



There is no surplus—income tax funds are about equal to school appropriations.

By all means, let us talk and plan for tax revision, for steps that will help all of the state's financial problems.

But let us not start by taking money away from the schools. Let's not experiment with the children. Eliminating dedicated funds might be a great thing. It's well worth discussing. But to start piece-meal by removing the safeguards on dedicated school funds is an economic experiment — with the state's youngsters as a guinea pigs.

Friends of education believe we should retain the progress already made. They believe income tax funds should be reserved for schools, at least until such time as **all** dedicated funds are abolished. Until then, they sincerely believe keeping the income tax for schools is a necessary step to protect our investment in the state's future.

"The public schools are the foundation upon which democracy is built."

—EDUCATIONAL POLICIES COMMISSION



The State's Greatest Resource is its Children



REVISION OF STATE AID FOR THE PUBLIC SCHOOLS

"Enactment of bills contained in the report of the State Board of Education on the revision of state aid, substantially as printed" ...Recommendation of the Legislative Council adopted at the annual convention of the Minnesota League of Women Voters, December, 1920. Printed copies of this report may be obtained from the State Board of Education or from the Minnesota League of Women Voters.

Why This Revision?

The State Board of Education is given wide power in making rules with which schools receiving state aid must comply. Through this power, the use of this special aid has come to be perhaps the largest one factor in securing high standards and progress in Minnesota schools. So important has it become that the Legislature of 1919 directed the Board to make a thorough study of the whole matter and present recommendations for revision to the 1921 session. This report is the result.

Underlying Principles

In making its recommendations the Board has had these principles in mind which it believes should govern the use of state aid:

That public education is a statewide concern and all the wealth of the state should be made to bear the burden.

That the giving of state aid should not interfere with local initiative and interest.

That the state should endeavor to furnish equal educational opportunity to all children.

That the state should establish minimum standards for all schools.

That the state should set up superior standards and encourage new undertakings.

That the state should pay for the professional training of teachers.

Important Features of the Recommendations

Definite Tax Levy for State Aid

Since the giving of special state aid is established in law, the fund should be secured by a definite tax levy and should not depend on the action of the legislature at each session. It is recommended that a two-mill tax be established for this purpose. This would produce about the amount now appropriated and would increase in its returns with the growing wealth of the state and presumably with the growing needs of the schools.

Equal Opportunity for All Children

Children and wealth are distributed over the state in widely varying proportions. Therefore it is proposed that more aid than at present be given to districts that are rich in numbers of children, but poor in taxable valuation.

Getting the Children to and from School

The value of a consolidated school to the large district is best measured by the cost of transportation of pupils. Therefore, within a limit of \$4,000, the state will pay the entire cost of transportation, a larger amount than at present.

More Aid for High Schools

The cost of high school instruction has increased greatly. Therefore it is proposed that the state pay tuition of \$5.00 per month, instead of \$3.00, for non-resident students.

Making Better Citizens at Night Schools

Americanization of adults must be accomplished largely by means of evening schools. The present evening school law excludes the three cities of the first class and many others which constitute special districts from receiving aid. Most of these cities maintain evening schools and are courageously dealing with their large problems, both of Americanization and vocational training. Of course they should receive aid, and it is proposed that the law be amended so as to include special districts for state and probably federal aid for evening schools.

Keeping Children out of the Ranks of the Loafers

Under the present law, a boy or girl having reached the age of sixteen may leave school, whether to work or to play, or having completed the eighth grade at an earlier age, may be excused by the local school board. Presumably such children go to work. Too often they become loafers. They should either continue in school or they should have regular work. If they work, then provision should be made for part-time school attendance. This would give them training in citizenship to a maturer age, help them acquire skill in their vocations, and keep them in touch with the community interests through the school.

Therefore it is recommended that part-time classes for not less than four hours per week shall be established for all children between the ages of fourteen and eighteen who do not attend full-time school. State aid for the part payment of teachers is provided.

Special Help for the Rural Schools

The rural school problem is admittedly the one farthest from solution. More children are out of school and more illiteracy exists in the rural districts than anywhere else. The least trained and least experienced teachers are in the rural schools. They face the hardest problems, receive the least assistance, work under the most unfavorable conditions and receive the least pay.

The best solution for the rural school problem is consolidation, but with the best progress we can hope to make in this direction the fact remains that many hundreds of one-room schools will long continue and many hundreds of our citizens will receive in them all the education they ever get.

The best plan that has appeared for making the one-room school render the highest service is that of the helping-teacher.

There, it is proposed to offer state aid to any county for salary and traveling expenses for the employment of one or more helping teachers or supervisors. Such persons would be well-trained, experienced teachers who would work under the direction of the county superintendent and would devote their whole time to aiding and directing teachers in the one-room rural schools. This means first aid to the teacher while help is worth while. It is a means of preventing teachers from repeating their mistakes at the expense of the children. It will save many teachers to the profession of teaching who fail under present conditions.

Good Health

The state's first concern is the health of its people, and health is largely a matter of education, of right habits of living formed during the school years. Therefore, it is proposed to offer state aid for the employment of school nurses, both in counties and districts, and also for directors and teachers of physical education.

Better Library Facilities

By placing the Public Library Commission in the Department of Education Minnesota has made the library a definite part of its system of public education. Library facilities should be extended to every part of the state and made available to every person along with those of the school. The plan proposed will in no way interfere with city and village libraries already established, but is intended to encourage their growth and improve the quality of their service. This is to be done by establishing county libraries in order to extend the service of the library to the rural districts, by co-ordinating the work of school and public libraries, and by offering state aid for the employment of trained librarians.

A School Census

The first need in the administration of the compulsory education or child labor laws is an up-to-date knowledge of the whereabouts and condition of all the children of school age. This information is not available under present laws, and therefore the Board of Education proposes a new census law.

General Adjustment

The report of the Board of Education calls for approximately the same expenditure for state aid as we are now making, and it will be found that less money is recommended for what may be termed "flat aid" and more for special purposes. The details of this adjustment are many and may be found by a study of the report.

It will be observed that the legislation proposed greatly broadens the field of education. It becomes, as it should, not only a program of education but likewise a program of child welfare.

Minnesota League of Women Voters
1639 Hennepin Avenue, Minneapolis
December, 1926

STATE AID TO SCHOOLS

The beginning of our present system of state aid to public schools in Minnesota occurred in 1881 when an appropriation of 20 thousand dollars was made by the legislature under a law enacted in 1878 providing for a grant of \$400 to any school district maintaining an acceptable high school. The state share in public school support has increased steadily since then with the purpose of providing, as equitably as may be, the same educational opportunity for all the state's children.

State aid to public schools is justified upon the assumption that "public education is of such vital concern to the state as a whole that it is just to place a uniform tax upon all the wealth of the state for its support."

Supplemental Aid

In the list of more than twenty-five different forms of state aid for specific purposes to schools in this state, supplemental aid is recognized as the form of aid that now reaches the school districts most in need of it. "It is without question the most fair and equitable form of state aid" because it embodies the principle on which state support of education is based - "from every district according to its ability and to every district according to its needs".

The principle of giving assistance to districts whose tax levies indicate a heavy burden of school maintenance was first embodied in our laws in 1915. The supplemental aid law has been amended a number of times, each change representing improvement in the method of distribution of this aid. The amendment adopted by the 1923 legislature marked an epoch in school aid distribution. Before this, state aid had persistently flowed to the richer parts of the state. That amendment provided that when a local tax rate of 20 mills does not produce an income of \$40 per pupil, then the state will make up the difference, basing its grant of supplemental aid upon the number of pupils in attendance at least 40 days during the school year.

A provision included at the eleventh hour in the appropriation bill of the 1923 legislature seriously handicapped the original purpose of this amendment. It provided that if funds appropriated for educational purposes should be insufficient to pay all claims, then all fixed aids should be paid in full first and supplemental aid should be prorated from the remainder of the funds available. This resulted in cutting down the supplemental aid to 59 $\frac{1}{2}$ cents on the dollar and caused great hardship to poorer school districts where, relying upon the aid promised, definite improvements had been put into operation.

The legislature of 1925 provided by appropriation for funds to pay supplemental aid not only for the 1925-27 biennium but also made a deficiency appropriation covering the shortage in supplemental aid for 1923-25 resulting from the action of the 1923 legislature. This latter appropriation, however, was vetoed by the governor.

Proposed Amendment to Supplemental Aid Law

Great progress has been made in the development of rural school standards through the system of supplemental aid. Further amendment to increase the equitable operation of the supplemental aid law is desirable. An amendment increasing the amount of aid per pupil from \$40 to \$45 will be proposed to the 1927 legislature. At the same time an effort will be made, in the administration of the law, to scrutinize more carefully than ever before facts establishing the eligibility of school districts to receive supplemental aid as provided under this law.

Emphasis must be placed upon the necessity of guarding against a deficiency in the appropriation for supplemental aid in future since the resulting hardship and embarrassment to school districts that have complied with the letter and spirit of the law in meeting higher standards in their schools than could be provided for from local funds, is particularly acute in this form of aid.

Lengthening the School Term

"One of the outstanding inequalities between the rural and urban school is the length of the school term." The standard school term in city schools is nine months. In certain country schools it falls much below this standard. The rural child with a school open only 140 days, instead of the 180 or 190 days for city schools, must attend school ten years to finish eight school grades.

An interesting example of the use of state aid to stimulate local communities to provide better school opportunities for their children lies in the semi-annual payment, from the state endowment or apportionment fund, to schools meeting a certain requirement as to the length of the school term.

Previous to 1923, six months was the term prescribed to entitle school districts to receive the benefits of this fund. The term was increased to seven months by the 1923 legislature through adoption of an amendment proposed with the support of the League of Women Voters. At present 76 per cent of the school children of the state are in schools with a nine months' term, 20.3 per cent have an eight months' term and 3.6 per cent have a seven months' term. This latter group includes some 20,000 children.

To encourage the extension of the term in all schools to eight months, the following amendment will be proposed to the 1927 legislature.

"That for each ungraded elementary school with a school year of at least eight months, the state shall pay a school district \$150 for each first grade teacher employed, provided that the total of such aid for an ungraded elementary school shall in no case exceed three hundred dollars."

Statements made by county superintendents of schools in favor of lengthening the school term are represented by the following quotations.

"If communities could appreciate the desirability of lengthening the term and giving the children the opportunity to attend, they would not be 16 to 17 years old before they completed the 8th grade, or become discouraged and leave school at 16, having finished only the 5th or 6th grade."

"I am very much in favor of a bill raising the minimum school term to eight months. There is no reason why one-fourth of a child's time should be taken from him and he be compelled to go to school from one to three years longer in order to cover the same ground as his more fortunate brother in districts having longer terms."

"If it is the business of the state to insist on the adequate preparation of its future voters for an intelligent discharge of their duties as citizens, then surely the state should see that none of these growing voters are sadly handicapped in their preparation because, through no fault of their own, they live in a district that supports a six or seven months' school. Do you know any reason why a child living in the country should not have the same educational advantages as one living in town?"

Note: Statements or articles valuable as reference material are contained in the Journals of the National Education Association (Nov. 1923 and Feb. 1925) and of the Minnesota Education Association (May and October 1926). A brief article by Mrs. F. W. Wittich on Financing Education in Minnesota occurs in the Minnesota Woman Voter for May 1926. Other sources used in the preparation of this statement are a reprint of the address by E. M. Phillips of the State Department of Education on State Support of Public Schools in Minnesota (February 1925); Report of the State Board of Education on Revision of State Aid (1920) and the Report of the Interim Committee on Education (appointed by the 1921 legislature).

October 1937

STATE SUPPORT OF PUBLIC SCHOOLS IN MINNESOTA

HISTORICAL BACKGROUND The principle of government support of education in this country was established in that famous phrase from the Ordinance of 1787: "Religion, Morality and Knowledge being necessary to good government and the happiness of mankind, schools and the means of education shall forever be encouraged." This Ordinance, adopted by Congress July 13, 1787, provided for the government of the Northwest Territory, of which that section of Minnesota east of the Mississippi River was a part.

In carrying out this obligation the Federal Government granted to each State, admitted to the Union before 1850, one section of land in every township to be set aside to provide a fund for the establishment and maintenance of public schools. To those states admitted after 1850, such as Minnesota, two sections of land (Nos. 16 and 36) were granted. Each state was also given 72 sections of land to create a fund for a state university. The Merrill Act of 1862 made grants for the establishment of schools of agriculture and mechanic arts, now known as land grant colleges.

In 1878 the first Appropriation was made by the Minnesota Legislature for public schools, with a grant to encourage the establishment of high schools. In 1887 a State Tax of One Mill on Property was made law and the funds raised assigned to public schools. Later a .23 Mill Tax on Property was established for the benefit of the State University. The Moneys and Credits Tax Law assigned some of the proceeds to the school district and in 1934 the State Income Tax Law allocated all the net proceeds for the payment of school indebtedness.

Thus "the sovereign right and obligation of the State" has been carried out as stated in Article VIII of the State Constitution, adopted October 13, 1857: "The stability of a republican form of government depending upon the intelligence of the people, it shall be the duty of the legislature to establish a general and uniform system of public schools."

FINANCIAL SOURCES OF SCHOOL SUPPORT

What permanent funds has the State established for the benefit of the public schools?

The Permanent School Trust Fund: Proceeds from the sale and lease of some 8½ million acres of lands, granted by the Federal Government when Minnesota became a state, have been placed in this fund, the principal of which, according to the State Constitution, "shall forever be preserved, inviolated and undiminished." 40% of the occupation tax on valuation of all ores mined or produced in this state is also placed in this fund, the total of which is now over \$70,000,000, the second largest school fund of any state in the Union. Income from this trust is put in the Endowment Fund and apportioned to the public schools.

The Swamp Land Fund: Proceeds from the sale of some 5 million acres of swamp lands granted by the Federal Government, the principal of which is also to be preserved intact. One-half of the income of this fund is placed in the Endowment Fund to be apportioned to schools and the other half is allocated to the State University, State Teachers' Colleges and the State Charitable Institutions. Some 2,000,000 acres of school and swamp lands still remain unsold.

How is State support of public schools provided?

1) Endowment or General School Fund

Source: Interest from Permanent School Trust Fund and one-half interest of Swamp Land Fund - about \$2,700,000.

Distribution: The State Constitution provides for distribution in proportion to the number of scholars in each township between the ages of 5 and 21 years. The 1923 Legislature limited apportionment to pupils who attend a public school 40 days or more during the school year. In 1935 this was further amended and the law now provides that apportionment be limited to schools which have been in session at least 8 months, and in proportion to the number of scholars in average daily attendance during the preceding year, such number to be determined by dividing the aggregate daily attendance in a school district by the total number of days in the school year in that district. This change tends to encourage lengthening of the school term and more regular pupil attendance.

2) Current School Fund

Source: State One Mill Property Tax

Amount: about \$1,300,000 a year, \$500,000 of which is transferred to the Special State Aid Fund, leaving a balance of \$800,000 to be distributed on the same basis as the Endowment Fund.

Note: The distribution from these two funds amounts to about \$3,500,000 annually or about \$7.45 per pupil in average daily attendance. The amount should be larger for the next biennium because of the increase in the occupation ore tax. As 40% of the receipts from this tax are placed in the Permanent School Trust Fund, the interest from such fund will be greater.

3) Special State Aid Fund

Source: Appropriations made by the Legislature from the General Revenue Fund of the State and the \$500,000 transferred from the Current School Fund. The new Income Tax Law provides that any balance in the net proceeds of that tax after meeting the provisions for distribution to school districts (see below) shall be paid into the General Revenue Fund and applied on the payment of Special State Aids. This should give some relief to real property which carries about 30% of the tax burden of the General Revenue Fund.

Purpose: To equalize educational opportunity, to help poor districts and to encourage school districts to extend their services beyond the required minimum and to maintain a desired standard for all schools of the State.

4) State Income Tax Fund

Source: Tax on Personal and Corporation Income

Purpose: To be applied on the bonded indebtedness of school districts and after such debts have been paid may be used for current operating expenses and to reduce and replace levies on property. Exception: Minneapolis, St. Paul and Duluth have been permitted for the last and the current biennium to use their income tax allotment for current operating expenses. It is anticipated that the income tax payments will liquidate the public school indebtedness in the state within the next 8 years and then the tax may be used for operating expenses and a material decrease in the burden on real property result.

Allocation:

Original Provision: Distribution of net proceeds to school districts on the basis of the number of children of compulsory school age (8 to 16 years) residing in such district.

New Provision: The amendment passed in the Special Session changed the base for the distribution of the tax. From the proceeds of the tax there will be distributed annually to each school district in the State \$10 for each child residing in such district from 6 to 16 years of age, both years inclusive, providing however that the 16 year old children shall be counted only in case they are attending school. This was a compromise between the city and rural schools. The lowering of the age from 8 to 6 helped the rural schools and the provision for the 16 year old children helped the cities and towns with large high school enrollment.

Amount of the Income Tax Fund: The State Department of Education estimates that there are approximately 535,000 children to be counted at \$10 each in income tax distribution and that this will total about \$5,350,000 annually.

Balance: Under the old income tax law the entire proceeds were distributed to the school districts, amount per child increasing from \$4.80 in 1934 to \$10 in 1936. It is estimated that under the new provisions of the law the Income Tax will produce at least \$10,000,000 annually. It also provides that after the \$10 per child distribution is made any balance of the net proceeds shall be transferred to the State General Revenue Fund and used for the payments of special state aids to schools as appropriated by the Legislature.

What are the provisions for the special state aids?

- 1) Tuition for Non-Resident High School Pupils Paid in full
\$7 per month for not more than ten months in any one year for each pupil coming from a district where there is no high school.
- 2) Aid to Teacher Training Departments in High Schools Paid in full
\$1,500 for each school having such a department.
- 3) Transportation for Crippled Children Paid in full
\$150 for each child
- 4) Classification Aid Payment Pro-rated
Varying sums on basis of type of school and 8 or 9 month school year.
- 5) Supplemental Aid
Provides that if a school district levies 30 mills for school maintenance and the proceeds of such tax together with all funds received from the State as apportionment and special state aid do not equal \$60 per elementary pupil and \$100 per high school pupil (the average per pupil cost of operating public schools in Minnesota) the State will grant the balance to the district as Supplemental Aid.

This is by far the largest Special Aid, amounting to about \$4,700,000 in 1936 but reduced to about \$2,800,000 because only enough money was appropriated by the Legislature to pay 64.1% of some of the Special Aids. School districts with comparatively high assessed valuations and low tax rates receive none of this aid. It is paid only to districts with low assessed valuations and high tax rates.

This problem of Supplemental Aid is an example of the difficult task before the state to develop a method for the equitable distribution of state funds among the school districts. The Minnesota League of Women Voters has for

some time advocated the reorganization of the units of school administration. The amount of and constant increase in Supplemental Aid seems to indicate that reorganization of units would effect considerable economy here and some solution of the financing problem.

- 6) Special Department Aid in Vocational Subjects Payment pro-rated
Varying amounts for Agriculture, General Industrial, Home Economics, and Commercial Training Departments in the Public Schools.
- 7) Aid to Classes for Defectives Payment pro-rated
Varying amounts to each blind (resident and non-resident), deaf, sub-normal and crippled child and for teachers of speech-defect classes.
- 8) Library Aid Payment pro-rated
For the purchase of books for public school libraries not to exceed $\frac{1}{2}$ of the amount expended or 50¢ per pupil for the first 500 and not to exceed 25¢ for each additional pupil.
- 9) Transportation Aid Payment pro-rated
\$4,000 for each consolidated school for the transportation of pupils.
- 10) Federal Aid for Vocational Education Paid in full
& The State qualifies for this Federal Aid granted under The Smith-Hughes and
- 11) the George-Deen (formerly the George-Ellzey) Acts, by which the Federal Government furnishes 50% of the salaries of teachers of vocational subjects and for the training of such teachers. None of the funds may be expended for equipment, supplies, light, heat, etc. These Federal funds are matched by 25% each from the state and local government. The State's 25% is included in the large appropriation made for the special state aids.
- 12) Evening Classes for Adults Separate appropriation
Payment of salaries of teachers employed. Very few in number.
- 13) Gross Earnings Tax Aid Separate appropriation
To school districts wherein at least 20% of property is railroad property and therefore exempt from local taxes under Gross Earnings Tax Law.

Payment provisions of these aids

Funds for payment of first nine of these aids and Federal Aid for Vocational Education are made ^{possible} by one large appropriation, which for 1937 is \$7,115,000 and \$7,215,000 for 1938. There will be the additional \$500,000 each year transferred from the Current School Fund as explained above. This will make \$7,615,000 in 1937 and \$7,715,000 in 1938 available for the payment of these eleven aids, four of which must by law be paid in full. Two separate appropriations are made for the last two.

It is estimated, however, that some \$10,250,000 for 1937 and \$10,650,000 for 1938 would be required to meet the provisions of the special state aids. To come within the limits of the amounts appropriated by the Legislature for the next biennium, six of the aids as indicated above will be paid on the basis of 67% of the requirement. This will be an improvement over last year when the aids were pro-rated at 64.1%.

What, then, is total amount expended by the State for public schools?

In each year of the next biennium the State will contribute for its public schools over \$16,000,000 or nearly 35% of the \$46,000,000 cost of public education in Minnesota, divided as follows:

FUND	AMOUNT	PER CHILD
Endowment and Current School Fund (Apportionment)	\$3,500,000	\$7.45
Special State Aid Fund (Appropriations)	\$7,615,000	14.00
Income Tax Fund	<u>\$5,350,000</u>	<u>10.00</u>
TOTALS	\$16,465,000	\$31.45

How is local support of public schools provided?

County One Mill Tax: collected by county treasurer and apportioned to schools.

Moneys and Credits and Mortgage Registry Taxes: collected by county treasurer and allocated 1/3 to school districts, 1/3 to municipality, 1/6 each to state and county.

Local Property Tax: major source of local support, bearing about 90% of local cost.

Do you know the answer?

- 1) How much does your school district receive from the State in Apportionment? Special State Aid? Income Tax? What increase over last year?
- 2) What Special State Aids were granted your district last year? Has your district qualified for Library Aid? Does your district receive Supplemental Aid?
- 3) Is your Income Tax allotment used for debt retirement or for operating expenses? If for debt, at present rate of \$10 per pupil how soon can debt be liquidated?
- 4) Has the receipt of the Income Tax money reduced your local property levy?
- 5) What Federal funds for Vocational Education does your district receive?
- 6) How many children of high school age in your district are not attending school.
- 7) What suggestions have you for improvement in the distribution of state funds, especially those for state aids?

Find out from your Superintendent of Schools what State funds are granted to your district. He will have helpful material for study. Ask in your libraries for some of this reference material. Your teachers will loan the Minnesota Journal of Education. Study this problem of school support. It is a matter of concern to all citizens.

REFERENCE MATERIAL

Educational Laws passed by the 1935 Legislature (for Apportionment and State Aids)

State Department of Education

Financial Statement of the State Board of Education for 1935-1936

State Department of Education (For Aids and Income Tax)

Legislative Manual (For copy of State Constitution) Your League has a copy.

Report of the Legislative Interim Tax Commission made to Legislature, January 1937

State League Office has some copies (For tax information).

Minnesota State Planning Board - Report of Committee on Education, May 1937

(For reorganizations of units)

"For Minnesota School Facts and Figures" - Minnesota Education Association

"Public School Support in Minnesota" by Fred Engelhardt and T. J. Berning

(Series of articles in Minnesota Journal of Education Nov. 1936 to May 1937)

SHOULD A SURPLUS BE MAINTAINED IN STATE FUNDS?

IN 1942, FOR THE FIRST TIME IN MANY YEARS, THERE WAS A SURPLUS IN THE GENERAL REVENUE FUND AND IN THE INCOME TAX FUND.

These surpluses were due to:

Large receipts because of war prosperity.

High tax rates (practically all except property)

Levying of almost every form of tax except general sales.

Alternative Procedures Under Consideration by the Legislature

1. Reduce taxes, especially income tax and money and credits tax.
2. Maintain present surplus for
 - (1) Re-education of returned soldiers.
 - (2) Providing a fund for post-war employment.
 - (3) School fund.
 - (4) Payment of debt thereby reducing interest charges.

THE POLICY OF KEEPING UP OUR PRESENT TAX RATES
WOULD HELP PREVENT INFLATION.

PROSPECT FOR 1943:

Receipts will probably be smaller.

Income tax payments will be reduced considerably because:

1. Deductions allowed for federal taxes will be larger.
2. Many more income tax payers will be in the armed services.

Receipts from motor vehicle taxes will be very much less.

HOW ARE REVENUES AND EXPENDITURES RELATED IN OUR LAWS?

1. Taxes on the motorist (gasoline and motor vehicle registration) are earmarked for highway expenditures and payment of highway bonds. A small amount of the gas tax goes to counties.
2. Income tax receipts go to school districts. \$10 per pupil.
3. Gross earnings taxes go mostly into state general revenues. Some is returned to local units.
4. State property tax is used mostly to pay debt service (7 or 9 mills in 1942).
5. Half of the iron ore tax goes into the trust fund of which only interest may be used.
6. Liquor and inheritance taxes go to state general fund.
7. Schools receive support from
 - (1) Income tax
 - (2) One mill state property tax
 - (3) Trust Fund interest
8. There are no special designated funds for welfare.
Welfare funds have come largely from bonds.

Old-age assistance, aid to dependent children and other aids under Social Security are financed:

One-half by the Federal Government;
One-third by state
One-sixth by local.

State Revenues Were From:

Taxes	71%
Non-taxes	29%

The Most Important Taxes Were:

Gasoline	17.1%
Motor Vehicle	8.6%
Income	14.2%
Property	9.2%
Gross Earnings	7.9%
Liquor	5.2%

Non-Tax Revenues:

Federal	17.3%
Licenses, Fees, Permits	3.7%
Department Earnings	3.3%
Trust Funds	3.1%
Miscellaneous	1.5%

State Expenditures Were:

Current Costs	47.1%
Aids to Local Units	
Welfare	15%
Schools	15.3%
Debt Service	15.1%

Current Costs of the State Were:

General Government	4.5%
Protection of Persons and Property	7.2%
Health	1.9%
Natural Resources	8.5%
Highways	44.4%
Welfare	13.4%
Education (this is in addition to grants to local districts noted above)	19.2%
Miscellaneous . . . . .	.9%

THE MINNESOTA LEAGUE OF WOMEN VOTERS, 914 MARQUETTE AVE., MINNEAPOLIS



Other citizens would appreciate reading this broadside. Will you pass it on?

March, 1943

100 copies, 75 cents

(Over)

February 23, 1945

Dear Local League President:

We are sending you herewith the information promised on the so-called Classroom School Bill (S. F. 497). Insofar as the Bill gives some promise of securing larger units of School Administration, a familiar refrain to our members, we are interested in it but unfortunately there are some features which without further Board discussion make support questionable.

The following analysis of the Bill has been given us:

A. STRONG POINTS

FILE COPY

- (1) The Bill provides the opportunity for every child in the State to attend school from grades one through twelve at public expense.
- (2) It broadens the financial base for educational support.
- (3) To a certain degree it rewards the School Districts which provide more than a minimum school program.
- (4) To a certain degree it encourages a reasonable pupil load per teacher by establishing aid based on class units.
- (5) It reduces the number and complexity of the present school aids.

B. WEAKNESSES:

- (1) The Bill does not sufficiently increase the total amount of State Aid for all schools. While it provides an incentive for backward schools to raise their standards, it does not properly recognize those schools which at present have the highest standards and are the most progressive.
- (2) It bases the aid paid for class units more on grade level than on Teacher Training level.
- (3) It does not sufficiently recognize the value of four years training for elementary teachers. It fails to recognize that teaching a young child in the elementary grades requires as much school aid and training as teaching an older child in the secondary grades.
- (4) It does not recognize kindergarten as a class unit.
- (5) It provides that the income tax collections should be turned over to the General Revenue Fund. Because the State Legislature in the past has not paid School Aids in full, we have no assurance that they will do so in the future. Income Tax collections should be retained as revenue for schools. If the receipts from the income

February 23, 1945

Tax Fund fall short of paying State Aid in full, funds should be appropriated from the General Fund to make up the shortage.

- (6) The Bill provides that an amount equal to the appropriation from the Endowment Fund be subtracted from the total State Aid. This source of income provided for by the State Constitution and derived from the natural resources of the State, costs the taxpayers nothing and should not be used to support a just tax on the income of the people for educational purposes.

It is apparent that these defects in the Bill should be overcome in order to provide the best educational opportunities for the children of the State.

Sincerely yours,

Mrs. Philip S. ...
Treasurer

H.H.S.

August 20, 1946

REVISED PLAN FOR DISTRIBUTION OF STATE AIDS TO SCHOOLS

The need for revision of State Aids to Education

Minnesota has a complicated, cumbersome system of State Aids. The system needs to be modernized. Approximately forty kinds of aids are now distributed. They are on different bases, for different purposes, and administered in different ways. They require an unnecessary amount of work in the State Department, and in local districts. Because some, though not all, are often prorated, local districts are, each year, uncertain as to how much money they can depend on from state sources. The aids are subject to abuses: some districts able to levy local taxes for schools, fail to do so and live entirely on state aids; others receive more money than they need. Various attempts have been made to revise the aids, and legislative committees have wrestled for years with the complicated problem.

What is being done about the situation?

A year ago the Governor appointed a committee composed of lay and professional people and gave them instructions to prepare recommendations for a simpler and better system of state aids. The committee has studied and discussed, and has now made recommendations for a greatly simplified procedure designed to raise standards and to equalize opportunities.

The committee agreed on certain basic principles, namely: that most districts in the state have had financial difficulties because of their dependence on the local property tax, which has been overburdened, and because of falling assessment valuation; that every child should be guaranteed a basic educational program; and that Minnesota can rightfully be asked to increase somewhat its amount of state aid. Figures show that Minnesota is below average in the amount of state aid given, and also in the proportion of its wealth spent on education.

The plan recommended by the Governor's Committee on Education

Briefly, the plan suggested is this:

A figure will be set which covers the cost of a minimum educational program which should be guaranteed each child up through high school. The figure might be set at One Hundred Ten Dollars (\$110.00) per equated child. One Hundred and Ten Dollars may be the cost of educating a child in elementary school. One Hundred and Sixty-Five Dollars (\$165.00) may be the cost of high school education. In enumerating the children, therefore, a high school child counts one and one-half. This is called an equated per pupil cost. When children are transported to another district the aid will follow the child. Aids will be distributed according to the ADA (average daily attendance), or the average number for whom education must be provided. This places the aid in direct relation to the number of children being educated in the public schools and is educationally sound.

State aids go only to public schools, but some aids at present are based on the census, with the result that in areas where there is a large parochial school attendance, the public schools get aid out of proportion to the aid given schools where the public school enrollment is high. For example, in a district having

Revised Plan for Distribution of State Aids to Schools (Continued)

five hundred children in parochial schools and one hundred in public schools, the public school would receive aid for six hundred children though actually it was educating only one hundred. Educators maintain that aid should be related to the job being done.

Basing aids, then, on actual school attendance as determined by ADA, the state would give for every child a "birthright" aid of a flat sum towards his educational costs to the district educating him. For illustrative purposes we may place that basic aid at Fifty Dollars per equated child in ADA. That sum would enable most districts in the state to get enough aid to carry on a suitable educational program.

Some districts, however, are too poor to provide the remaining sixty dollars needed for the basic program. Accordingly an equalization table is to be established, based on the wealth in assessed valuation back of each child in school. A district having a real estate valuation of two thousand dollars per child in school, would receive no further state aid, but would be expected to build on the basic Fifty Dollars as far beyond the Hundred and Ten Dollars as its resources and its interest in its schools would permit. For every drop of One Hundred Dollars in assessed valuation, a district would receive an additional Three Dollars per child, up to the point where a district having less than One Hundred Dollars in assessed valuation would receive its entire support from the state. This guarantees educational opportunity for every child wherever he lives.

The plan calls upon each district to assume responsibility for education through high school. Many rural areas do not provide high school education at present. In order to offer high school education to more children, the state has paid tuition for pupils in districts not maintaining high school in a district which does maintain a high school. Such pupils are called non-resident high school pupils. Although districts qualifying for equalization aid because of low assessed valuation will, of course, receive such aid for high school as well as elementary school pupils in ADA, the committee feared that placing this new responsibility for high school education on local districts might be a hardship for some rural ungraded elementary districts which do not maintain high schools. Accordingly, a secondary equalization table is proposed. Schools in rural ungraded elementary districts having an assessed valuation of over Two Thousand Dollars would receive Ten Dollars per high school pupil in ADA; those having valuations between Fifteen Hundred and Two Thousand Dollars, Twenty Dollars per pupil; and those having valuations between Fifteen Hundred and One Thousand Dollars, Thirty Dollars per pupil; those having valuations under One Thousand Dollars, the regular equalization aid for poor districts. This plan should extend opportunities for high school education to rural children, an extension much needed as Minnesota ranks 47th among the states in the proportion of rural children in high school.

The State Constitution provides that money from the permanent school fund be distributed as state aid to schools. At present this apportionment of income from the school fund amounts to about Eleven Dollars per pupil (slightly more this year). It comes from the proceeds of sale of lands dedicated by the Constitution. This apportionment would be part of the Fifty Dollar "birthright", leaving the legislature the responsibility of appropriating the difference between apportionment and the "birthright" payment.

This plan would, it is estimated, cost about Twenty-Eight Million Dollars if the figures of One Hundred and Ten Dollars and Fifty Dollars are used. The

Revised Plan for Distribution of State Aids to Schools (Continued)

state appropriated about Twenty-Two Million Dollars in the last legislature and in view of increased costs of education, the increase of about Six Million Dollars did not seem an unreasonable figure, considering the state's present below-average state aid. Since local school levies come almost entirely from real estate, increased state aid can serve to lessen the local burdens on real estate.

There remain certain aids to be considered as part of the Twenty-Eight Million Dollar program:

1. The Transportation Aid. This, as its name implies, is an aid to help get children to school in rural areas where distances are great. This aid is not, properly speaking, an education aid, and will be left as at present outside the actual educational aids.
2. The so-called Gross Earnings Aid. This is a tax replacement aid, not an educational aid. It applies to about seven districts where property owned by railroads and exempt from local taxation because of state taxes, is so proportionately large that the remaining local property cannot meet local needs. The state gives a special aid to replace the revenue lost by state taxation of railroads. This should remain outside the revision program.
3. Aid to the Handicapped Children. Minnesota has given generous state aid to handicapped children - that is: the mentally retarded, the blind, the crippled and the deaf. It costs more money to give the handicapped children the basic education given normal children. Aid to the handicapped will continue unchanged.

Two other factors bear directly on any system of state aid, and the committee advises action in separate bills for (1) a better system of assessing property so that assessments will be more nearly equalized, and (2) reorganization of districts for economy and better education. A proposal has been made for a better system of assessing property providing for supervision of assessments within each county in such a way as to encourage more nearly equitable assessment within counties. As to reorganization of districts, figures show that per pupil costs are highest in the small one-room school where standards of teacher training are lowest and opportunities are limited. Reorganization to permit larger and more efficient administrative units should accompany a revision of aids.

One other provision in the recommendations of the committee is noteworthy as a step in the right direction. Glaring inequalities in assessed valuation in various parts of the state have made equitable distribution of state aid difficult. Since the new plan bases aid on the assessed valuation back of each child, the committee recommends that the Commissioner of Education be given authority, at his discretion, to ask the State Commissioner of Taxation to review assessed valuation in districts applying for state aid. This will not automatically cause reviews of all districts, but would make review possible where the assessed valuation seems to the Commissioner of Education noticeably out of line with the rest of the State.

Under the new plan, as at present, the State Department of Education would establish standards and would be given leeway for the use of judgment where too rigid adherence would work unnecessary hardships on a poor district struggling to meet standards.

MINNEAPOLIS MORNING TRIBUNE
★ Tues., Aug 20, 1946

AID SCHOOL BILL, TEACHERS URGED

**\$805,000,000 Measure
Called Best in History**

A 10-year federal aid school program with a first year cost of \$805,000,000, as proposed in a new United States senate bill, was discussed in public for the first time in St. Paul Monday.

PERCENTAGE BOOST SEEN

Annual cost of the bill would be \$805,000,000 in 1948, increasing to \$1,900,000,000 in 1958. This would increase the percentage of local, state, federal and institutional expenditures for education from 3.2 per cent of the national income at present to 3.6 in 1948 and 4 per cent in 1958, he said.

Reeves declared that while the bill provides for distribution of funds according to financial need and population "all states must continue to do their share and lagard states must make more effort."

In 1948 the bill would provide:

1 For basic educational programs and improvements.



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V. McGovern (1946)

Strengthening Public Education in Minnesota

To

- ✓ Meet the Educational Needs of Our Youth Today
- ✓ Prepare for the Years Ahead
- ✓ Train Our Youth to Make Wise Decisions
- ✓ Build a Sound Economy, Local, State and National
- ✓ Forge Ahead in Educational Leadership
- ✓ Use Leisure Time Profitably
- ✓ Conserve Our Human and Natural Resources
- ✓ Develop Intelligent Citizenship
- ✓ Insure Stability of Our Institutions
- ✓ Safeguard Our Democracy

A PROPOSAL TO REVISE AND IMPROVE SCHOOL AID

A Letter of Transmittal—

December 9, 1946

To the Citizens of Minnesota:

One of our most cherished institutions is our public schools. We all agree that it is the obligation of all adults to provide a good education for all our youth.

Our state, by constitutional mandate, is committed to providing for their financial support on a basis which will be fair to all its young citizens. Since statehood many laws have been passed, and at times generous support has been given. It must be recognized, however, that what was sound and generous in the past cannot meet today's increasing demands.

It is necessary to re-examine our laws from time to time to see how well they meet our present needs. With this in mind, the Governor of Minnesota appointed a committee, representing every phase of Minnesota's economy. This committee, after more than a year of study, submitted a comprehensive report recommending a simplified system of school support designed to make a basic program of education available to all the children of the state.

This report merits your careful study. That is the purpose of this booklet. We ask that you inform yourself of the provisions of the proposed bill and its effect upon your own schools as well as upon the total program of the state. While all schools may not profit under their present organization, the total benefit to the state as a whole should be the major consideration. We endorse placing this information in the hands of the citizens of Minnesota for study, since only by being fully informed can we, as citizens, make intelligent decisions.

May we suggest that after careful examination you inform your state leaders and legislative representatives of your reaction.

Respectfully yours,

Minnesota School Board Association
Minnesota Congress of Parents and Teachers
Minnesota Federation of Labor
Minnesota League of Women Voters
Minnesota Junior Chamber of Commerce
Minnesota Farm Bureau
Minnesota Farm Bureau, Women's Division
Minnesota Grange
American Association of University Women

Minnesota Congress of Industrial Organizations
Minnesota Federation of Women's Clubs
Minnesota Association of County Superintendents
Phi Delta Kappa
Union of Gross Earnings Towns
College of Education, University of Minnesota
Minnesota Council of School Executives
Minnesota Education Association
Minnesota Federation of Teachers



"In proportion as the structure of a government gives force to public opinion, it is essential that public opinion should be enlightened."

WASHINGTON

A Strengthened and Revised School Aid Program a Necessity for Minnesota

PRESENT 40 STATE AIDS

1. Non-resident H. S. Tuition
2. State Agriculture School Tuition
3. Out of State H. S. Tuition
4. Teacher Training Dept.

Classification Aid

5. 6-yr. Elementary School
6. 8-yr. Elementary School
7. Junior High School
8. Senior High School
9. 6-yr. High School
10. 4-yr. High School
11. H. S. Department
12. One-Teacher, 8-mo. Ungraded
13. One-Teacher, 9-mo. Ungraded
14. Two-Teacher, 8-mo. Ungraded
15. Two-Teacher, 9-mo. Ungraded
16. Superior

Special Department Aid

17. Agriculture
18. General Industrial
19. Home Economics
20. Commercial
21. Vocational Education

Special Classes for Handicapped Children

22. Deaf
23. Blind
24. Subnormal
25. Speech Defectives
26. Crippled Children

Transportation

27. Consolidated School
28. Isolated Pupil
29. Non-resident High School
30. Crippled Children
31. School Library Aid
32. Supplemental
33. 1/2 Rate-Gross Earnings (7 Districts)
34. 1/4 Rate-Gross Earnings (County)
35. Summer School Crippled Children
36. Evening School
37. Apportionment
38. Regular Income Tax Aid
39. Non-res. H. S. Income Tax Aid
40. Deficiency and Additional

STATE AIDS UNDER PROPOSED PLAN

Transportation

1. Consolidated
2. Isolated Pupil
3. Non-resident High School
4. Crippled

Special Classes

5. Deaf
6. Blind
7. Subnormal
8. Speech Defective
9. Crippled
10. Summer School for Crippled Children

Gross Earnings

11. Seven districts (1/2 rate)
12. County (1/4 rate)
13. Teacher Training
14. Apportionment
15. Basic
16. Equalization
17. Emergency

An Excerpt

FROM THE GOVERNOR'S COMMITTEE REPORT

"We do not feel that the recommendations contained in this report constitute a perfect program, but it does represent the concerted thinking of a most representative and capable committee which through all its deliberations were mindful of one primary objective—a state aid program, simple in operation, which would offer equal opportunities for all school pupils of the State through a basic state aid to all, supplemented by the State where necessary in order to guarantee certain minimum standards regardless of the wealth of the community."

"The commonwealth requires the education of its citizens as a safeguard of order and liberty."

What Does the Proposed School State Aid Bill Do?

There are forty different kinds of state aid at the present time, of which fourteen will remain in force under the proposed plan. Three new aids have been added—basic, equalization, and emergency.

The revision of the state-aid program as suggested means amending ten existing laws and repealing thirteen laws now in force. See bill on page 17.

The outstanding purpose of revising the state-aid system is to guarantee a minimum education for every pupil in the State. In order to do this, the basic plan is built on the present cost of instruction, which is \$110 per pupil unit, in average daily attendance. A kindergarten pupil attending half-day sessions will count as one-half a pupil unit, an elementary pupil for one pupil unit, a high-school pupil for one and one-half pupil unit, because high-school instruction costs about one and one-half times as much as elementary-school instruction. Seventh and eighth grade pupils attending a junior high school or a six-year high school will count as high-school pupils.

All aids will be paid on the basis of average daily attendance, corrected for conditions when pupils cannot attend school because of epidemics, calamity, weather, or other justifiable causes. The correction is not to exceed ten per cent.

BASIC AID

The largest aid recommended is the basic aid, which amounts to \$50 per pupil unit in average daily attendance, including the amount the district is entitled to as apportionment. Every public school in the State will receive this aid if it meets the minimum standards set up by the State Board of Education and the law relating to apportionment.

EQUALIZATION AID

The second largest aid is the equalization aid. It will be paid to districts having a low property valuation. In all districts educating elementary pupils and in districts maintaining high schools which have an assessed valuation of \$2000 or more per resident pupil unit in average daily attendance, no equalization aid will be given. In districts having less valuation, it is proposed that for every drop of \$100 in assessed valuation a district would receive an additional \$3 per pupil up to a point where a district having less than \$100 assessed valuation per pupil unit in average daily attendance would receive \$60 equalization aid. This amount plus the \$50 basic aid would make up the entire \$110 per pupil unit.



"The stability of a republican form of government depending mainly upon the intelligence of the people, it shall be the duty of the legislature to establish a general and uniform system of public schools."

CONSTITUTION, ART. 8, SEC. 1

Additional Provisions of Proposed Bill

A slight variation is proposed for high school pupils in districts that do not maintain high schools or graded elementary schools. An equalization aid of \$10 per pupil unit is proposed for districts having an assessed valuation of \$2000 or over per resident pupil in average daily attendance, \$20 where the valuation is from \$1500 to \$2000, and \$30 for the range of \$1000 to \$1500. Below \$1000 valuation, the regular scale of equalization aid would apply. See page 15 of this Booklet for the detailed schedule.

EMERGENCY AID

The purpose of the emergency aid is to make it possible to take care of school districts that cannot meet the cost of education because of unusual problems, the aid to be paid on the basis of standards set up by the State Board of Education.

SPECIALIZED AIDS

The following aids will remain in force as they now are: transportation aid for consolidated schools, isolated pupils, crippled children, and non-resident high-school pupils; aid for special classes—blind, deaf, subnormal, speech defective, and crippled; aid for summer schools for crippled children; gross earnings aid—one county and seven other districts; and aid to high-school teacher training departments.

FEDERAL AID

The proposed plan provides for a method of matching funds available by the Federal Government in the following manner: The State Board of Education shall allot the necessary funds to be paid by the State out of the basic aid. This means that all districts which meet the standards for federal aid will receive such aid over and above any other state aid.

STATE FUNDS

The number of state funds will be reduced from four to two. The endowment fund which will consist of the interest of the permanent school fund will be distributed as apportionment. The special state-aid fund will consist of the funds received from the income tax after the deductions for administration and replacements and additional amounts appropriated by the legislature. From this fund the special state aid will be distributed.

Without question some districts in the State would be affected adversely by the plan proposed, but it would go a long way toward correcting numerous existing inequalities and would give most of the districts more state aid than they are receiving at the present time, which fact would make it possible for the school boards of the State to meet at least in part the increased cost of education.



"The legislature shall make such provisions, by taxation or otherwise, as with the income arising from the school fund, will secure a thorough and efficient system of public schools . . ."

CONSTITUTION, ART. 8, SEC. 3

Questions and Answers on Proposed State

A. PUPIL

1. Upon which unit will state aid be paid?
On Average Daily Attendance with allowance for necessary corrections to cover emergencies such as storms and epidemics.
2. Will kindergarten pupils be counted for state aid as elementary pupils?
Yes. See bill, Section 9 (1.), page 14.
3. Will 7th and 8th grade pupils from rural districts attending school in districts maintaining junior or six-year high schools be counted as high school pupils?
Yes, if the high school is approved by the State Board of Education prior to the time of attendance.
4. Will high school pupils in districts maintaining unaccredited high school work be counted for aid?
No.
5. Will high school pupils in 1, 2, or 3 year high school departments be counted for high school aid?
Yes, if the department attended has been approved by the State Board of Education prior to the time of attendance.
6. Will high school post-graduates be counted for aid?
No.
7. Will junior college pupils be counted for aid?
No.
8. Will average daily attendance in unorganized territory districts be counted by school or by districts?
By districts.
9. Does the pupil's resident district receive the state aid?
Yes.
10. From whom does the district maintaining a high school receive payment for educating nonresident high school pupils?
The pupil's resident district pays the district educating the nonresident high school pupil \$110 per pupil unit in average daily attendance.
11. How will payment be made for nonresident high school pupils to the district educating such pupils?
In accordance with instructions to be prepared by the State Board of Education.
12. How will payment be made for nonresident elementary pupils?
By a tuition agreement between the two districts which should be based on the cost of educating the pupils.

B. TEACHER

1. Will a percentage of the \$110 per pupil unit be earmarked for teachers' salaries?
Yes. At least 65% of the \$110 per equated pupil shall be allocated to teachers' salaries.



"I am convinced that the world cannot stand another global war. As I see it, the thing to prevent such a tragedy happening is education." GENERAL DWIGHT EISENHOWER

Aid Plan For Minnesota's Public Schools

C. SCHOOL ORGANIZATION

1. Will all districts be required to maintain a school of at least nine months?
Yes.
2. Will free textbooks be required for elementary and high school pupils?
Yes.

D. STATE SUPPORT OF PLAN

1. Will local school districts be required to raise local funds based on assessed valuation per resident pupil before equalization aid is distributed by the State?
Yes.
2. Will local school districts be required to raise funds based on assessed valuation per resident pupil before basic aid is paid?
Yes.
3. Distribution
 - (a) Will the State pay the basic aid and equalization aid to the rural district or to the district educating high school pupils?
Basic, and equalization aid, if any, will be paid by the State to the rural district and transmitted by that district to the district educating the high school pupils along with the rural district's share of the cost of educating high school pupils.
 - (b) If the appropriations shall be insufficient to pay all aids in full, upon what aid shall the deficiency fall?
Upon basic aid.
 - (c) How many times during the school year will state aids be paid?
Three. In October, March, and August.
 - (d) Will closed schools receive aid?
Yes. Closed schools will maintain their identity as under the present law.
4. Special Aids
 - (a) Will aid for special classes for handicapped children be paid in addition to the basic and equalization aid?
Yes.
 - (b) How will emergency aid be paid?
Emergency aid will be paid under standards established by the State Board of Education.
 - (c) Will there be any aid available for adult education?
No. Not under the proposed plan.
 - (d) Will there be any aid available for high school teacher training?
Yes. As provided by legislative enactment.
5. Federal Aid
 - (a) Will schools receive federal aid for which they qualify?
Yes.
 - (b) How will federal funds be matched?
The State Board of Education will allot the necessary funds to be paid by the State for matching purposes out of the basic aid.



"Nothing is so local as not to be of some general benefit. It may also be said conversely that there is nothing of general benefit that does not produce some local benefit"

LINCOLN

More Questions and Answers (Continued)

6. Earmarking Funds

(a) Will the income tax receipts be earmarked for education?

Yes.

7. What state aid laws will be repealed if this plan is adopted?

Laws will be repealed which apply to classification aid, special departments, high school tuition, and any others which are not consistent with the proposed plan.

E. LOCAL EXPENDITURE FOR EDUCATION

1. Must the entire \$110 per pupil unit be used for maintenance?

Yes.

2. Will the rural districts be required to pay a share of the cost of education for their high school pupils?

Yes. After receiving the basic aid and such equalization aid as the district is entitled to.

3. Will the transportation of nonresident high school pupils be required in all rural districts at district expense?

Yes. The district, however, will be entitled to reimbursement as transportation aid.

4. Should any of the \$110 per pupil unit be used for capital outlay or debt service?

No.

F. ASSESSED VALUATION—LOCAL TAXATION

1. What assessed valuation will be used as the basis for computing valuations per resident pupil?

The most recent assessed valuation on file in the county auditor's office.

2. Will both elementary and high school pupils attending public schools be included in determining the assessed valuation per resident pupil in districts maintaining ungraded schools?

Yes.

3. Will the proposed state aid plan affect the school districts adversely that are operating under a tax limitation law?

No.

G. SCHOOL DISTRICT REORGANIZATION

1. Will there be any encouragement for the enlarging of school districts?

Encouragement of larger administrative school units must come through a realization of educational advantages and economic operation.

Minnesota Must Meet the Teacher Crisis

The financial crisis is not the only one confronting the people of Minnesota in regard to its schools. The problem of securing and retaining competent teacher personnel is equally urgent. Sixteen thousand Minnesota teachers have left the profession since Pearl Harbor. Approximately one-third went into military service and, now that the war is over, comparatively few are returning to the schools. The others sought and found more remunerative employment in other fields.

Teachers currently employed are caught by the rising cost of living, and, in spite of salary increases to date, find themselves in a low-paid occupation and leave the school room for financial reasons. The public and the public's children are the losers. This is going on at a time when educational services are being expanded, enrolments are increasing, and the ability of the local community to meet the increased financial demands has been severely strained.

The competition the public must meet in most lines which require less training than teaching can be seen from the list of United States Civil Service positions within the accompanying salary brackets.

\$1690-\$2644: Athletic technician, Carpenter's helper, Chauffer, Clerk, Clerk-stenographer, Clerk-typist, Conservation aide, Dental-laboratory mechanic, Ditchrider, Draftsman, Engineering aide, Firefighter, Guard-patrolman, Hospital attendant, Janitor, Laborer, Laboratory aide, Storekeeper, Telephone operator, Typist, Voucher-examiner.

To retain a teacher in every school room, competent, and economically secure in order to give the desired type of instruction to children, demands that funds be made available to meet the need. This can be done only through greater participation on the part of the State.

Education Serves All

"Educators and school patrons alike need to see to it that education here shall increasingly contribute to strengthening the enduring principles of life and government upon which this nation is founded and help to establish those principles among other nations of the world.

"Educational services must be specific and direct enough to serve the needs of the local community but comprehensive and far-reaching enough to have their values reach to the farthest limits of the state and the nation and around the world."

DEAN SCHWEICKHARD
Commissioner Public Education

Faith in Education

"I believe that our objective must always be that of guaranteeing an equal opportunity to a good education to every child regardless of whether he or she happens to live in a rich or a poor community. Our educational program must make this program a reality and the birthright of every child in Minnesota. To accomplish this end we shall have to revise, without delay, the state aid system to assure that more adequate support can be given to schools in the districts that are handicapped by lack of funds. The present system of aid has grown like a patch-work quilt until there are now 40 different kinds of aid going to schools. We can do much to help our schools by unifying this procedure. A very competent committee has studied this problem for more than a year and has submitted a report of recommendations that will be invaluable to the governor and legislature."

GOVERNOR-ELECT LUTHER W. YOUNGDAHL
RADIO ADDRESS, OCTOBER 30, 1946

Why the State of Minnesota Must Increase Its Financial Aid to Its Public Schools

BECAUSE:



- Demands upon the schools have increased
- Our schools need better trained teachers
- Educational costs since 1939 have increased 25%
- State support has increased only 17% since 1939
- Local educational support for maintenance since 1939 has increased 47%
- Teachers' salaries have risen from an average of \$1061 in 1939 to \$1647 in 1945. Further increases are necessary
- Local districts are now making close to maximum efforts in providing funds for their schools
- Local revenue has not increased at the same rate as local school costs
- The cost of living for the people of Minnesota has risen 39.8% since 1939. School costs have likewise been affected
- The ability to support a program of education varies among communities
- Many of our rural youth are denied an enriched educational program to meet their needs
- Others of our rural youth are denied education due to the high costs of providing adequate transportation
- Additional necessary funds cannot be provided locally without placing too heavy a burden upon the property tax
- Sufficient number of teachers cannot be secured or recruited until teachers' salaries are materially increased
- The teacher shortage has resulted in overcrowded classes to educational disadvantage of pupil
- Minnesota ranks 47th among the states in the nation in the number of 16-17 year old farm boys attending high school

Estimated State Aid Necessary to Finance Proposed Basic Aid and Equalization Plan

ITEM	AMOUNT
Transportation.....	\$ 2,200,000
Special Classes for Handicapped Children.....	500,000
Gross Earnings.....	200,000
Basic Aid including Apportionment (Based on Average Daily Attendance).....	19,761,350
Equalization Aid.....	5,773,650
Emergency Aid.....	500,000
Teacher Training Department.....	65,000
Total.....	\$29,000,000

SOURCES OF AVAILABLE REVENUE FROM PERMANENT SCHOOL FUND AND INCOME TAX SCHOOL FUND TO FINANCE THE PROPOSED STATE AID PLAN

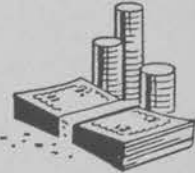
1946-47 School Year

Interest on the Permanent School Fund which is mandatory under the State Constitution.....	\$ 3,500,000.00
Estimated free balance of the Income Tax School Fund including investments in excess of requirements to June 30, 1947.....	17,000,000.00
Estimated amount available June 30, 1947.....	\$20,500,000.00

1947-48 School Year

Estimated interest of the Permanent School Fund which is mandatory under the State Constitution.....	3,500,000.00
Estimated net receipts of State Income Tax June 30, 1948....	17,000,000.00*
Estimated amount available June 30, 1948.....	\$20,500,000.00

*These estimates represent gross collections less refunds and administration cost. They were prepared by G. Howard Spaeth, Minnesota Commissioner of Taxation, and are based upon current revenue trends and the present income and franchise tax act as administered.



"The good education of youth has been esteemed by wise men in all ages as the surest foundation of the happiness both of private families and of commonwealths."

FRANKLIN

"The whole people must take upon themselves the education of the whole people and be willing to bear the expense of it."

JOHN ADAMS

A Challenge to Every Citizen

STATEMENT OF POLICY

An Excerpt from the Governor's Committee Report

A Statement of nationwide policies on state support for public schools has been included under Section II in the Report of Committee on State Aid for Public Schools in Minnesota to indicate that the proposals of the Committee are in accordance with national trends.

DEVELOPING AN ADEQUATE EDUCATIONAL PROGRAM

1. The educational program can be considered adequate only when provision is made for meeting satisfactorily the needs of all individuals and groups who can and should benefit from participation in the educational program.
2. Each State is responsible for determining the extent of educational services which should be provided by a State program of education and for assisting local communities in determining the scope of services to be provided in the community.
3. An organization should be projected which will be adequate to render needed services and provide the necessary facilities for all groups with a maximum of efficiency without duplication, overlapping, or omissions.
4. An adequate program of education at State and local levels should be defined in terms of the needs rather than in terms of the funds which are available at any given time.



The Highest Priority

"The future state of the nation will not be decided by seeking substitutes for brains nor by curtailing the training provided for the creative talents of youth.

"That nation which has courageous and forward-looking leaders who dare, in the midst of the present world crisis, to provide, encourage, foster, and improve education, and especially education for leadership, will be the nation that will write the history of the next generation. The world of the future will belong to the men whose understanding is based upon knowledge."

FROM ADDRESS GIVEN BY THE LATE LOTUS D. COFFMAN,
IN 1932 IN NEW YORK CITY

5. An adequate educational program should include the provision of special services for individuals and groups with specialized needs.
6. Provision should be made for utilizing the services and facilities of all related agencies which should properly render services auxiliary to education.
7. The minimum or foundation program of the State should be projected in terms of resources obtainable and considered as a first step toward developing an adequate program.
8. The educational program which is developed must be sufficiently flexible to permit adjustments to meet emerging needs.

Proposed State Aid Bill For Schools

A BILL

FOR AN ACT RELATING TO STATE AID FOR SCHOOLS AND AMENDING MINNESOTA STATUTES 1945, SECTIONS 125.06, Subd. 11, 128.01, 128.02, 128.04, 128.05, 128.07, 128.15, 131.01, 131.21 AND 290.62, AND REPEALING SECTIONS 128.015, 128.03, 128.08, 128.09, 128.10, 128.11, 128.12, 128.16, 128.17, 128.20, 128.24, 133.04 AND 290.623.

Be it enacted by the Legislature of the State of Minnesota:

SEC. 1. Minnesota Statutes 1945, Section 125.06, Subd. 11, is amended to read:

125.06, Subd. 11. It may provide for the admission to the schools of the district, of non-resident pupils, and those above school age, and fix the rates of tuition for such pupils. In case a person owns 70 acres or more of land and pays the taxes thereon, in a common or an independent school district other than the one in which he resides, then such person or his tenant shall be admitted to all the benefits of the schools of such district, the same as residents therein, and if the owner of less than 70 acres therein he or his tenant shall be admitted to all the benefits of said school the same as residents therein, upon conforming to such reasonable terms for tuition and transportation as the board of education of such school district may have established for non-residents, except that he shall be entitled to have the amount of school taxes which he pays to the support of said district applied in payment of said tuition and transportation fees. Nothing in this subdivision shall be so construed as to authorize any person who may receive any of the benefits or privileges to vote at any school district meeting of the school district within which he may receive such benefits or privileges, but of which he is not a member. *In the payment of state aid, the district in which the pupil attends because of the provisions of this subdivision shall be considered the district of his residence.*

SEC. 2. Minnesota Statutes 1945, Section 128.01, is amended to read:

128.01. For the purpose of aid to public schools, *these funds are established:*

- (1) The endowment fund, which shall consist of the income from the permanent school fund; and
- (2) The special state aid fund, which shall consist of the sums appropriated by the legislature for special aid to public schools.

SEC. 3. Minnesota Statutes 1945, Section 128.02, is amended to read:

128.02. The endowment fund shall be apportioned semiannually by the state board of education, on the first Monday in March and October in each year, to school districts whose schools have been in session at least *nine* months, in proportion to the number of *pupils* between the ages of five and 21 years who shall have been in average daily attendance during the preceding year, provided, that apportionment shall not be paid to the district attended for pupils for whom tuition is received by such district.

SEC. 4. Minnesota Statutes 1945, Section 128.04, Subdivisions 1 and 2, is amended to read:

Subd. 1. *A copy of the apportionment mentioned in section 128.02 shall be furnished by the state board of education to the state auditor, who thereupon shall draw his warrants on the state treasury, payable to the several counties, for the amount due each county. There is hereby annually appropriated from the endowment fund the amount of such apportionments.*

Subd. 2. The county auditor, upon receiving the warrant from the state, shall forthwith apportion the amount thereof to the various school districts entitled thereto, and shall at the time of making the March and November tax settlements of each year apportion to the several school districts the amount received from liquor licenses, fines, estrays, and other sources belonging to the general school fund, upon the same basis provided for the state apportionment; but no district shall receive any part of the money received from liquor licenses unless all sums paid for such licenses in such district are apportioned to the county school fund. The auditor shall include in such apportionment all amounts received from special state aid to schools not theretofore apportioned.

SEC. 5. Minnesota Statutes 1945, Section 128.05 is amended to read:

128.05. The state board of education shall distribute the special state aid fund in such man-

(Bold faced italics signify new material)



Action Today Vital

"The national collapse of teacher morale, the dwindling appeal of public school service, as a professional career, plainly reflected in the low enrollment in teacher training institutions, and the failure of teachers who left school for military and civilian work to return to their jobs . . . these three factors alone present a crisis calling for emergency public action.

"A stronger better-planned system of state aid to Minnesota schools will help check the trend and begin to buttress the most vital asset of our state, which is the inspiration of sound attitudes and the trained competence of our children as citizens of tomorrow.

PRESIDENT J. L. MORRILL
University of Minnesota

State Aid Bill Continued

ner and upon such conditions as will enable school districts to perform efficiently the services required by law, and to further the educational interests of the state. The board shall have power to fix reasonable requirements for receiving and sharing in the state aid. Public schools shall at all times be open to the inspection of the state board of education, and the accounts, records and affairs of any such district shall be open to inspection by the public examiner upon request of the state board of education.

SEC. 6. Minnesota Statutes 1945, Section 128.07 is amended to read:

128.07. Subdivision 1. To receive state aid for transportation, consolidated districts must contain not less than 12 sections of land and schools in such districts shall be in session at least nine months in the year and be well organized. They shall have suitable school houses with the necessary rooms and equipment. For transportation or board of resident pupils in consolidated school districts, the state shall reimburse such districts at rates to be determined by the state board of education; provided, that no consolidated school district shall receive annually more than an average of \$36.00 per pupil transported or boarded.

All the provisions of law relating to state aid to consolidated school districts shall be equally applicable to the unorganized territory of any county, to county school districts and also to all school districts of ten or more townships.

Subd. 2. (Repealed by 1945 c.373 s.2)

Subd. 3. For assisting in providing for the school attendance of isolated pupils, the state board of education may assist school districts or the county board of education for unorganized territory in any county in providing for the transportation or board of such children of school age as reside beyond reasonable walking distance from the nearest public school. To this end, the state board may grant to such school districts not to exceed \$50.00 annually for each such pupil transported or boarded.

Subd. 4. The state board of education may assist school districts or the county board of education for unorganized territory in any county in providing for the transportation or board of such crippled children of school age as are unable to walk to school with the exercise of normal effort, but are able to carry the regular courses of study. It may grant to such school districts not to exceed \$150 annually for each pupil transported or boarded. The state board may grant such aid to the district of residence when a crippled child is transported for the purpose of attending a special class, provided that the total expendi-



ture under this subdivision shall not exceed the sum of \$40,000 for one year.

Subd. 5. A school district which does not maintain a high school shall provide transportation for resident pupils who attend a classified public high school in another district or board and lodging. The state will reimburse the district therefor but not to exceed the rate of \$36.00 per year per pupil.

SEC. 7. Minnesota Statutes 1945, Section 128.15; is amended to read:

128.15. For teacher training in high schools such board is authorized to determine the amounts of state aid to be granted to any school district for the maintenance of this work.

SEC. 8. When aid is received through an appropriation by the Congress of the United States conditioned upon the state meeting requirements specified by the government of the United States the state board of education shall allot the necessary funds to be paid by the state out of the basic aid provided in this chapter.

SEC. 9. Subdivision 1. A pupil unit is the denominator used to compute the distribution of state aid. Pupil units for each resident pupil in average daily attendance shall be counted as follows:

- (1) In an elementary school, for kindergarten pupils attending half day sessions throughout the school year, one-half pupil unit, and other elementary pupils, one pupil unit,
- (2) In secondary schools, pupils in grades seven and eight in a junior high school or a six-year high school, who reside in a district maintaining only an elementary school, and all other pupils in secondary schools, one and one-half pupil units.

Subd. 2. Average daily attendance means the quotient to be obtained by dividing the number which represents the total of all days which all pupils attend school during the school year by the number of days during the school year while the school is in session.

Subd. 3. Basic aid is the sum required to be paid to a school district which, when added to the sum paid to the district as apportionment, shall total a sum equal to \$50.00 multiplied by the total number of pupil units of the district.

Subd. 4. A distressed school district is one which by reason of calamity, high tax delinquency or excessive debt, or a combination thereof, or by other justifiable cause is unable by taxation to collect sufficient revenue to maintain its schools therefrom on minimum standards established by the state board of education.

Additional Features of Proposed Bill

Subd. 5. Emergency aid is money paid by the state to a distressed school district according to such standards. Such aid will be paid only when directed by the state board of education.

Subd. 6. Equalization aid is money paid by the state to a school district to enable it to maintain such minimum standards when it is without sufficient taxable property to meet them.

SEC. 10. Subdivision 1. The policy is declared that any school district must levy taxes sufficient to produce revenue equal to \$60.00 per pupil unit per annum when the assessed valuation of all taxable property of the district is equal to or exceeds \$2,000 for every resident pupil unit of the district. But when such assessed value is less than that sum, equalization aid will be paid by the state to any district other than the one mentioned in subdivision 2 out of money appropriated for that specific purpose on the basis shown below, upon condition that the school district produces from revenue received from local taxes the sum specified to be produced by local taxation:

Assessed Value of District Per Resident Pupil Unit in Average Daily Attendance	Equalization Aid Per Resident Pupil Unit in Average Daily Attendance	To Be Produced By Local Taxation Per Resident Pupil Unit in Average Daily Attendance
\$2,000 or over.....	—	\$60
1,900 to 2,000.....	3	57
1,800 to 1,900.....	6	54
1,700 to 1,800.....	9	51
1,600 to 1,700.....	12	48
1,500 to 1,600.....	15	45
1,400 to 1,500.....	18	42
1,300 to 1,400.....	21	39
1,200 to 1,300.....	24	36
1,100 to 1,200.....	27	33
1,000 to 1,100.....	30	30
900 to 1,000.....	33	27
800 to 900.....	36	24
700 to 800.....	39	21
600 to 700.....	42	18
500 to 600.....	45	15
400 to 500.....	48	12
300 to 400.....	51	9
200 to 300.....	54	6
100 to 200.....	57	3
Less than \$100.....	60	—

Subd. 2. In a school district which maintains no high school but maintains an elementary school of insufficient size to meet graded school standards, equalization aid

is paid by the state for high school pupils residing in the district but attending high school in another district upon the following basis:

Assessed Value of District Per Resident Pupil Unit in Average Daily Attendance	Equalization Aid Per Resident Pupil Unit in Average Daily Attendance	To Be Produced By Local Taxation Per Resident Pupil Unit in Average Daily Attendance
\$2,000 or over.....	\$10	\$50
1,500 to 2,000.....	20	40
1,000 to 1,500.....	30	30
900 to 1,000.....	33	27
800 to 900.....	36	24
700 to 800.....	39	21
600 to 700.....	42	18
500 to 600.....	45	15
400 to 500.....	48	12
300 to 400.....	51	9
200 to 300.....	54	6
100 to 200.....	57	3
Less than \$100.....	60	—

Subd. 3. Where two or more school districts hereafter unite the state aid shall continue to be paid on the basis of section 10, subdivision 2 of this act for high school pupils from the districts uniting with the district that maintains the high school.

Subd. 4. Every school district which maintains only an elementary school, or has closed its elementary school and provides instruction in other districts and which receives basic aid shall pay \$110.00 per pupil unit per annum or the actual cost of instruction chargeable to maintenance, whichever amount is lower, based on average daily attendance to the district furnishing elementary and high school instruction on account of elementary and high school pupils attending school in another district.

Subd. 5. Every school district which receives special state aid shall (1) maintain school at least nine months in a year, (2) furnish free textbooks to pupils, and (3) when it employs teachers shall expend for maintenance a minimum sum equal to \$110.00 per pupil unit, of which at least 65 per cent per pupil unit is for teachers' salaries. If expenditures fall below \$110 both the basic aid and the amount contributed by the local school district shall be reduced in like proportions.

SEC. 11. In any case when pupils are prevented from attending school because of epidemic, calamity or weather, or other justifiable cause, the state board of education in determining the amount of state aid to be allotted to the district may increase the sum to which the district is otherwise entitled not to exceed ten per cent.



"Young people should now insist upon a good education. For the next six years wise parents will pour money into education." ROGER W. BABSON

"By far the most important bill in our whole code is that for the diffusion of Knowledge among the people. No other sure foundation can be devised for the preservation of freedom and happiness." THOMAS JEFFERSON

Other Details of Proposed Bill

SEC. 12. Appropriations made for special state aid are for the following purposes:

Basic aid; equalization aid; emergency aid; transportation aid provided in Section 128.07; aid for special classes of handicapped children provided in Section 128.13; teacher training mentioned in Section 128.15; gross earnings tax aid mentioned in Sections 128.22 and 128.23, and summer school for crippled children mentioned in Section 128.13.

If the appropriations shall be insufficient to pay all thereof in full, the deficiency shall fall upon basic aid only.

SEC. 13. Special state aid shall be paid to school districts in October and March based upon information available. In August a final distribution for the previous school year shall be made based upon accurate information.

SEC. 14. Minnesota Statutes 1945, Section 131.01 is amended to read:

131.01. Subd. 1. For the purpose of administration all public schools shall be classified under the following heads:

- (2) *Elementary,*
 - (a) *Graded elementary,*
 - (b) *Ungraded elementary.*
- (2) *Secondary,*
 - (a) *Four-year high,*
 - (b) *High school departments,*
 - (c) *Junior high,*
 - (d) *Senior high,*
 - (e) *Six-year high.*
- (3) *Junior Colleges.*

Subd. 2. (1) *An elementary school includes all schools below the grade of a high school.*

(a) A graded elementary school shall be a school giving instruction in the first six years of the public school course and employing at least three teachers devoting their entire time to elementary school work, or a school giving instruction in the first eight years of the public school course, and employing at least four teachers devoting their entire time to elementary school work. In each such school one teacher may be designated as principal.

(b) An ungraded elementary school shall be a school giving instruction in the elementary course and employing one or more teachers but not having the rank of graded elementary school.

(2) *A secondary school includes four-year high school; high school department; junior high school; senior high school; and six-year high school.*

(a) A four-year high school shall be a school giving one or more four-year courses beyond the eight-year elementary course, and

which shall employ a superintendent, a high school principal, and one or more high school teachers.

(b) A high school department shall be a school giving instruction in high school subjects beyond the eight-year elementary course. Such high school department shall employ two or more qualified high school teachers to give instruction in such high school subjects, one of whom may be the superintendent of the high school department and the elementary school associated therewith.

(c) A junior high school shall be a school having a separate organization and employing a principal and two or more teachers giving instruction in the seventh, eighth, and ninth years of the 12 year public school course. It shall be located in a school district which employs a superintendent for the entire system of public schools in such school district.

(d) A senior high school shall be a school having a separate organization and employing a principal and two or more high school teachers giving instruction in the 10th, 11th and 12th years of the 12 year public school course. It shall be located in a school district which maintains a junior high school and which employs a superintendent for the entire system of public schools in such school district.

(e) A six-year high school shall be a school employing a superintendent, a high school principal, and three or more teachers giving instruction in *grades* seven to 12 inclusive of the public school course.

(3) A junior college shall be a school organized according to sections 131.02 to 131.07.

SEC. 15. Minnesota Statutes 1945, Section 131.21 is amended to read:

131.21. The school shall be maintained not less than nine months, but this provision shall not apply to night schools or kindergartens. The school month shall consist of four weeks. Every Saturday shall be a school holiday and all legal holidays shall be counted as a part of the school week.

SEC. 16. Minnesota Statutes 1945, Section 290.62 is amended to read:

290.62. The revenues derived from the taxes, interest, and penalties under this chapter shall be paid into the state treasury and credited to a special fund to be known as income tax school fund, and be distributed as follows:

(1) There shall be paid from this income tax school fund all refunds of taxes erroneously collected from taxpayers under this chapter as provided herein;

(2) There shall be transferred each year from this fund to the general revenue fund the amount expended from the latter fund for expenses of administering this chapter;

(3) *The balance thereof shall be credited to the special state aid fund to be distributed as in this act provided.*

SEC. 17. Minnesota Statutes 1945, Sections 128.015, 128.03, 128.08, 128.09, 128.10, 128.11, 128.12, 128.16, 128.17, 128.20, 128.24, 290.62, 3abcd, 4, 5, 6 & 7, and 290.623 are repealed.

Memorandum Concerning Laws Repealed by Proposed Bill

This memorandum relates to a proposed bill amending the present laws relating to state aid and repealing certain sections specified in the bill to which reference is herein made.

No explanation need be made in respect to the sections of the statutes which are proposed to be amended for the reason that the language in the amended sections which is stricken out is indicated in the draft of the proposed bill and the new matter amending such sections is underlined.

Repeals—The sections repealed will be briefly mentioned by number and the reasons for the suggested repeals will be stated.

128.015—The repeal section relates to the income tax proceeds which the present law provides may be used for current maintenance. It will be observed that Sec. 290.62 is amended as shown and all the money available for school purposes in paragraph (3) is credited to the special state aid fund to be distributed as in this act provided. Consequently, there is no need for Section 128.015 which becomes inoperative.

128.03—This section relates to apportionment of the current school fund. The current school fund is abolished by this act and Sec. 128.01 creates the special state aid fund, which includes the money which formerly would have been included in the current school fund.

128.08—This section relates to high school tuition. Such form of aid is abolished and provision is made in the proposed new act in Section 8 to cover the subject matter by new provisions.

128.09, 128.10, 128.11, 128.12—These aids mentioned, library, classification aid, supplemental aid, state aid for vocational education, are all abolished and are covered by Section 8 of the proposed new act.

128.16—Transfer from current to special state aid funds. The current school fund is abolished and this is not appropriate. See Section I of the proposed new act.

128.17—Under the new scheme in the proposed act there is no prorating of anything except basic aid in the event that the appropriation by the legislature is insufficient to pay all aid in full.

128.20—Income tax school fund. This is a matter of terms. The new act proposed, Section 15, provides for the subject matter.

128.24—This is a state appropriation of \$50,000 in aid of common schools. If the legislature wants to leave this section in force, then some scheme must be devised to give it a new name and properly classify it and include it with other aids so as to harmonize it with the new bill and not have many different kinds of aid as we have in the present system. In the proposed bill, this section is repealed because inconsistent with the plan of the new bill.

133.04—Repealed See Section 9 Subd. 4 (2)

290.623—This relates to income tax school fund distribution. The proposed new bill makes specific provision in Section 15, Subd. 3, which takes care of this money.

CHARLES E. HOUSTON
Assistant Attorney General



"In our country, and in our times, no man is worthy the honored name of statesman who does not include the highest practicable education of the people in all his plans of administration."

HORACE MANN

"Education is a social process in determining the future of our country; it should command a far larger portion of our national income than it does today."

JAMES B. CONANT

Sample Form for Calculation of Aid

(DISTRICTS MAINTAINING GRADED AND HIGH SCHOOLS)

Dist. No. _____ County _____ Town _____

Classification of School (6-3-3) _____ (6-6) _____ (8-4) _____ H.S. Dept. _____

Average Daily Attendance (1945-46) _____ (Kindergarten) _____ (Elementary) _____ Res. _____ Nonres. _____ (High School)

Assessed Valuation (1945) \$ _____ Assessed Valuation per Resident Pupil Unit \$ _____
(Divide Assessed Valuation by Item A-1c)

A. Resident

1. Pupil Units
(Kindergarten, 1/2; Elementary, 1; High School, 1 1/2)
 - (a) Elementary \$ _____
 - (b) High School \$ _____
 - (c) Total \$ _____
2. Funds Available under Proposed Plan
 - (a) Basic Aid \$ _____
(Item A-1c x \$50)
 - (b) Equalization Aid
 1. Amount per Resident Pupil Unit \$ _____
(See page 17 for Schedule)
 2. Total Amount \$ _____
(Item A-1c x A-2b (1))
 - (c) Special Aids
 1. Transportation \$ _____
 2. Special Classes for Defectives \$ _____
 3. Emergency Aid \$ _____
 4. Teacher Training Department \$ _____
 5. Gross Earnings \$ _____
 6. Summer Schools for Crippled Children \$ _____
 - (d) Total \$ _____
(Add Items A-2a, A-2b, and A-2c)

B. Nonresident

1. Pupil Units—High School
(High School, 1 1/2)
2. Amount Received from Rural Districts for Nonresident High School Pupils \$ _____
(Item B-1 x \$110)

C. Total—All Pupils

1. Funds Available under Proposed Plan \$ _____
(Item A-2d plus B-2)
2. Comparison with Present Plan
 - (a) State Aid—1946-47
 - Apportionment \$ _____
 - Income Tax \$ _____
 - State Aid \$ _____
 - (b) Difference \$ _____
(Item C-1 less C-2a)



If we can afford war, we can also afford education. If we can spend Billions on war we can afford to spend Millions that will give American children their birthright . . . health and education. To those who say we can't do both, I say

Under Proposed State Aid Plan

(DISTRICTS MAINTAINING UNGRADED ELEMENTARY SCHOOLS)

Dist. No. _____ County _____ Town _____

Classification of School _____

Average Daily Attendance (1945-46) _____ (Kindergarten) _____ (Elementary) _____ Resident _____ (High School)

Assessed Valuation (1945) \$ _____ Assessed Valuation per Resident Pupil Unit \$ _____
(Divide Assessed Valuation by item 1c)

1. Pupil Units

- (Kindergarten, 1/2; Elementary, 1; High School, 1 1/2)
- (a) Elementary \$ _____
 - (b) High School \$ _____
 - (c) Total \$ _____

2. Funds Available under Proposed Plan

- (a) Basic Aid \$ _____
(Item 1c x \$50)
- (b) Equalization Aid
 1. Per Resident Pupil Unit:
 - (a) Elementary \$ _____
 - (b) High School \$ _____
(See page 17 for schedules)
 2. Amount
 - (a) Elementary \$ _____
(Item 1a x 2b(1) (a))
 - (b) High School \$ _____
(Item 1b x 2b(1) (b))
- (c) Special Aids
 1. Transportation \$ _____
 2. Emergency Aid \$ _____
- (d) Total \$ _____
(Add Items 2a, 2b(2a) and (2b), 2c(1) and (2))

3. Education of High School Pupils—Paid to

High School District where Pupils Attend \$ _____
(Item 1b x \$110)

4. Comparison with Present Plan

- (a) State Aid—1946-47
 - Apportionment \$ _____
 - Income Tax \$ _____
 - State Aid \$ _____
- (b) Difference \$ _____
(Item 3 plus 4a less 2d)



we can't do one without the other. Whatever else we do, let's not stint our children. Education is not a luxury; it's a necessity."

HENRY FORD



An American Ideal

"What the best and wisest parent wants for his own child...that must the community want for all its children. Any other ideal for our schools is narrow and unlovely; acted upon destroys our democracy..."

JOHN DEWEY
Philosopher

9/3/76

THE LEAGUE OF WOMEN VOTERS

NORTHFIELD, MINNESOTA

Dec. 27, 1946

Mrs. Irene McQuarrie,
Minneapolis, Minn.

DEC 30

Dear Mrs. McQuarrie:

The Northfield League is planning a meeting on the evening of Jan. 16 on the revised plan for distribution of state aids to schools.

The speaker will be a member of the Northfield School Board, Prof. Peter Fossum of St. Olaf College. Supt. Erling Johnson of the Northfield schools will have charge of the question period following Mr. Fossum's talk.

The League has invited the two parent-teacher associations, the A. A. U. W and our state senator and state representative to the meeting.

May we receive a dozen or more copies of the pamphlet Revised Plan for Distribution of State Aids to Schools?

With best wishes for the New Year.

Sincerely yours,
Marie Powlby.
(Mrs. A. A. Powlby)

Sent
12-30-46
MMS

Com may appoint research
assistant & such other clerical aids.
(Sen. Don want research director to
appoint.)

1. No other com. do it.

2.

May retain assist of research ---
research director & ^{his} assistants ^{only}
shall be ^{under} unclassified service of
State Civil Service. Steno. etc.
are under C. S.

JAN 29

1161 Oak St.

Red Wing, Minnesota
Jan. 27, 1947

Delivered
2.50 - per parcel
1-29-47
She also gave
me 2.50 & sent her
Mrs

Dear Miss Hildebrand:

Would you send me
100 copies of the broadside Our School
Needs & Ways to Meet Them? I am
enclosing \$1.00.

I remember you
mentioned drawing up a list of the
members on the Committees (Legislature)
with bills that we are interested in.
Could we also have that list when
you have it? Thank you so

Much.

(Mrs. R. F.) Elizabeth Hedun
K Sent
2-3-47
Mrs

Please Return
FILE COPY ✓

Minnesota League of Women Voters
832 Lumber Exchange
MINNEAPOLIS 1, MINNESOTA

Problems of
State Aids
in Minnesota

Issued by

THE MINNESOTA INSTITUTE OF GOVERNMENTAL RESEARCH, INC.
SAINT PAUL 1, MINNESOTA

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STATE GOVERNMENTAL RESEARCH BULLETIN NO. 18 — FEBRUARY, 1947

Problems of State Aids in Minnesota

Issued by

THE MINNESOTA INSTITUTE OF GOVERNMENTAL RESEARCH, INC.
SAINT PAUL 1, MINNESOTA

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Section I—The Problem of State Aids in Minnesota

Summary Statement and Findings

State aids are now the major budget problem facing every session of the state legislature and it is quite clear that they will create a sizeable fiscal headache in 1947. Few people are aware of the phenomenal increase of \$29,564,764 from 1935 to 1944 for state assistance to the local levels of government. The state of Minnesota granted \$46,621,120 in aids and shared taxes to various local units of government in 1944. This was 46% of all state expenditures. In 1946 state aids were even higher, totaling \$53,316,689. This new fiscal policy of large sums of state aids* has changed the entire picture of local finance and forced a revision and expansion of the entire state tax system.

It is, therefore, important that the citizens of this state have some rather basic knowledge of the problems concerned with state aids. In the first place, it is necessary to know the extent that the state government is now aiding local units of government. How does Minnesota's practice compare with other states? What is the financial condition of the state government and what are its own budget problems? Can the state government expand its tax system in order to meet its own needs as well as to finance larger state aids? Are the liabilities of expanding the state aid system greater than the advantages? Is there some other solution for assisting local units, especially the cities, to obtain additional revenue without leaning too heavily on the property tax?

All of these questions must be carefully weighed if the 1947 Legislature is to make a sound decision. The problems are especially complicated and complete information is vitally important.

Federal Aids Have Increased Materially

Further, federal aid to Minnesota has increased materially being only \$2,921,224 in 1930 but it reached the surprising figure of \$18,601,000 in 1944. Of this amount \$11,916,415 was passed on by the state to local units of government and provided part of the \$46,000,000 figure used above.

The federal government is now assisting the state in many fields of activity though the major portion is for dependent children, blind and old age assistance. This amounted to \$11,759,236 in 1944. Other activities included are highways, vocational education, health, crippled children, forests, agricultural extension and experiment stations, Indian children, etc.** The federal government has provided for rather stringent controls and supervision over all activities for which grants are made. This policy has given them an important place in the operation of state government in Minnesota and to a limited degree the same right to interfere in county fiscal operations. This becomes obvious when one counts

the number of federal field agents permanently located in Minnesota.

State Aids A Major Factor In Local Finance

The importance of state aids in financing local public expenditures in Minnesota becomes quite clear when it is realized that in 1944 approximately 30.4% of all local governmental revenue receipts were in the form of aids from the state government. In fourteen counties over fifty percent of expenditures for all units of government therein are financed by funds raised outside the county, i. e., by state and federal governments. Six of these counties received sixty percent and over (Cook, 68.9%; Beltrami, 65.2%; Cass, 64.9%; Aitkin, 62.0% and Mahanomen, 60.0%) while Lake of the Woods even received over seventy-six percent of their revenue from state aids.

The large urban counties have also benefited by state aids to the extent of many millions of dollars. The state government turned \$7,949,183 over to all the units of government in Hennepin County (includes Minneapolis), \$3,517,141 to Ramsey County (includes St. Paul), and \$3,200,164 to St. Louis County (includes Duluth). It is true that the cities in these three counties have not been generously treated but they did receive indirect benefits from the grants to schools and county governments.

Without Aids Local Mill Rates 41.5% Higher

Another method of showing the extent of state aids is to compute the effect of aids in "mill rate equivalents," namely, the increase in mill rates on property if state aids were withdrawn or abolished and a local property tax increase were substituted. If this were done the average rate on property throughout the state would be 34.81 mills higher or an increase of 41.5%. Six counties (Aitkin, Beltrami, Cass, Clearwater, Cook, Lake of the Woods) would be forced to raise their average local levies by over 200 mills and nine counties over 100 mills. It is quite clear that local government in these counties could not survive if state aids were withdrawn.

Welfare And Education Receive Major Consideration

State subsidies are now granted for every function of local government but two functions, namely, "public welfare" and "education" account for 84.8% of the entire amount. "Public welfare", covering old age assistance, dependent children and relief, was \$19,482,766 and educational aids were only slightly lower, being \$19,210,516 in 1944. Aids granted for "protection to persons and property" amounted to \$301,471, for "health and sanitation" \$617,683, for "development and conservation of natural resources" \$104,575, for "highways and airways" \$4,622,606, and for "miscellaneous" \$1,328,808.

Comparison With Neighboring States

The question as to whether the Minnesota legislature has been liberal in granting aids to local units of government and whether it should expand

its subsidy program can be appraised by comparing its aid practice with our six neighboring, competing states.

The State of Minnesota aids or shares 48.3% of its revenue with local units of government. This exceeds the seven state average of 47.2%. Minnesota granted a larger percentage than was true of Illinois (32.4%); Iowa (38.5%); and Michigan (43.0%). On the other hand, three of our neighboring states granted higher percentages than Minnesota—Wisconsin (67.6%); Indiana (55.8%), and Ohio (52.2%).

Grants Per Capita

If state aids were computed on a per capita basis then only two neighboring states, Ohio (\$19.38) and Wisconsin (\$28.84) exceeded Minnesota (\$17.24) in the size of the grant. Similar figures for the other states were Indiana \$17.03, Michigan \$17.01, Iowa \$13.66, and Illinois \$9.43. Again Minnesota with \$17.24 was more liberal than the average of the seven states which was \$16.57.

Based on the two types of comparative analysis presented above it can be concluded that the state government of Minnesota is more liberal than the average practice of our neighboring states in respect to assisting local governments. We are exceeding materially the state aid practice of Iowa and Illinois. On the other hand, Ohio and Wisconsin exceed Minnesota's record.

Liabilities Of State Aids

State and federal aids have served many useful purposes that need not be listed here since they are covered rather carefully in the appendix of the report. On the other hand, any system of grants-in-aid has some rather serious liabilities which raise a number of questions. The most important of these liabilities are discussed below.

Loss Of Citizen Control Biggest Liability

The most serious liability of any aid system is its tendency to confuse the citizen who is anxious to fix the responsibility for the growing cost of government and higher taxes on definite public bodies or officials. A citizen now pays taxes to Washington, the State Capitol, the County Courthouse and the Town or City Hall and the school district. On the other hand, the volume of governmental services do not flow from these various levels of government in the same proportion as taxes are paid, owing to this policy of granting subsidies to the lower units of government, i. e., shifting the revenues received at higher levels of government.

Certainly local officials cannot be held accountable for the tax burden if half of their funds come from the state and federal government. Actually, responsibility for higher taxes under the present system of subsidies must be placed on many hundreds of public officials serving on all levels of government. Without a vast amount of information which they have no time to get or to absorb, citizens are in no position to fix the fiscal responsibility where it belongs.

Effective citizen control over the governmental processes and finance is still the keystone of the arch upholding our representative-democratic system of government. Any further expansion of the subsidy system will make citizens' collective control of their government just that much more difficult. Even a scientific system of governmental aids cannot avoid this indictment.

Aids Encourage Extravagance

Ample experience shows that any unit of government largely subsidized from above has its sense of financial responsibility weakened. This, in turn, encourages carelessness, waste, and certainly extravagance. Spending Santa Claus' money results in "pork barrel" methods since many communities receive aids that they do not need.

Aids Delayed Reorganization Of Local Government

There can be no question but that aids have perpetuated thousands of unnecessary, overlapping and wasteful local units of government. If school units were enlarged so that there were sufficient population and wealth to render essential services efficiently and to finance them adequately, there would be little need for state aid except in some special cases. On the other hand, aids have delayed any wide scale effort to abolish, merge and reorganize the local structure of government. This is a serious problem in Minnesota since only three states exceed us in the number of local units of government. It is quite clear that Minnesota is not going to reduce much further its 7,000 school units so long as the present system of aids is continued.

Adequate Formulas Not Developed

Formulas for distributing aids have not been developed on any scientific basis. Therefore they defeat in large part the objectives planned or announced. Minnesota has used mill rates or assessed valuations in many formulas. As a result this state has encountered unusual difficulties in this respect due to the township assessing system and lack of equalization of assessments of property throughout the state. Inadequate formulas have resulted in granting aid to many units that have no need for it while other communities fail to receive enough. Without an adequate method of determining actual need, aids fail to accomplish their objectives.

Aids Expand Amount Of Dedicated Funds

State aids have contributed materially to the bad fiscal practice of dedicating special funds to some special activity. Most aids are granted either by the state or federal government to some special purpose such as old age assistance, highways or local schools. Local officials have no option but to distribute such grants for these restricted purposes. Local officials become merely a rubber stamp for actions of state and federal officials. Local self-government becomes increasingly an empty shell when half or more of its funds are derived in the form of aids dedicated to special purposes.

Aids Have Delayed Cities

The financial plight of many cities in this state is serious. Municipalities find themselves in a tight fiscal strait-jacket, leaning as they do on the property tax as their major or only source of tax revenue. On the other hand, state aids or the possibility of larger grants at each session of the legislature has delayed any real effort on the part of local officials to solve their own financial problems on a local basis.

Ample Experience In Many Cities

Fortunately there is ample experience in the last three or four years to prove that cities can solve their local revenue problems with certain types of taxes that do not violate sound economic and tax principles. Certainly the Philadelphia, Toledo and St. Louis (effective August 1, 1946) experience with the payroll and income taxes can be

*Shared taxes are included with grants-in-aid figures throughout the report. A shared tax is collected by the state government and a portion or all of the receipts are shared with the city or county in proportion to actual payment of the tax. A grant-in-aid is the payment of funds by a higher to a lower level of government for various specified purposes. It is based on an appropriation rather than on a tax.

**Unemployment compensation payments are not included in these figures.

cited favorably. Parking meters are new municipal revenue sources. Amusement taxes can be administered equitably on the local level. Consumer utility taxes fall into the same classification. New York City, Columbus, St. Paul, Memphis, Kansas City, St. Louis, Los Angeles and many Texas cities have blazed the trail in this utility tax field. License fees can be placed on a revenue rather than police power basis and fixed on some such base as gross income. Seattle, Chicago, Louisville, Birmingham, St. Louis, Richmond, San Diego and many other southern cities are obtaining substantial revenues from this source. The Twin Cities have demonstrated the value of financing sewer expenditures with a service charge based on water bills. Other cities are making special service charges for garbage and refuse collection. In fact, one can conclude from the above record that city officials can solve their own problems by enacting their own revenue measures.

Possible Trend Of Federal Aids

Through the device of subsidies the federal government now has taken over a definite part of the operation of state and local government. It can also be predicted that the trend of federal aids will be upward during the next year or so. This prediction is based on recent congressional action and the introduction of many new federal aid bills. A few weeks ago the Congress passed a \$500,000,000 highway aid bill which greatly expanded existing aid laws. It is anticipated that Minnesota's yearly allotment for three years will be \$12,440,000. A bill to aid airport construction throughout the country to the extent of \$750,000,000 was also passed. An appropriation was authorized by the 79th Congress and Minnesota's share of this aid will be approximately over \$700,000 for 1947. There are pending numerous other aid bills to expand the social security program, assist in public housing, education, provide health insurance and construct hospitals throughout the entire country at an estimated cost of four billion dollars.

These federal aid proposals have an important effect on state finances due to the fact that in most instances the state is required to match federal funds. This, in turn, creates tax problems for the state government. So-called federal bounties usually turn out to be financial headaches for the state governments.

State Aids A Major Legislative Problem In 1947

State aid proposals will be in the legislative forefront in 1947. Recently the State League of Municipalities approved a definite plan to obtain \$8,000,000 of shared taxes from the 1947 Legislature. This plan involves raising the railroad gross earnings taxes from 5% to 7%, adoption of a cigarette tax, and increasing liquor taxes one dollar per gallon.

School Aids Will Increase

It can be anticipated that even without changes in the law or the rates, school aids will increase during the next biennial period by virtue of a sizeable increase in enrollment. The Commissioner of Education recently announced that school aid would be \$1,410,000 higher for the next biennium due solely to the larger school census.

Following the 1945 legislative session the Governor appointed a Citizens Committee of over forty members to study and recommend a new educa-

tional aid system to the next legislature. The work of the committee has been completed and the official report has been filed with the governor. This report proposes that the entire school aid system be revamped to follow a new aid policy. This new proposal would require the state government to assume responsibility for financing approximately 40% of all local educational costs. This bill reduces 40 aids to seven. There are two systems of aids in the proposed plan—namely, basic and equalization.

The basic aid involves granting \$50 per pupil unit in average daily attendance and goes to every public school in the State. The equalization aid is paid to districts having low property valuation. Schools having an assessed valuation of \$2,000 or more per resident pupil in average daily attendance will not receive equalization aid. In districts having less than \$2,000 valuation, it is proposed that for a drop of \$100 in assessed valuation a school district would receive an additional \$3 per pupil up to a point where a district having less than \$100 assessed valuation per pupil unit in average daily attendance would receive \$60 equalization aid. This amount plus the \$50 basic aid would make up the entire \$110 per pupil unit.

This plan calls for an increase of appropriation of six million dollars over 1945-46 or ten million more than 1943-44. The new aid system would not create a present tax problem since there is now an estimated surplus of over fifteen million dollars in the Income Tax School Fund. However, a sizeable tax problem would develop in 1949 as current income tax receipts will not be large enough to finance it and, therefore, the proposal will add to the many other fiscal difficulties facing the 1947 Legislature. The recent teachers' strike in St. Paul has focused considerable attention on the need for larger school revenues from some source.

It may be necessary to increase the amount appropriated for aids for old age assistance, dependent children and blind due to the fact that Congress increased its share of grants and raised maximum limits in a number of cases for social security purposes effective November, 1946. The 1945 Legislature liberalized many of these welfare aids and increased the maximum grants per case. The new federal maximum grant for old age assistance was increased to \$45. If Minnesota increases its maximum grants then larger appropriations will be necessary.

Higher Aids Will Create Serious Tax Problems

Larger state aids may be granted in 1947 due either to action initiated by the state legislature or to the semi-compulsion put upon the legislature to match new or increased federal aid proposals. In either case such action will add materially to the tax problems facing the 1947 Legislature. It must not be forgotten that the 1945 Legislature authorized appropriations of ten million dollars in excess of current receipts. Such excess was financed by surpluses accumulated during the war period.

Furthermore, State spending for the same scale of services during the 1947-48 biennium will unavoidably be much higher due to higher costs of supplies, materials, equipment, repairs, and especially salaries in all departments. The surprising increase in enrollment at the University raises a serious budget problem. The demand of war veterans

for a bonus of \$400 for 320,000 veterans is estimated to cost \$128,000,000. Such a proposal would raise additional tax problems even if borrowing is resorted to.

The University, teachers' colleges and state institutions are requesting many new buildings amounting to thirty millions of dollars. If bonds are issued for such outlays, the state mill rate on property must be increased materially. Such action would further complicate the tax problems of all local

Section II—State Aids Granted in 1944*

State Aids Totalled \$46,000,000

In the fiscal year ending June 30, 1944 the state government paid out in aids to the various local units of government the large sum of \$45,668,425. This was 46% of all state expenditures (\$101,216,012).

The state did not supply all of the funds for these grants, as the federal government contributed \$11,916,415. Table I presents a summary classification by function of the seventy different forms of state aids dispensed in Minnesota. The same material is presented graphically in Chart I. Grants to counties by function are shown in Appendix E.

State Aids All Functions

It will be noted from Table I that all functions of government, with the exception of "General Administration", are aided to some extent. However, "Public Welfare" and "Education" are the two items most heavily subsidized by the state. In fact they received 85% of all aids granted. They will be discussed first.

PUBLIC WELFARE AIDS

For the year ending June 30, 1944 public welfare aids exceeded those for any other governmental function. The total amount granted for this purpose amounted to \$19,482,766. The advent of Federal Social Security legislation in 1935 forced the state to enter this field.

Relief Aid

The state government is now contributing up to 50% of total relief costs** unless the county is in serious financial difficulties. A financially distressed county received supplemental grants from the state in addition to grants under the regular formula. Counties are required to levy two mills for relief purposes before they are eligible to receive this aid. The state government then grants an amount sufficient to finance the relief budget so long as the percentage of state aid does not exceed 50% of the total relief expenditures.

Relief funds are allocated by the governor after consultation with the Legislative Relief Advisory Committee. In making supplemental allocations consideration is given to the prevailing financial and

*The figures in the section pertaining to aid granted differ from aid figures presented in Appendix D. This is due to the fact that relief cost in Appendix D is shown by the amount necessary to retire bonds issued for this purpose whereas the figures in Table I and Chart I are based on actual distribution in 1944. Education of Defense Workers is shown as an expenditure in Appendix D but is not considered in Table I and Chart I, because of its temporary nature. A discrepancy also occurs in that local governmental units are on a calendar year basis whereas the state is on a fiscal year basis. Consequently in some cases figures shown on Table I and Chart I appear in the auditor's report in the following year.

**State assumes full financial responsibility for veterans' relief so this is not considered a state aid.

TABLE I
STATE AID PAID IN 1944—BY FUNCTIONS

	Amount
I. Public Welfare	\$19,482,766
Relief	\$ 734,099
Old Age Assistance	16,587,359
Aid to Dependent Children	2,065,809
Children Under Guardianship	95,499
II. Education	19,210,516
Apportionment	3,470,881
\$10 Income Tax Distribution	4,810,300
Supplemental	3,544,007
Special (Classification, Departmental, Transportation)	6,122,749
Other	386,944
Money and Credits Replacement	875,635
III. Protection to Persons & Property	301,471
*Aid to Fire Departments—2% Tax on Fire Insurance Premiums	203,107
*Firemen Relief—2% Surtax on Fire Insurance Premiums	98,364
IV. Health & Sanitation	617,683
Aid to County Sanatoria	354,372**
Expense Indigent Patients Minnesota General Hospital	248,299
County Nurses	15,012
V. Development & Conservation of Natural Resources	104,575
County Agriculture Agents	104,575
VI. Highways and Airways	4,622,606
Highways	4,597,606
Airways	25,000
VII. Miscellaneous	1,328,808
*Bank Excise Tax	1,038,368
*Co-operative Rural Electric Tax	7,638
*Inheritance Tax	86,496
*Vessel Tonnage Tax	11,170
*Non-taxable Real Estate	135,706
Other	49,430
Total	\$45,668,425

*Shared taxes in Minnesota: All receipts collected on the 2% tax on certain fire insurance premiums, 2% surtax on certain fire insurance premiums and the Bank Excise Tax are returned to local governmental units with the entire cost of collection being borne by the state. In the case of the Co-operative Rural Electric Tax, the state retains 5% of the receipts; in the case of the Inheritance Tax 90% (the 1945 Legislature provided that henceforth 20% of the Inheritance Tax collected was to be returned to the county where paid) and in the case of the Vessel Tonnage Tax 50% of the receipts. Two fees are also shared in Minnesota. They are employment agency licenses amounting to \$1800 in 1944 and listed in "Other" under the Miscellaneous classification where 50% of the license fee collected is returned to the city wherein the agency is located, and nomination fees for public office when the filing fee for certain elective offices is divided among the counties comprising the election district for which the filing fee was paid. The latter does not occur in the year ending June 30, 1944 as it was not an election year. All other payments to or for other Civil Divisions can be considered as Grants-in-aid.

**\$5,364 of aid to County Sanatoria cannot be allotted to counties due to inability to fix legal residence of patients and is not included in these figures.

economic conditions, the relief load and the relief standards of the county requesting such aid. Total state aid payments for relief amounted to only \$734,099 in 1944 but have been as high as six million dollars during the depression years of the nineteen thirties.

Old Age Assistance

Recipients of old age assistance are granted up to \$40 per month and in addition thereto the 1945 Legislature provided for special medical and dental care over and above this amount.

Funds are provided 1/3 by the state, 1/6 by the county and 1/2 by the federal government. The assistance is granted to persons residing in the state for at least five years, 65 years or more of age, having less than \$5,000 in real property, \$300 for single and \$450 for married persons in liquid assets, and must not be a resident of an institution. In determining their needs due consideration is given to the current income and resources of individuals.

There were 57,398 on the rolls at the end of the 1943-44 fiscal year and the average grant per case was \$28.40. The state allotment of \$16,587,359 to counties for this purpose in 1944 constituted the largest single state aid grant. The federal government financed half of this amount. The counties added \$3,219,386 to this state grant.

Aid To Dependent Children

For the year ending June 30, 1944 the amount of aid granted for dependent children (of at least one year residence) was limited to \$23 per month for the first child and not to exceed \$15 per month for each additional child in the same home. The limit was raised by the 1945 Legislature from \$23 to \$40 for mother and one child. A second child will receive \$15, and \$12 for each additional child. This aid is financed by the state paying 25%, the counties 25% and the federal government 50% up to \$18 for the first child and \$12 for the second and each additional child. Inasmuch as the federal government does not participate in grants exceeding \$18 and \$12 respectively, the cost of the balance of grants in excess of these amounts are evenly split between the county and the state.

A dependent child is defined as one under 18 years of age, attending school, or, if not attending school, unable to be employed due to mental or physical disability. Unless special circumstances prevail, ownership by parents of personal property valued in excess of \$300, exclusive of necessary clothing, furniture and equipment, and real estate not used as a home precludes granting this aid.

Dependent Children aid allotted to counties in 1944 totaled \$2,065,809.

Administrative Costs

In addition to its direct payment for old age assistance and aid to dependent children, the federal government contributes an additional amount equal to 5% of its direct welfare contributions for administrative costs. These funds are utilized for administrative expense on both the state and local levels.

For the year ending June 30, 1944, \$447,351 was granted to counties from federal funds for county administrative expense. The amount has not been segregated in the summary tabulation of aids on page 7 (Table I) but is contained in the figures for Old Age Assistance and Aid to Dependent Children.

Children Under Guardianship

Care of dependent, neglected and delinquent children who are not committed to the State Public School, commonly termed "Children under Guardianship", is a responsibility of the county. However, the state pays a portion not to exceed one-half the cost for the care of such children. This amounted to \$95,499 in 1944.

EDUCATIONAL AIDS

Local school districts levied \$33,383,683 in taxes (payable in 1944) for maintenance. To this the state government added \$19,210,516 in state aids. It is quite obvious that the state government has assumed a very large share of the financial responsibility for local school expenditures.

An assortment of educational aids has been built upon a hit or miss basis since the founding of the state. As a result, there is now a hodgepodge of 40 different aids still in effect.

Apportionment School Aid

Apportionment aid was the earliest granted state aid. It was provided for in the original state constitution. Revenue for this aid is derived from in-

come earned on two trust funds (Permanent School Fund and Swamp Land Fund*) with assets in excess of \$107,000,000 and from the receipts of a one mill property tax. This tax was temporarily suspended in 1943 but an amount (\$1,200,000) approximating the revenue from this tax was appropriated from the Income Tax School Fund.

Apportionment aid is paid on the basis of the number of pupils five to 21 years of age in average daily attendance in schools with a minimum term of eight months. The apportionment per pupil has been increased gradually from 23c in 1863 to \$8.60 in 1944. The apportionment aid paid in 1944 totaled \$3,470,881.

Income Tax School Aid Distribution

Apportionment of Income tax receipts (out of Income Tax School Fund), generally known as Income Tax Aid, amounts to \$10 per child 6 to 16 years of age, with sixteen year old children counted only if attending school. This aid is paid to the district of residence unless the child is attending public high school in another district in which case the aid is paid to the district of attendance. With the exception of the cities of the first class, this aid must be applied first to any existing indebtedness. If no indebtedness exists, it may be spent for school maintenance. The school census is taken each year and includes children attending parochial and private schools. This is a unique provision to include in a public school aid system and is based upon the view that the taxpayers of a district with large parochial school attendance are as much entitled to the tax relief as other districts. For the year ending June 30, 1944 this amounted to \$4,810,300.

Supplemental Aid

The purpose of Supplemental Aid is to provide financial relief to school districts with high tax levies and low assessed valuations so that their cost of education will not be excessive relative to districts with more economic wealth. This aid is based upon the assumption that property valuations are upon a uniform basis so that assessed values will provide a true measure of the ability of a district to support the public schools—which assumption is entirely untenable. This aid also insures at least a minimum educational offering to every child even though living in a poor economic school district. Over the years the Legislature has expanded the provisions of this aid law so that in 1944 approximately 1100 districts received \$3,544,007 whereas in 1916 (year of enactment) 119 districts received \$16,239.

The present law provides that supplemental aid be limited to districts levying 30 mills or more (agricultural lands may have a levy of less than 30 mills) for current maintenance (does not include debt service). The amount of aid is determined by the difference between the amount computed by multiplying the number of resident elementary pupils in average daily attendance by \$60 and the funds received from tax levy of 30 mills plus funds received from the state in apportionment plus special state aids. Transportation aid is not included in the formula. In the case of high schools, the amount is computed by multiplying the number of resident and non-resident tuition pupils in average daily attendance by \$100. Provision is also made for addi-

tional supplemental aid to bring the funds available for maintenance up to a minimum of \$1,000 per class room unit.

Special Aids

Most of the "Special State Aids" can be classified as stimulation aids. They are designed to encourage various school districts to offer better service, facilities, teachers, additions to curriculum, etc. by providing funds if certain standards are met. "Special State Aids" include such aids as Transportation, Library, Classification, Handicapped Children, Vocational, etc. Special aids paid for the year ending June 30, 1944 totaled \$6,122,749.

Classification School Aids

There are three types of classification aids, namely, high school, graded schools and rural schools. These aids have for their major purpose the stimulation of better types of schools by fixing standards and then granting funds to those schools meeting or exceeding these standards.

A junior or senior high school receives \$300 per year, a four year high school \$500 and a six year high school \$600.

A grant of \$300 is given for a six year graded school and \$400 for an eight year graded school if said schools include a minimum nine month term, suitable working conditions, an approved curriculum and qualified teachers.

Rural ungraded schools are given the following annual aids:—

- \$250 for 9 month school with 2 or more teachers.
- \$200 for 8 month school with 2 or more teachers.
- \$125 for 9 month school with 1 teacher.
- \$100 for 8 month school with 1 teacher.

Superior ungraded schools, so classified as a result of meeting superior standards pertaining to term, qualification of teachers, curriculum, etc. shall receive in addition to all other state aid, a sum of \$50 per year.

All classification aids totaled \$1,145,625 in 1944.

Library Aids

Library aid is usually listed as a stimulation aid. This aid is limited to one half the amount spent but not to exceed fifty cents per pupil in average daily attendance up to a maximum of 500 pupils; and up to one-fourth the expense but not to exceed twenty-five cents per additional pupil in average daily attendance. It amounted to \$24,412 in 1944.

Special Department Or Vocational Aid

In order to stimulate local school officials to enrich the school curriculum the state grants fixed amounts per course in agriculture, home economics, industrial courses and commercial subjects to high schools. Agricultural courses receive \$500 and \$400 each for commercial, general industrial training and home economics courses.

Schools receiving federal aid for vocational education shall receive additional state aid but the total reimbursement to the district shall not exceed three-fourths the salary and traveling expenses of vocational teachers.

The amount paid out for this purpose in 1944 was \$274,744.

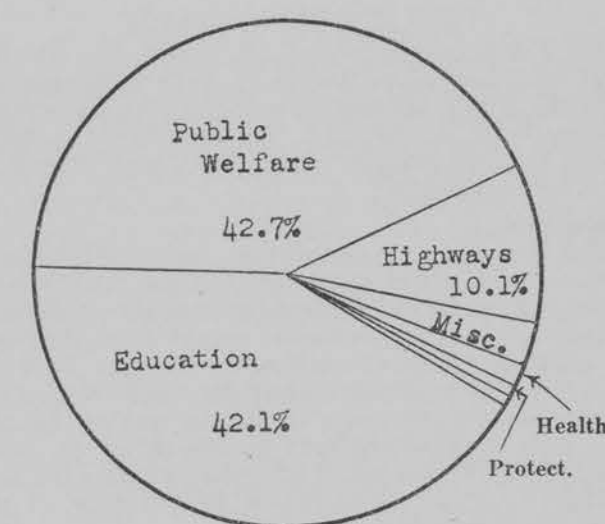
State Unable To Accept Full Federal Vocational Aid

Federal aids for vocational education are known as the Smith-Hughes and George Deen grants. The

CHART I

STATE AIDS PAID IN 1944

By Function



Function	Amount	%
Public Welfare	\$19,482,766	42.7
Education	19,210,516	42.1
Highways	4,622,606	10.1
Health & Sanitation	617,683	1.3
Protection to Person & Property	301,471	.7
Dev. & Cons. of Natural Resources	104,575	.2
Miscellaneous	1,328,808	2.9

*Only half of the earnings of the Swamp Land Fund go to the common school fund for distribution as apportionment aid. The other half goes to support the teachers' colleges, University, and other state institutions.

allotment of these federal funds is also governed by the state law. There is a conflict between federal and state provisions pertaining to the granting of aid. For example, the state law limits the amount of total reimbursement for state and federal funds to 75% of the amount expended for salaries and necessary travel expense of vocational teachers. Federal law limits this amount to 50%. In addition, the state law sets a top limit of \$500 per department for classes in agriculture and home economics at \$400. Due to this latter limitation the state is unable to utilize fully the federal aid available.

Special Classes For Handicapped

Another stimulation aid is aid for classes for handicapped children. The state grants aid of \$250 per pupil enrolled in crippled children classes, \$300 for blind, \$250 for deaf but up to \$400 for non-resident, \$100 for subnormal and \$1500 for each teacher engaged exclusively in teaching speech defectives. In addition, special summer schools for crippled children are granted \$50 per pupil. The state spent \$330,957 for special classes and \$8,500 for summer schools for crippled children in 1944.

Non-Resident High School Tuition Aid

Because there are few high schools organized in rural districts and in an effort to encourage rural pupils to attend, an aid of \$7 per month or \$63 for a nine month school year is paid by the state to school boards operating the high schools. This is known as non-resident high school tuition, and is paid only for non-resident pupils.

Tuition aid also applies to the University operated regional schools of agriculture even though their school year operates only six months. The 1941 Interim Committee on Education suggested that this practice be dropped and the appropriation to the University be raised to care for this expense.

The total spent for non-resident high school tuition in 1944 was \$2,422,509.

High School Tuition Aid Not Given to Urban Children

Few other states have adopted this high school tuition type of aid. It has caused widespread criticism in this state, first because such aid is granted regardless of the financial ability of the resident pupil's district and second is limited to rural children living outside a school district operating a high school.

In recent years with the per pupil cost of high school education running well over \$150, urban high districts are further penalized by being forced to carry the tax burden of the difference between the state aid and actual costs. In cities of the first classes some relief was granted by providing that the city boards of education could charge students from outside the city the difference between the actual cost and the amount allowed by the state government. Logically such a provision should be state-wide in its application.

This high school aid law is a stumbling block to any attempt to reorganize the local school system. Farmers naturally benefit under this law and are opposed to being placed in any larger school unit where a high school exists since their taxes would be increased materially.

Transportation Aid

The state grants aid up to \$36 per pupil transported or boarded at a consolidated school. In addition a special transportation (or board and room)

aid up to \$50 per pupil per annum is granted to all children living more than four miles from the school. The consolidated school transportation and the isolated pupil aids amounted to \$1,081,255 in 1944 and covered 53,721 pupils.

The state also provided transportation aid for approximately 21,600 non-resident high pupils and spent \$236,823 in 1944 for this purpose. This aid is subject to prorating and the method of distribution is subject to rules and regulations of the State Board of Education. At the present time the rate is set at 2/3 of cost to the district or \$4.00 per month per pupil and amounted to \$450,000 for the year 1945.

Aid is granted for transportation of crippled pupils unable to walk to school. Rates are established by the State Board of Education but not to exceed \$150 per child per year. This aid is not available to districts maintaining special classes for crippled children. The amount spent in 1944 was \$19,353.

Taken together these transportation aids have made possible equal educational opportunities for over 74,000 children residing in rural areas at a total cost to the state of \$1,500,000. Originally such aids were for the purpose of promoting the consolidation or merger of schools but little has been accomplished in this direction.

Gross Earnings Aid

The state makes a partial reimbursement of revenue lost by certain local school districts due to exemption of railroad property from the property tax. This is not a school aid in the true sense being more in the nature of a reimbursement. In 1944 only eight communities received this so-called aid which amounted to \$153,000—namely, districts in which railroad property constitutes a large percentage of total property values so that they lose more than 20% of taxable valuation. The aid is further limited to an amount which when added to other sources of income produces an average of \$100 per pupil maintenance in high and graded districts and \$75 per pupil in common school districts with only one ungraded school. To be entitled to aid, a school district must levy for maintenance at least 35 mills on assessed values aside from railroads and maintain succeeding levies at 40 mills or 20 mills in common school districts with only one ungraded school.

Teacher Training Department Aid

High schools maintaining one year teacher training departments are granted \$1500 per department each year. The total authorized was also limited to \$65,000 a year. There were 30 schools receiving this aid in 1944 and the total paid out amounted to \$57,449.* For the current year the appropriation limit was reduced to \$60,000 and each department granted \$2,000. Only 27 schools are receiving this aid today.

Education Of Indian Children

The State Board of Education is authorized to enter into contracts with the United States Department of Interior for the education of Indians in Minnesota, to receive grants of money from the federal government, and to disburse the same in accordance

*This aid is paid for teachers training department operating in 1943 at which time 36 such departments were in operation. In other words, the aid is paid the following year.

with the terms of the contract and such rules and standards as the State Board of Education may establish. The amount spent in 1944 was \$151,804 which, however, is all federal money.

Aid To Counties 40% Non-Taxable Land

This aid, which for the year ending June 30, 1944 totaled \$48,000, is paid to counties where 40% of the land is federal, state, school, swamp, forest, parkways, University or Indian trust lands. One-half the funds are for general county purposes and one-half for schools. This aid is paid to the county treasurer who then distributes the \$24,000 to the various school districts.

National Forest Aid To Schools

One-half the receipts from the sale of lumber in federal forests is allotted to counties containing such national forests for maintaining roads and schools. The County Treasurer distributes one-half of the grant to the school districts. The counties are required to use the funds received for schools or roads within or near national forests. The aid for schools amounted to \$17,259 in 1944.

Distressed School District Aid

Financially distressed school district aid is granted to school districts with low assessed valuation, excessive indebtedness, and high tax delinquency. The governor, after consultation with the Minnesota Public Relief Advisory Committee, determines the amount of the grant. This type of aid is justified on the basis that no formula can be worked out to care satisfactorily for these unusual conditions. In 1944 \$177,574 was spent for this purpose, of which \$99,574 came from borrowed money. The current appropriation is \$200,000 per year.

Rural Credit School District Land Tax

The state pays to the treasurer of each school district the amount of money that would have been raised by school district taxes (1942 assessment) on land acquired by the Rural Credit Department during the years 1932-1942. The act limited the total amount that could be allotted to school districts in any one county and provided that the total amount appropriated was to be paid in two installments, namely, the fiscal year ending June 30, 1944 and June 30, 1945. The amount paid in 1944 was \$106,147.

Money And Credits Replacement

Under Minnesota's former Money and Credits tax schools received one-third of the funds collected in their districts. Under the law providing for the suspension of such tax (1943) and later its repeal (1945) an amount equal to the school's former share (\$805,912) was appropriated from the Income Tax School Fund. This was a reasonable replacement of revenues upon which they had come to rely.

Conclusion As To School Aids

There is plenty of evidence that the present school aid system of Minnesota of 40 different types of aid needs to be revamped. One needs only to turn to the 1941 Interim Committee on Education's report or to the same committee's report in 1943. The Minnesota Education Association actively supported a bill before the 1945 Legislature which if it had passed would have drastically altered the school aid system. A year ago Governor Thye created a Citizens' Committee of over forty members, whose primary purpose was to appraise our existing school

aid system and recommend a new plan to the 1947 Legislature.

It cannot be said that the state government has been niggardly in the total amount appropriated as aid to local schools but neither is there any doubt that much of the funds expended failed to accomplish the major purpose intended. The 1943 Interim Committee on Education stated the problem quite clearly in the following language:

"Altogether approximately 37 different kinds of aids are distributed. Some of these aid laws were written as far back as 1857. Many of the laws governing the distribution of these aids have been changed again and again. As a result at the present time Minnesota has a complicated school aid system which needs simplifying and refining. The local school district finds it very nearly impossible to estimate the amount of money it is to receive from the state, thus making it very difficult to prepare a proper budget. It should be recognized that some of the aids do meet the modern trend of distribution, others are antiquated and in many respects do not distribute money on a plan of equalization based on service which has been accepted as fair basis for the distribution of public school aids."*

PROTECTION TO PERSONS AND PROPERTY

The function "Protection to Persons and Property" listed in the table is a large and important activity in local government but only fire departments are aided by the state. The state does, however, maintain a State Highway Patrol and a Bureau of Criminal Apprehension which assists local law enforcement officers, thereby indirectly aiding local governmental units in this field.

Fire Departments, either organized or volunteer, are assisted by a state shared tax. This aid is financed by a 2% tax on fire insurance premiums in the municipality where the department is located. This amounted to \$203,107 in 1944. The second of these aids or shared tax is a 2% surtax on fire insurance policies in the four largest cities. The amount of \$98,364 in 1944 was allotted to the firemen's relief association in these four cities on the basis of the tax paid.

HEALTH AND SANITATION

Of the three aids listed under "Health and Sanitation" two, namely, Aid to County Tuberculosis Sanatoria and County Nurses can be classified as stimulation aids, while the third, Expense of Indigent Patients at the University General Hospital, is a method of aiding counties to finance poor relief. Indirectly this aid provides the University Medical School with sufficient patients for medical training and clinical research.

Aid To County Sanatoria

Aid to County Tuberculosis Sanatoria was undertaken by the state prior to World War I when tuberculosis was more prevalent. To encourage expansion of County Sanatoria the state agreed to pay one-half the cost (limit \$50,000) of erecting and equipping each County Sanatorium. This stimulation program played a major role in the erection of the fourteen County Sanatoria scattered throughout the state. Other than in Ramsey, Hennepin, St. Louis and Ottertail, these institutions are financed by two or more counties. Due to the decline in the incidence

*Report, Page 21.

of tuberculosis (the death rate for tuberculosis has declined 74% in the past 25 years) and the vacancies in existing sanatoria, additional units have not been erected recently so no building aid has been granted in recent years.

Present aid to the County Sanatoria is \$5 per week to cover a part of the maintenance of those citizens unable to pay regular charges. Under certain conditions the state also finances one-half the cost of tuberculosis surgery. The total granted for this purpose in 1944 was \$354,372.

Indigent Patient Expense

The state carries one-half the expense of indigent patients at the University General Hospital operated in connection with the University Medical School. The remainder of the expense is borne directly by the various counties. The original law pertaining to this was enacted in 1921 and is one of the first efforts of the state to assist in financing poor relief.

This aid also furnished a stimulus for counties to send patients to the State Hospital where, in addition to receiving proper treatment, such patients are available for study and observation by the medical students. State aid in the amount of \$248,299 was paid for this purpose in 1944.

County Nurses

Aid to County Nurses is granted by the State Board of Health as a stimulation aid. Funds for this aid are provided entirely by the federal government. They are not allotted by any formula but by state administrative decision to counties, based on their ability to pay and possibilities of counties continuing the program at their own expense. Counties receiving the aid at this time, therefore, will not necessarily receive it in the future. Twenty-six counties received \$15,012 in 1944.

DEVELOPMENT AND CONSERVATION OF NATURAL RESOURCES AIDS

Aid for County Agricultural Agents is the only aid under "The Development and Conservation of Natural Resources" function of government. This aid was inaugurated to encourage the various counties to employ persons specially trained in agriculture to assist farmers in meeting their problems. A definite amount (\$1,175 in 1944) is made available for the salary of each county agricultural agent by the state with the counties contributing the balance of the necessary funds. All moneys appropriated for this purpose are under the control of the Director of Agricultural Extension who is under the supervision of the Dean of the Department of Agriculture of the University of Minnesota. Total state contribution for the year under consideration amounted to \$104,575.

HIGHWAYS AND AIRWAYS

The first major highway aid was the one mill road tax on property enacted in 1913 which was collected by the state and apportioned to the various counties along with annual income from the Internal Improvement Land Fund. A commission composed of the Commissioner of Highways, State Auditor and State Treasurer allots these funds so that no county received less than 3/4 of 1% nor more than 3% of the funds available. These limitations as to percentages were unusual and unlike any other type of state aid. The maximum limitation obviously penalized severely the three urban counties because

eventually their proportions of property values far exceeded this 3% in shares of new yield.

In 1941 the one mill levy was repealed and replaced by an additional one cent tax on gasoline. Of the increased receipts, \$1,200,000 was set aside to replace revenue from the mill property levy. These funds are spent primarily on state aid roads which are maintained, improved and constructed by the counties under rules and regulations promulgated by the Commissioner of Highways.

The second source of highway aid to counties is derived from 1/3 the receipts of the gasoline tax (less the \$1,200,000 mentioned previously). This amount is allotted to the counties by the same commission and on the same basis for use on county aid roads. Counties received \$4,597,606 in 1944 from these two aids which includes federal aid totaling \$34,000 for secondary roads.

Airways

Airport construction aid is a new form of subsidy by the state government. A grant of \$25,000 was appropriated in 1944 to launch the Metropolitan Airport Commission. A material increase in this aid was authorized by the 1945 Legislature.

MISCELLANEOUS AIDS

Fourteen state aids are included in the "Miscellaneous" classification and totaled \$1,328,808 in 1944. Most of these "Miscellaneous" aids do not affect units of government in all counties of the state.

Eleven of these "Miscellaneous" state aids amount to only \$196,306 and the bulk of the payments are to northern Minnesota governmental units to replace revenue lost by virtue of the fact that a very large proportion of property is not taxable due to gross earnings taxes or ownership of property by the state or federal government.

The most important items are shared taxes which are the Bank Excise (\$1,038,368), Cooperative Rural Electric (\$7,638), Inheritance Tax (\$86,496), and Vessel Tonnage Tax (\$11,170).

Bank Excise Tax

The state imposes an excise tax of 8% measured by net income upon all national and state banks. This is essentially an in lieu tax, imposed under the limitation of federal law upon bank taxation.

In May and November the tax collected, after allowing for refunds and adjustments, is transmitted to the County Auditor of the respective counties in which are located the banks paying the tax. The County Auditor distributes the same to the taxing district in which the bank is located.

Co-operative Rural Electric Taxes To Counties

Co-operative rural electric companies are taxed at a rate of \$10.00 for each 100 members or fraction thereof which is in lieu of all personal property taxes. Five percent of the tax collected is retained by the state to cover expenses of administration and the balance is distributed on or before July 1 to the respective counties of the state in proportion to the number of members of such associations in the several counties as of December 31st of the preceding year.

Counties Share Of Inheritance Tax

Ten percent (1945 Legislature increased this amount to 20%) of the amount of inheritance tax paid to the state by county treasurers from estates

of residents of the various counties during any fiscal year is returned by the state auditor on November 1st and placed to the credit of the county revenue fund.

Vessel Tonnage Tax To Counties

Vessels owned within or hailing from a port in Minnesota navigating international waters may pay a tax of 5c per net registered ton which is in lieu of other state or municipal taxes on such craft. The state distributes one-half of this tax to the county treasurer of the county wherein the port of hail of such craft is located. Obviously this tax relates almost exclusively to St. Louis County.

Non-Taxable Real Estate Aid

The fifth item under classification "Miscellaneous" is aid to towns, cities and counties that have a large proportion of their property exempt from local taxation due to other types of taxation such as Gross Earnings Taxes or due to the fact that the federal government or state owns such land—i.e. that there is a substantial amount of property of classes exempted from local taxation.

One such aid, amounting to \$60,000 per year, goes to cities and villages with less than 12,000 population and having at least 25% of their valuation in exempt railroad property. (This has already been mentioned as it relates to 8 school districts). Another aid, known usually as an electric interurban carline aid, is given to four counties, namely, Anoka, Hennepin, Ramsey and Washington, since the carline is taxed on a gross earnings basis. The amount is only \$4,238. Lake County receives \$25,000 per

year since gross earnings property exceeds other property. The amount is equal to one-fourth the current county rate applied to such exempt property. Three towns, one in Lake, one in Polk and the other in St. Louis County, receive \$1,500 each per year since gross earnings property exceeds taxable property.

The federal government grants funds to counties having large holdings of federal forest. The receipts must be used to maintain roads near the forest areas. The amount granted in 1944 was \$34,517 and went to the following counties: Beltrami, Cass, Cook, Itasca, Koochiching, Lake and St. Louis.

The final major item in this group is aid given to counties that have 40% of their land owned by federal, state, swamp, university and Indian trust lands. Cook County received \$14,500 and Lake of the Woods \$9,500, a total of \$24,000 in 1944.

"Other" Aid Under Miscellaneous

Two aids are listed under "Other" and totaled \$49,430 in 1944. One is a refund of employment agency fees and amounted to \$1,800, going to cities in Ramsey, Hennepin and St. Louis Counties. The other aid is \$47,630 which is distributed to distressed townships in Aitkin, Pine, Beltrami and Koochiching Counties. Such a township must have a debt exceeding 40% of the assessed value of real property. The Town Board of such distressed township makes application to the Executive Council who will pay private holders of the debt providing that persons holding 90% of the debt of the township agree in writing to accept 25% of the total amount of indebtedness as payment in full.

Section III—Effect of Aid Payments on Local Financing

Source Of Revenue Of Local Units Of Government

Local property taxes on real and personal property raise approximately 90% of all revenue raised by local units of government. Some local units, such as the townships and school districts, depend almost exclusively upon the property tax for locally raised revenue. Fees, licenses and service charges furnish some revenue for cities and villages but are a very small source of revenue for the counties. The average aggregate miscellaneous revenues for all local governmental units are approximately 10% of total revenue.

Since complete current detailed data are not available on local receipts from miscellaneous revenue sources, it will be assumed in the following analysis that the property tax is the only source of revenue for local governmental units.

Ten Year Trend Of Local Property Levies

During the ten year period 1935 through 1944, local property tax levies have increased from \$99,106,673 to \$110,968,009—an increase of 11.96% or an increase slightly in excess of 1% per year.*

*During this same period of time the state property tax levy decreased from 13.57 mills to 4.5 or a decrease of 9.07 mills. Thus, for the period under consideration, property tax statements show a net increase of only 2.89 mills (11.96 mills minus 9.07 mills). Citizens who rely on property tax statements in judging the trend of local governmental costs are thus misled.

During this same period of time state aids have increased 30 million dollars—173.3% increase or an average yearly increase of 17%. Even after making adjustment for the Bank Excise tax which was formerly collected by local governmental units, the increase in state payments to or for other Civil Divisions approximates 167%.

Increased Local Expenditures Financed By The State

During this period of time, revenue receipts of local governmental units (increased receipts from fees and licenses are not considered) have increased 38 million dollars of which only 30% was raised locally. In other words, local governmental units have increased taxes by 12 million dollars whereas the state has increased payments to or for local governmental units by 30 millions, or more than double the amount raised locally. Thus, there has been a startling increase in local governmental expenditures but this increase was financed mainly by funds received through aids from the state government. Any citizen who bases his ideas of the cost of his local government solely upon his local property tax statements is sure to be misled thereby.

Local Use Of State Payments

Almost without exception state payments to local governmental units are earmarked for some specific

purpose such as schools, highways, old age assistance, etc. However, no matter what the purpose of the grant, the net effect is a reduction of local property tax burden. A reduction in the local tax for the specific purpose for which the state grant was received permits a corresponding increase of the tax for some other activity without increasing the total tax rate.* In the absence of state grants, funds would, necessarily, have to be raised locally to carry on the particular services at the same standards. Since property is the main source of local revenue, mill levies would have to be increased materially.

Allocation Of Funds By Political Subdivisions

Table II presents the allocation of aid funds by types of political subdivisions. A summary of this table is presented in Chart II. It will be noted in this table that the various counties (\$24,747,864)

*Property tax statements reflect, in addition to state levies, levies for schools, counties and municipal or township activities. An increase in state aid payments to schools, for example, would permit a reduction in the local school levy which would make possible a corresponding increase in a municipal levy for general government without increasing the overall tax levy. This operation is, however, restricted in few cases where the form of government has separate tax levying bodies (park, school, welfare and library boards, etc.) which act independently and without consideration of the needs of the community as a whole.

and school districts (\$19,210,516) receive and administer almost all state aid grants. The amount received by cities and villages (\$1,657,914) and townships (\$52,130) is negligible.

The fact that townships and cities and villages receive very little direct aid does not mean that they do not benefit from funds administered by the counties and the school districts. School districts maintain and operate schools for children whether they reside in rural or urban areas. The bulk of the funds received by the counties are for welfare purposes (\$19,255,729) and are spent for the benefit of citizens in all political subdivisions.

The administration of welfare funds by county-wide administrative machinery provides greater uniformity, permits employment of trained welfare workers, and reduces administrative costs. With the exception of Minneapolis which received \$227,037 for relief which they administer direct, all welfare administration except for relief is on the county level. There are still 21 counties where the town boards administer relief expenditures but have nothing to do with other social welfare activities.

Counties receive and administer \$4,597,606 in

highway aid, which is spent on state aid and county aid roads, mainly in the rural areas of the county. Cities and villages, therefore, do not benefit materially by this highway expenditure.

Cities And Villages Do Not Benefit From Highway Aid

Minnesota's constitution provides that the payment of highway aid be made to the county. State aid roads may include mileage within a fourth class city and in this situation city and village streets designated as state aid roads would benefit from state aid funds for maintenance and construction of the standard road width. This provision, however, applies only to fourth class cities. County aid road funds may be spent on any roads designated as county aid roads including city and village streets. Some county commissioners designate county aid roads through a municipality whereas other county commissioners designate the county aid road only to the municipal limits. If cities and villages benefit from county aid road funds they do so upon the generosity of the county commissioners in the county in which they are located.

Municipal authorities cite surveys which point out that a sizeable portion of the gasoline consumed and automobile use is within municipal limits and contend that they are entitled to greater aid for street maintenance. The record shows that other states have been more generous in granting highway aid to cities. However, it would require a change

in the state constitution before such a change could be made in Minnesota.

Local Evaluation Of State Aids

The effect of aid payments to local units of government on the state budget has been pointed out. The effect of state aids on the local units of government in the several counties should also be pointed out.

Various methods are available for evaluating aid payments to local units of government. One method is to show aid in relation to total revenue, that is, the percent aids are of total revenue. Another method is to translate aid payments in terms of mill rates. In other words, to show by a "mill rate equivalent" the necessary levy in mills on taxable value to raise the funds received from the state in the form of state aids. These two methods of evaluation are shown by counties in Appendix Table D, which in addition, shows the total amount of aid received by each county. Maps I and II present this evaluation geographically.

Percent Of Total Revenue

Assuming local property taxes to be the only source of revenue for various political subdivisions of the state, state aids amounted to 30.4% of their receipts in 1944. Five counties including Lake of the Woods (76.2%), Cook (68.9%), Beltrami (65.2%), Cass (64.9%) and Aitkin (62.0%) receive more than 60% of their total revenue from state aids. Fourteen counties received 50% or more of their revenue receipts from the state. In 19 counties it constituted 40% to 50% of the revenue, 30% to 40% in 41 counties; 20% to 30% in 12 counties and only 15.9% in St. Louis County. It is obvious that there is little uniformity between the counties in the amount of assistance received, though it is true that most of the counties receiving the largest percentage of assistance are in the northern section of the state.

State Payments In Terms Of Mill Rates

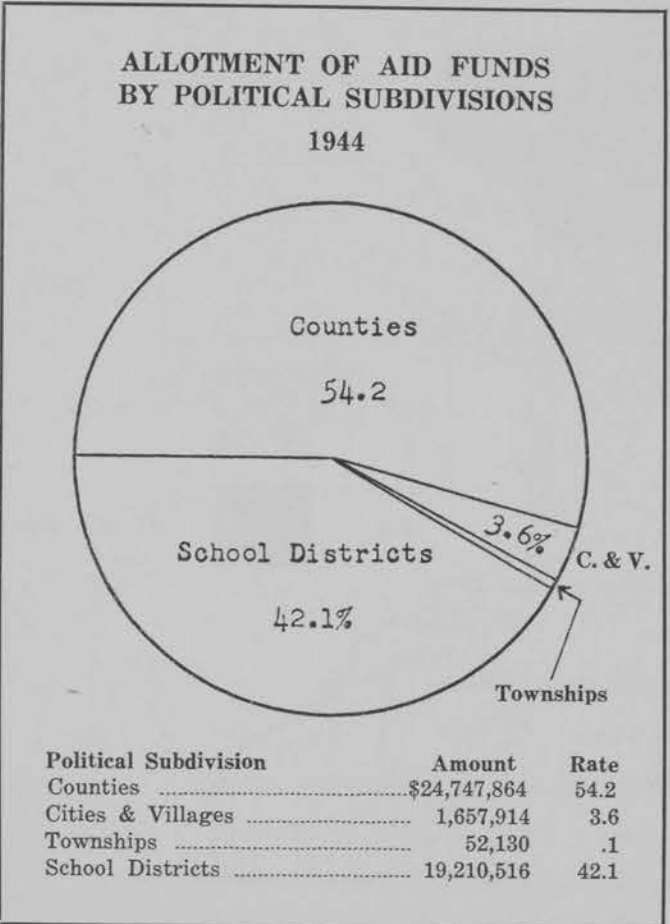
If the state payments to local governmental units were cut off and the amount had to be raised locally by higher property tax levies, the average rate for the state would be 34.81 mills higher. This would amount to 41.5% increase in local property taxes. This shows quite clearly the importance and extent of state aids in financing local governments in Minnesota.

Wide variations are found in the mill rate equivalent for state aids when considered on a county basis. Such payments to the units of government in Lake of the Woods County would require an average local levy of 388.79 mills to raise the same amount of revenue or an increase of 216% in mill rates. In five counties, namely, Aitkin, Beltrami, Cass, Clearwater and Cook, the mill rate equivalent of state payments is over 200 mills. In nine counties, namely, Hubbard, Kanabec, Koochiching, Lake, Mahanomen, Mille Lacs, Pine, Roseau and Wadena, it exceeds 100 mills. In 36 counties such payments are equivalent to a 50 mill levy or more; in seven counties 40 to 50 mills; in 22 counties 30 to 40 mills; in 19 counties 20 to 30 mills and in three counties 10 to 20 mills. The lowest mill rate equivalent is 15.60 mills in St. Louis County where high valued iron ore property in a relatively small segment of the county distorts the average. In Ramsey and Hennepin coun-

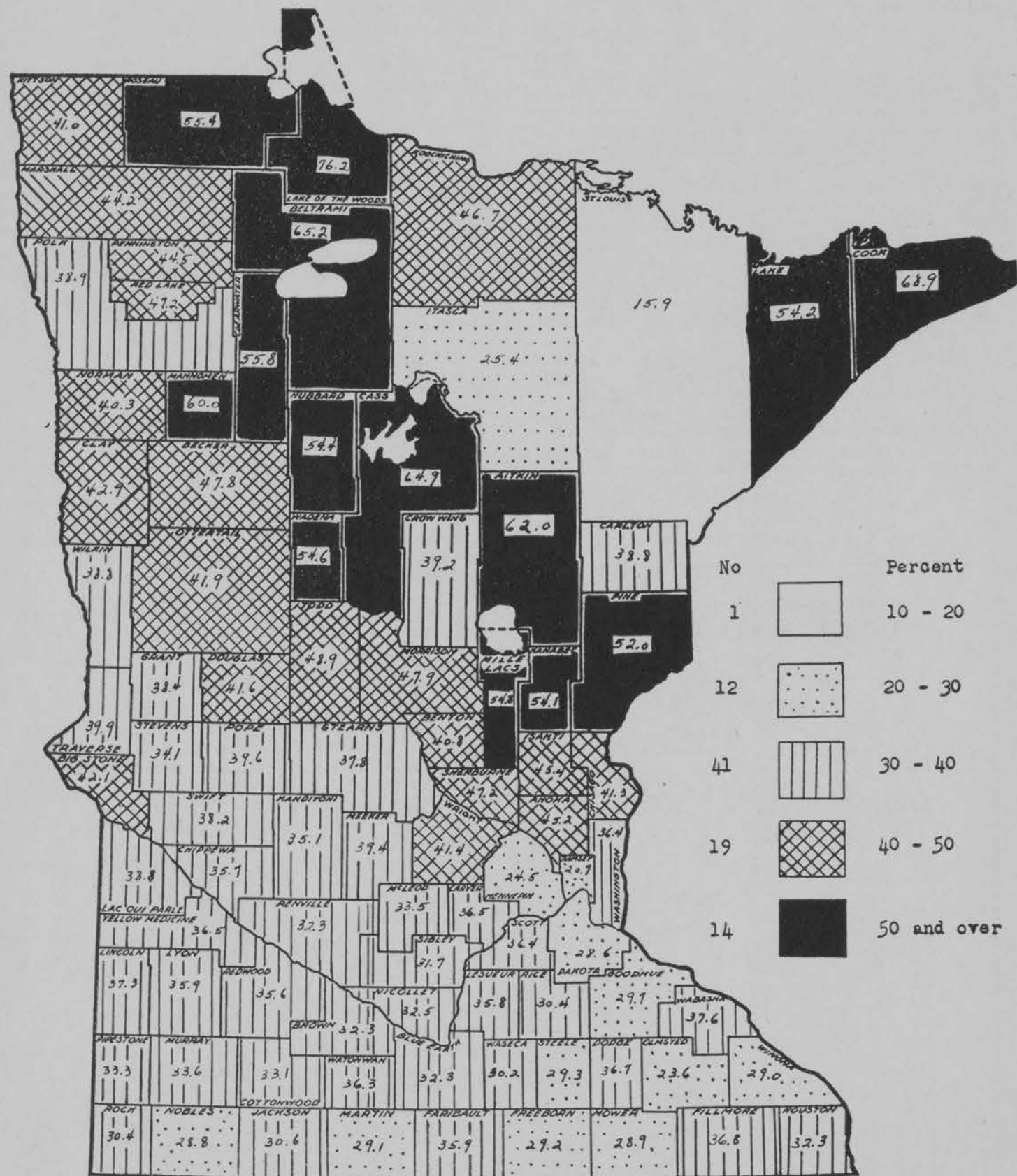
TABLE II
ALLOTMENT OF AID FUNDS BY POLITICAL SUBDIVISIONS
Year Ending June 30, 1944

	Counties	School Districts	Cities and Villages	Townships
Protection to Person and Property				
Aid to Fire Departments	\$	\$	\$ 203,107	\$
Surtax Firemen's Relief			98,364	
Health and Sanitation				
Aid to County Sanatoria	354,372			
Expense Indigent Patients—Minn. General Hospital	248,299			
County Nurses	15,012			
Development and Conservation of Natural Resources				
County Agriculture Agents	104,575			
Highways and Airways				
Highways	4,597,606		25,000	
Airways				
Public Welfare				
Relief	507,062		227,037	
Old Age Assistance	16,587,359			
Aid to Dependent Children	2,065,809			
Children Under Guardianship	95,499			
Education				
Apportionment		3,470,881		
\$10 Income Tax		4,810,300		
Supplemental		3,544,007		
Special		6,122,749		
Money and Credits Replacement		875,635		
Other		386,944		
Miscellaneous				
Bank Excise Tax			1,038,368	
Cooperative Electric Tax	7,638			
Inheritance Tax	86,496			
Vessel Tonnage Tax	11,170			
Gross Earnings Tax Aid	25,000		64,238	4,500
Employment Agency Refunds			1,800	
Distressed Township Aid				47,630
Non-Taxable Real Estate Aid	41,967			
	\$24,747,864	\$19,210,516	\$ 1,657,914	\$52,130

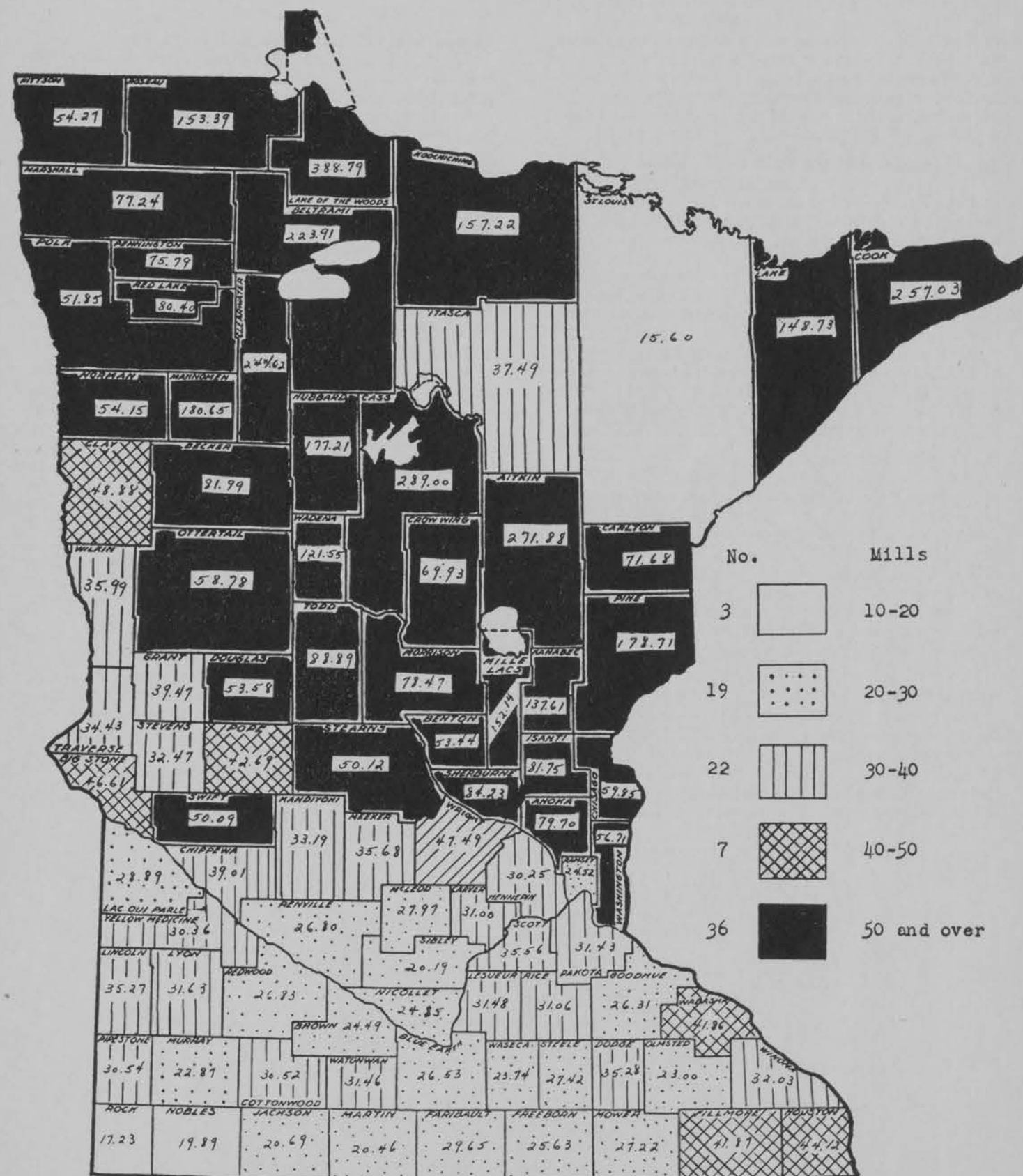
CHART II



MAP I
PERCENT OF LOCAL GOVERNMENT REVENUE FINANCED BY AIDS—BY COUNTIES
Year Ending June 30, 1944



MAP II
MILL RATE EQUIVALENT OF STATE AID—BY COUNTIES
Year Ending June 30, 1944



ties, which are metropolitan in character, the mill rate equivalent is 24.52 and 30.25 mills respectively.

Aids Fundamental To Local Government

It is obvious that if it were not for payments of state aids, local property taxpayers would have their taxes increased substantially and in most instances the rate necessary to finance local governmental expenditures at present levels would be confiscatory. State aids have now reached a point where they are a fundamental part of local governmental finances. In fact, in many of the northern counties local governmental activities could not be continued without a liberal policy of state aids.

Total Amount Of Aid Paid By Counties

The total amount of aid paid the several counties in 1944 is interesting although the amount in itself cannot be considered as a valid method for determining need for such aid as other factors must be considered.

Local units of government in Cook County, which has the least population of all counties, received the smallest amount of state aid, namely, \$153,002. At the other extreme lies Hennepin County, with the largest population in the state, which received \$7,949,183. Two other counties received over a million dollars in aid. They are Ramsey which received \$3,517,141 and St. Louis which received \$3,200,164. The average amount paid per county is \$524,924.

Per Capita Payments

State aids equalled \$16.36 per capita for the state as a whole. On a county average basis such payments varied from a high of \$50.50 per capita in Cook County to a low of \$10.60 per capita in Nicollet County. Six counties, namely, Cook, Lake, Koochiching, Lake of the Woods, Beltrami and Cass received over \$30 per capita. Six counties received between \$25 and \$30; 16 between \$20 and \$25; 35 between \$15 and \$20, and 22 between \$10 and \$15. Detailed figures for each county are presented on Chart III.

Ability To Pay

The property tax is the main source of revenue for local governmental units and consequently the per capita taxable or assessed value of property is an approximate measure of the relative abilities of the various governmental units to finance their governmental services. If state aids are attempts to

equalize costs and enable all citizens to enjoy and benefit from certain governmental services, then governmental units with the lowest taxable value should receive in the aggregate the largest aid per capita. Conversely, those with the highest taxable value should receive in the aggregate the smallest aid per capita.

Comparison Of Aids With Ability To Pay

Chart III presents graphically by counties the taxable value per capita (1944 taxable value—1940 population) and the state aid payments per capita for 1944. In addition, the chart is constructed so that payments per capita and taxable value per capita may be readily compared.

An analysis of Chart III reveals that there is little correlation between per capita assessed property value and per capita state aid received. It indicates clearly that the total per capita aid paid to any county is unrelated to ability to pay as measured by per capita assessed value. For the most part it must be concluded that state aids in Minnesota have not met their primary objective which is simply that of assisting the weaker economic governmental units.

Failure To Equalize

Minnesota's total aid picture has little relationship to the equalization principle although some school aids have been enacted as equalization aids. Rock County* with a per capita taxable value of \$866 received a per capita aid of \$14.92 which exceeded the per capita aid received by 22 other counties, all with lower per capita taxable value. In fact, its taxable value per capita exceeded that of Benton County by approximately three times and yet per capita aid to Benton County was slightly less than Rock County. Generally counties with the lowest assessed value per capita received the largest per capita aid while the average county receives the least per capita aid.

It will be noted that only 15 counties with the lowest taxable value per capita received the high amounts of aid per capita. This correlation generally results from the fact that substantial sums are allocated to units of government in these counties by administrative decision from "jackpot funds" set up by the legislature for this very purpose and not from any formula covering the distribution of aid.

*St. Louis County is not set forth as an example as high valued iron ore property makes it a special case.

CHART III

PER CAPITA ASSESSED VALUATION OF REAL AND PERSONAL PROPERTY (1943 COLLECTIBLE IN 1944) AND PER CAPITA STATE AND FEDERAL GRANTS IN MINNESOTA (1944) BY COUNTY



Section IV—Comparison of State Aids in Minnesota With Aids in Neighboring States

A comparison of state aid policy in Minnesota with that of its six competing, neighboring states has ample validity as a method of measuring current practice in our own state. State governments are in a competitive field today and no single state can afford to be far out of line with fiscal practices of

competing states. Chart IV based on figures compiled by the Bureau of the Census of the United States Department of Commerce shows the percentages state aids are of total state expenditures for the seven states under consideration for 1943. Figures for 1944 were not available.

CHART IV
PERCENTAGE OF STATE AIDS TO TOTAL STATE EXPENDITURES
SELECTED STATES
1943

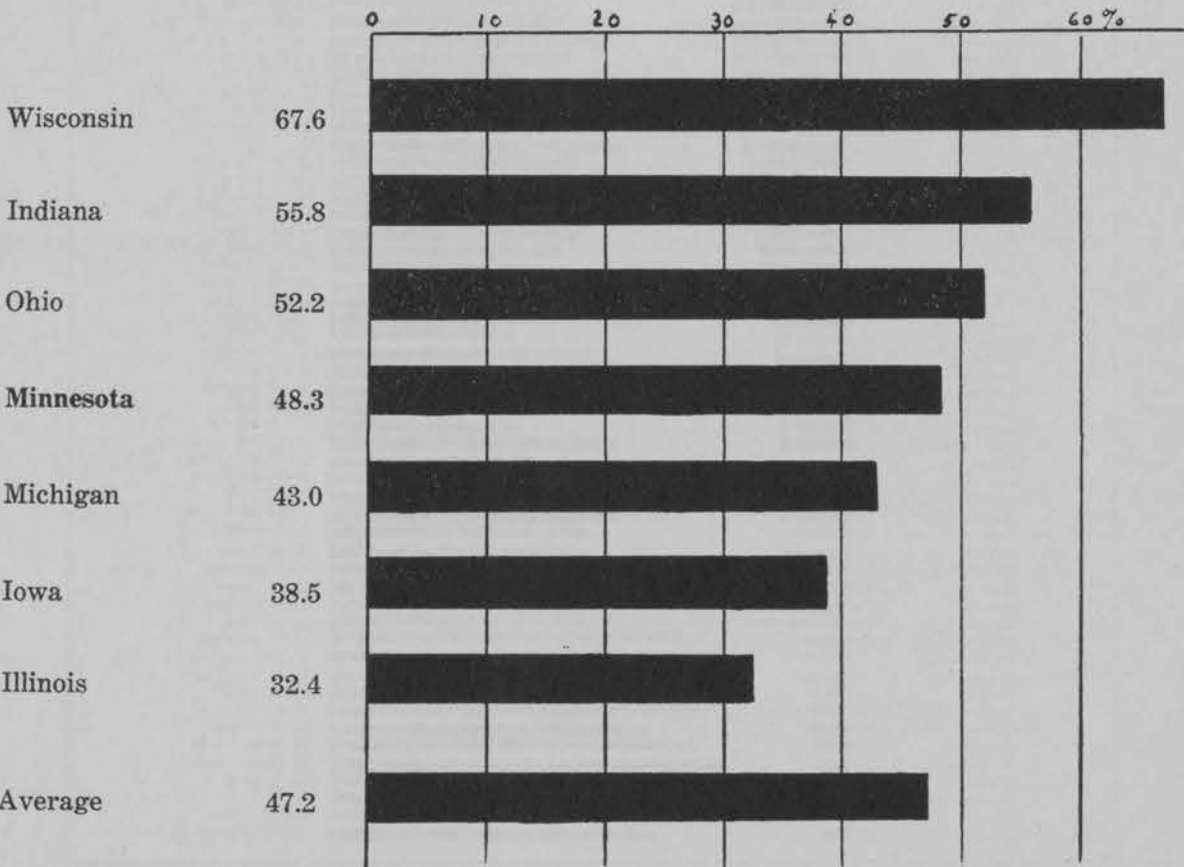


TABLE III
Per Capita State Aid Expenditures for
Selected Governmental Functions — 1943

Function	State and Amount						
	Wis.	Ohio	Minn.	Ind.	Mich.	Iowa	Ill.
I. Highways	\$ 5.96	\$ 5.63	\$ 2.41	\$ 4.47	\$ 5.38	\$ 6.67	\$ 2.51
II. Public Welfare	5.56	2.34	7.41	5.54	.70	*	3.93
III. Schools	3.84	8.47	6.83	6.47	9.45	.83	2.39
IV. Miscellaneous	13.48	2.94	.59	.55	1.48	6.16	.60
V. Total State Aid	\$28.84	\$19.38	\$17.24	\$17.03	\$17.01	\$13.66	\$ 9.43

*Less than 1c per capita.

It will be noted in Chart IV that Minnesota* (48.3%) slightly exceeds the seven state average of 47.2%. Minnesota exceeds Illinois, Iowa and Michigan in percent of total expenditures expended for state aid while Wisconsin, Indiana and Ohio grant a larger proportion of their funds than Minnesota.

The above figures vary from 32.4% in Illinois to 67.6% in Wisconsin—a range of 35.2%. Thus, there is little uniformity in the percentage of state expenditures granted for aids in the seven states. Minne-

*These figures vary slightly from those used for Minnesota in other sections of the report. Without the working papers of the Census Bureau we are unable to reconcile our figures and classifications with theirs. In spite of this handicap the following analysis is comparable for all seven states.

sota appears to be following the general percentage trend of its neighboring states.

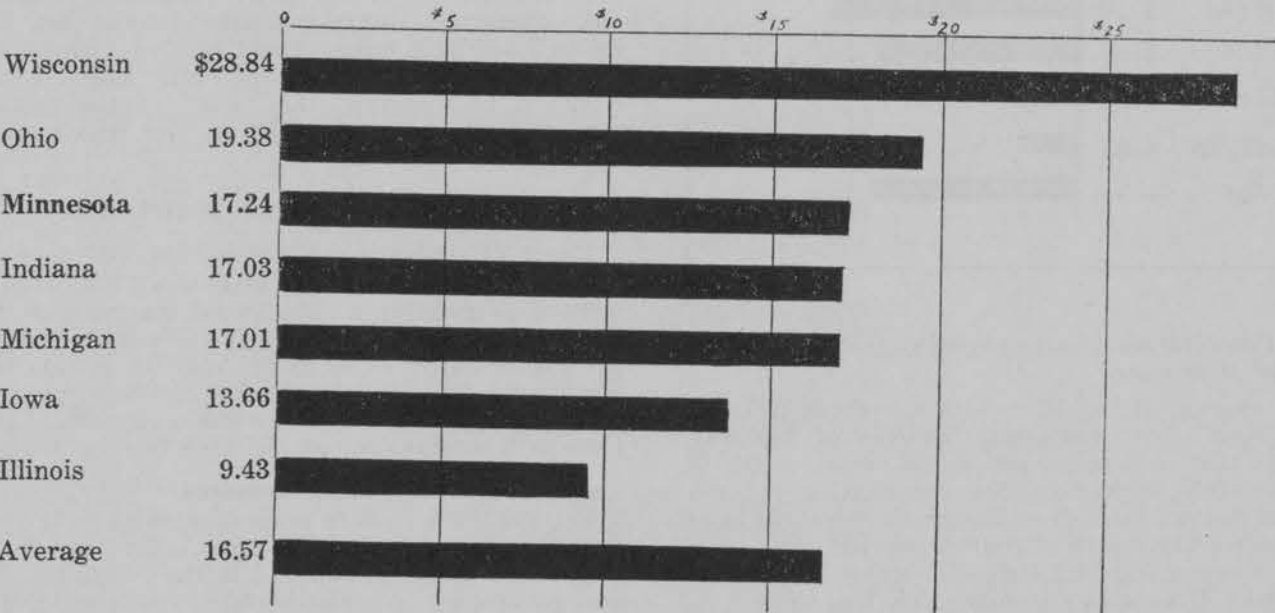
State Aids Analyzed On A Per Capita Basis

Additional light can be thrown on this problem by comparing per capita expenditures for state aids. Table III presents per capita costs for state aid outlays for four main governmental functions. The per capita method of analysis takes the varying size of population in each state out of the picture. Total per Capita Aid expenditures are shown separately on Chart V.

Two States Exceed Minnesota In Per Capita State Aid Grants

It will be noted from Chart V, that of the seven

CHART V
PER CAPITA STATE AID EXPENDITURES OF SELECTED STATES
1944



states only two, namely, Ohio (\$19.38) and Wisconsin (\$28.84) exceed Minnesota in per capita state aid grants of all types. Illinois grants the smallest amount (\$9.43) with Iowa ranking next (\$13.66). Minnesota's \$17.24 slightly exceeds the mean average (Indiana \$17.03). This type of analysis indicates that Minnesota has been rather liberal in granting aids. The following discussion will determine just why Minnesota grants the highest per capita aid of the seven states.

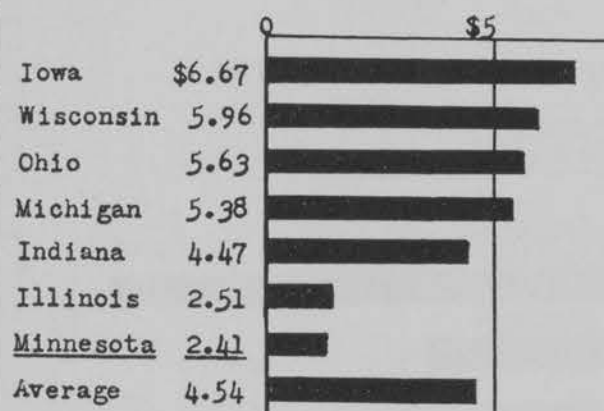
I—PER CAPITA STATE HIGHWAY AID RELATIVELY SMALL

Minnesota's per capita state aid for highway, namely, \$2.41, is the smallest of all states under consideration and is \$2.13 less or 46.9% less than the average per capita grant of these states. Iowa's grant of \$6.67 is the largest of the seven states and by coincidence exceeds the average of the seven states by exactly the same amount (\$2.13) that Minnesota falls short of the average. It can be concluded that Minnesota's practice with highway aids is not accountable for our high ranking. The figures for highway aids for each of the seven states are presented on Chart VI.

CHART VI

PER CAPITA STATE AID EXPENDITURES FOR HIGHWAYS

Selected States—1944



State Constitution Limits Highway Aids In Minnesota

The amount of aid Minnesota can grant political subdivisions from customary sources of highway revenue, that is, gasoline and motor vehicle taxes, is unfortunately limited by the constitution to one-third of the net receipts of the gasoline tax. Raising the gasoline tax would, of course, provide some additional revenue for this aid but such a step would also make Minnesota's gasoline tax the highest of all states under consideration. At the present time, Minnesota, Iowa, Indiana, Ohio, and Wisconsin tax gasoline at 4c per gallon while Illinois and Michigan tax it at 3c per gallon. North and South Dakota, two other neighboring states, levy a tax of 4c per gallon.

Minnesota Has Extensive State Road System

The need of road funds in Minnesota is shown by the following tabulation which lists miles of state highways and miles of road other than state highways for the seven states under consideration as of July 1, 1939.* It will be noted that only one state has a greater trunk highway mileage than Minnesota and that Minnesota exceeds all states in road mileage other than trunk highways.

	Miles State Highways	Miles Other Roads
Ohio	16,611	68,995
MINNESOTA	11,372	107,265
Illinois	10,963	92,221
Wisconsin	10,001	72,282
Indiana	9,779	66,824
Iowa	9,626	93,343
Michigan	9,456	83,443

Cities Not Aided

Minnesota is the only state under consideration which does not grant cities aid for highway purposes. Cities benefit from aid in the other six states by the following provisions.**

Illinois—1/3 of 3c motor fuel tax by population. This amounted to \$5,160,000 in 1944.

Indiana—\$3 million of motor fuel tax receipts to cities and towns by population.

\$2 million of motor vehicle fees to cities and towns by population.

Iowa—3/5 of a 1c increase enacted by the 1945 legislature.

Michigan—about 1/3 of \$2.55 million from motor fuel tax reaches cities after priorities to counties, etc. Motor vehicle license fees are allotted 100% to counties of source but municipalities share after certain priorities. Cities received \$7,698,000 in 1944.

Ohio—18.75% of "basic" 3c motor fuel tax. 25% of license fees issued to residents. This aid totalled \$10,543,000 in 1944.

Wisconsin—20% of net motor fuel tax by source of net registration fees.

20% of motor vehicle fees to city, village, or town or origin. Aid amounted to \$5,270,000 in 1944.

From the above tabulation showing state highway aid policy to municipalities, it is obvious that Minnesota has ignored municipalities insofar as highway aid is concerned. Many authorities contend that cities as well as rural areas should receive highway aid funds and cite testimony of the Public Roads Administration to Congress that most of the gasoline consumption and automobile use are within municipal limits.

II—PER CAPITA WELFARE AIDS

Chart VII showing per capita Public Welfare aids reveals Minnesota ranking highest with \$7.41. This amount exceeds by a substantial margin the practices of the other six states. It exceeds the average per capita grant of \$3.35 by 121.1%. Is this high Minnesota record due to liberal aid laws, poor administrative practices, unfavorable economic conditions or a combination of all three factors?

Local Welfare Financing Required

For the three welfare programs under the Federal Security law, namely, Old Age Assistance, Aid to Dependent Children, and Aid to the Blind, the Federal government contributes 50% and, among other things, requires financial participation by the state and/or local governments. The various states may

*From Roads and Streets—July, 1940.

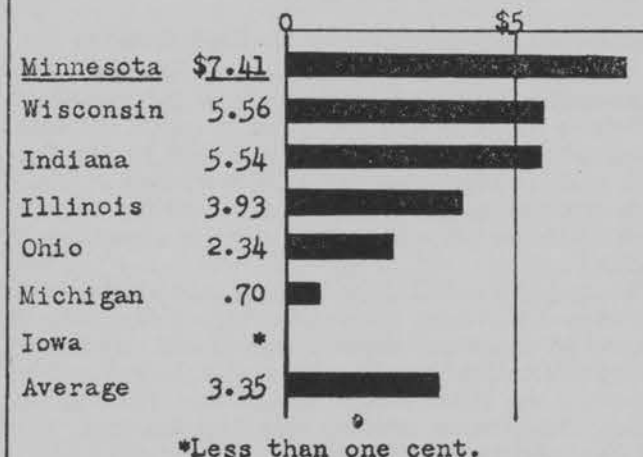
**From "Shared Taxes" by Leo Day Woodworth—Association Report No. 155, November 1944, except Iowa which reflects changes enacted in 1945.

elect to finance the entire amount or require some local financial participation. An analysis of the extent of local financial participation in the six neighboring states is presented in Table IV. This analysis may answer in part the question as to liberality of welfare aids.

CHART VII

PER CAPITA STATE AID EXPENDITURES FOR PUBLIC WELFARE

Selected States—1944



It will be noted in Table IV that federal financing in the aid to Dependent Children program and the Aid to the Blind program does not always reach 50%. This is due to the fact that under the Social Security law the federal government provides 50% of the cost of such programs up to certain case limits. Grants in excess of case limits must be borne entirely by the state or local governmental unit or both. Table IV is based on actual expenditures which reflects payments in excess of federal limits.

In considering the above percentages another qualification needs to be noted. If a state government elects to pay the entire cost, then it can be said that state aids for this activity is 100%. At least it

has relieved the local taxpayer 100%. On this basis the tabulation at the beginning of this section should be revised. For example, the state government in Illinois finances the entire costs of all three social security programs and approximately half of relief costs. If this action were considered as state aids, then the low percentage (32.4%) would be raised substantially. (See Chart IV).

Local Financial Participation Small

It will be noted that in the seven states under consideration only three, namely, Minnesota (17%), Indiana (20%), and Wisconsin (20%) require local contributions in financing old age assistance. Of these three states Minnesota grants the highest percentage of aid. In the other four states this program is financed entirely by federal and state moneys and accounts for the small per capita state aids for this purpose. In this instance it might well be said that state aid in these four states is 100% since local communities are not asked to put up any funds.

For the United States as a whole the federal government furnished 48%, the states 45% and only 7% of the funds expended for old age assistance were furnished by local governmental units.

In this respect it can be said that the state governments of Illinois, Iowa, Michigan and Ohio exceed Minnesota in liberality in financing this activity.

Grants for Dependent Children Large

Illinois is the only state which does not require local financial participation in Aid to Dependent Children programs which in effect is a 100% aid policy thus ranking Illinois as the most liberal state in financing this activity. The state of Minnesota ranks fifth highest in liberality in financing aid to dependent children, being exceeded by Illinois, Michigan, Indiana and Wisconsin.

Federal participation is less than 50% in four states, namely, Minnesota, Michigan, Ohio and Wisconsin due to the fact that aid in excess of the federal maximum of participation is granted.

Local governmental units furnish 17%, the states 46%, and the federal government 37% for the United States average of the Aid to Dependent Children programs.

Minnesota Aid To Blind Generous

In the majority of the seven states under consideration, financial participation is not required of

TABLE IV
Welfare Financing in the United States and Selected States*
(Based on data January to June, 1944)

State	Program and Percent of Federal, State and Local Participation											
	O.A.A.			A.D.C.			A.B.			Relief		
	F	S	L	F	S	L	F	S	L	S	L	
Minnesota	50	33	17	42	29	29	47	53	0	28	72	
Illinois	50	50	0	50	50	0	50	50	0	47	53	
Indiana	50	30	20	50	33	22	50	50	0	0	100	
Iowa	50	50	0	50	25	25	50	25	25	2	98	
Michigan	50	50	0	28	68	4	50	50	0	53	47	
Ohio	50	50	0	35	29	36	50	17	33	100	0	
Wisconsin	50	30	20	32	33	35	50	30	20	3	97	
All States	48	45	7	37	46	17	48	39	13	49	51	

*The Social Security Bulletin, June 1945, published by the Social Security Board, Washington, D. C.

local governmental units for Aid to the Blind. The three states requiring such financial participation are Iowa (25%), Ohio (33%), and Wisconsin (20%). It appears that Minnesota, with Michigan, Indiana, and Illinois are more generous in respect to the local units since the state governments carry the burden of financing this activity without any assistance from the counties. Inasmuch as Minnesota grants no state aid for blind, this item does not answer the question as to our high ranking in per capita state aid.

Local governmental units furnish 13%, the states 39%, and the federal government 48% for the United States average of aid to the blind programs.

Relief Financed By State And Local Government

At the present time the federal government makes no contribution to the relief programs carried on by the various states. This program is now financed entirely by state and/or local government. However, during the depression of the thirties the W.P.A. and P.W.A. relief programs were sponsored by the federal government and amounted to many billions of dollars. An analysis of the relief laws of the various states reveals that local financial participation is required in 44 of the 48 states. The four states not requiring local participation are Arkansas, Arizona, Ohio and Pennsylvania.

Relief—Local Responsibility

Ohio is the only state under consideration which does not require local financial participation in financing relief, thus, in effect, placing Ohio in the 100% aid bracket in this field. All other states with the exception of Michigan (47%) require local governmental units to finance 50% or more of relief costs. In fact, in Indiana all relief costs are financed locally, while in Iowa and Wisconsin 98% and 97% respectively are financed by local governmental units. The State of Minnesota finances 28% of relief costs. For the national average the states supply 49% of relief costs and local governmental units 51%.

Little Uniformity In Aid Practices

Little uniformity in regard to local or state participation in financing welfare aids is present. If relief is disregarded, the state contribution exceeds that of

local government. The majority of the seven states under consideration do not require any local financial participation for Old Age Assistance and Aid to the Blind. Local governments contribute financially in all but one state (Illinois) for Aid to Dependent Children program.

Illinois is the only state under consideration which does not require local financial contributions for Old Age Assistance, Aid to Dependent Children, and Aid to the Blind and also carries approximately half of relief expenditures. The same can be said of Michigan except for a 4% contribution for Aid to Dependent Children. These two states have eased materially the tax load on local property owners.

In regard to relief, substantial local participation is required in all states except Ohio where relief is financed entirely by the state.

Welfare Grants As A Factor In High Ranking

Additional light can be thrown on the question of Minnesota's high per capita grants for "welfare" activities by analyzing the amount spent per case, irrespective of the percentage financed by the federal, state or local government, the number of cases and expenditure per capita for the entire year in each of the seven states. This data is presented in Table V.

We might as well give most of our attention to Old Age Assistance grants and ignore the data in respect to dependent children, blind, and relief since Minnesota's standing for these aids is not out of line with the other states. In addition, most of the money involved in welfare aids is concerned with old age assistance allowances.

Minnesota Has Highest Per Capita Expenditure

In the first place one finds Minnesota at the top of the list with \$7.76 per capita expenditure for old age assistance. Iowa follows with \$7.74, Illinois with \$6.30, Ohio with \$6.29, Michigan with \$5.59, Wisconsin with \$5.31 and Indiana with the lowest of \$5.07. This data clearly indicates that Minnesota's high welfare ranking is due to the state's policy in the old age assistance program.

Why this is so raises a number of other questions. It might well be due to loose administration of the law, to a liberal law which permits easy access to a

pension, to the practice of paying excessive grants per case or to unfavorable economic conditions.

Loose administrative practices in Minnesota might place more people on the rolls than in the other six states. There is no evidence that this is true in Minnesota since all seven states are closely supervised by federal investigators.

Grant Per Case Not High In Minnesota

In respect to size of the average grant for June, 1944 (the last month of fiscal year under consideration) one finds that Minnesota is not unusually liberal. In fact, Illinois \$30.91, Michigan \$29.15 and Ohio \$28.56 exceed Minnesota with \$28.40. Iowa equals Minnesota's allowance while Wisconsin with \$27.45 and Indiana with \$24.16 rank below us. Evidently one cannot find the answer to the question of our higher ranking in the size of the grant for old age assistance. It will therefore be necessary to study Minnesota's ranking as to the number of old age assistance cases on the rolls in the various states.

Minnesota Has Excessive Number Of Cases

Minnesota had 57,398 cases on the rolls in June, 1944 while Wisconsin with a larger population had only 47,324. Although these figures are startling, a better measuring stick as to the number of cases is offered by computing the number on the rolls to each 1000 of those potentially eligible (i. e., to each 1000 persons sixty-five years of age and over.) From this computation we get the following results:*

Minnesota	233
Michigan	228
Iowa	205
Ohio	199
Illinois	190
Indiana	181
Wisconsin	171
Average for Nation	202

Minnesota has more persons on the rolls per 1000 potentially eligible than any of the other six states and much in excess of the average for the country, thus the answer to our high ranking for "welfare" grants is quite apparent. Immediately one is prompted to seek the reason for this high ranking.

Eligibility Requirements A Factor

The old age assistance law may have a few requirements as to eligibility, such as the amount of property, annual independent income, length of residence, lien provisions, children's support, etc. Variation in the above requirements affect eligibility. An analysis of such eligibility requirements does indicate that Minnesota's law is unusually free of such restrictions.

Minnesota Liberal As To Property Holdings

Minnesota permits an applicant to have \$5,000 (net value) of real property. No other state except Wisconsin is as liberal in this respect as Minnesota. Iowa permits a single person to have \$2,000 of real property and a spouse \$3,000. Illinois permits \$600 for a married couple but the homestead is also exempted. Michigan fixed \$3,500 as its top limit and Ohio \$4,000 for married couples and \$3,000 for single persons.

This liberal property provision in Minnesota is undoubtedly one of the factors explaining the large

number on the old age assistance rolls. Minnesota does have one counter balancing restriction, namely, the lien provision. Only Wisconsin and Iowa join Minnesota in requiring that pension grants become a lien on any property owned by the recipient. In fact, there is little reason for a lien provision in states like Iowa and Illinois that do not permit the applicant to retain real property of relatively high value.

Thirty Percent Under Lien Clause

In November, 1944, 31% or 18,800 recipients of old age assistance grants in Minnesota had property and were, therefore, under the lien provision of the law. In a sense, where the state is in a position to collect the amount paid recipients as a lien upon death, the state is not paying a pension in so far as the taxpayer is concerned but is merely advancing subsistence funds until the recipient dies.

Through the lien provision \$487,750 was returned to the state in 1944 and \$643,531 in 1945. The number of persons involved in these figures is not known but if such persons are not considered true pensioners, then our rolls might be said to be two or three thousand less than they actually are.

Economic Conditions A Factor In Minnesota

Minnesota is largely an agricultural state with few industries, which may account for the large number of old age assistance recipients. Industries tend to provide independent pension plans for their superannuated employees. This factor would have a bearing in Illinois, Michigan, Indiana and Ohio, which are highly industrialized.

Minnesota does have a financially distressed area in the northern forest cut-over area that does not exist in the other states with the exception of Wisconsin and Michigan. A study of this situation in Minnesota was made by the state Department of Social Welfare and published in the Social Welfare Review, December, 1943.*

This survey showed that in Cook, Pine, Aitkin, Cass, Hubbard, Beltrami, Koochiching, Lake of the Woods and Mahnomen counties over 50% of those 65 years of age and over were actually receiving old age assistance in January, 1943. Kittson, Roseau, Clearwater, Becker, Wadena, Todd, Morrison, Mille Lacs, Kanabec, and Traverse counties had over 40%. The average for the entire state was only 26.8%. This data indicates quite clearly that the northern part of the state is accountable for an unusually large proportion of the old age assistance roles. This condition is undoubtedly due to poor economic opportunities in this section of the state.

III—PER CAPITA GRANTS-IN-AID FOR EDUCATION

On Chart VIII one finds only two states exceeding Minnesota's allowance of \$6.83 per capita for education. Michigan grants \$9.45 while Ohio grants \$8.47. Relatively speaking, in Illinois (\$2.39), Iowa (\$.83) and Wisconsin (\$.85), little state aid is granted local schools for education.

The United States Office of Education in its biennial survey of education in the United States published figures for the year 1939-40 (latest year available) which throws additional light on state school aid policy. The following tabulation from this source shows the percent of receipts from taxation and

TABLE V
THE AVERAGE GRANT, NUMBER OF CASES, AND TOTAL AMOUNT GRANTED PER CAPITA*
For Various Welfare Activities in Seven States

	Minnesota	Illinois	Indiana	Iowa	Michigan	Ohio	Wisconsin	Average
Old Age Assistance								
Average grant—June 1944	28.40	30.91	24.16	28.40	29.15	28.56	27.45	28.60
Per Capita expenditure**	7.76	6.30	5.07	7.74	5.59	6.29	5.31	6.22
Number of cases—June 1944	57,398	128,808	59,074	51,326	85,664	124,836	47,324	79,204
Aid to Dependent Children								
Average grant—June 1944	40.01	33.09	34.26	26.69	60.06	50.96	49.46	42.77
Per Capita expenditure**	1.02	1.19	.90	.41	1.72	.72	1.32	1.13
Number of cases—June 1944	5,453	21,247	7,403	3,046	12,875	8,157	6,428	9,230
Relief								
Average grant—June 1944	24.80	32.67	18.20	15.85	29.31	25.81	23.24	27.44
Per Capita expenditure**	.75	1.45	.44	.45	.71	.55	.53	***
Number of cases—June 1944	6,050	28,296	5,912	4,748	10,032	11,727	5,338	10,300
Aid to Blind								
Average grant—June 1944	33.92	31.78	30.68	31.96	33.11	25.68	27.77	30.32
Per Capita expenditure**	.15	.25	.24	.23	.09	.14	.17	.19
Number of cases—June 1944	945	6,004	2,242	1,360	1,270	3,201	1,525	2,364

*August 1944 Social Security Bulletin, Vol. 7—No. 8, pages 21 and 22.

**For full fiscal year ending June 30, 1944—Social Security Bulletin, June 1945, page 24.

***Figure unavailable.

*From Issues in Social Security, pp. 329.

*Page 13.

appropriation from state, county and local sources and expenditure per pupil in average daily attendance for current expense (including interest) for the seven states under consideration and the National average.

State	Source of school receipts from taxation and appropriations.			
	Per pupil in A.D.A. Expense	State percent	County percent	Local percent
Illinois	121.09	10.2	.1	89.7
MINNESOTA	104.20	35.2	1.6	63.2
Ohio	103.83	37.7	1.5	60.8
Michigan	100.67	46.0	.5	53.5
Wisconsin	93.82	18.7	9.6	71.7
Iowa	90.32	1.1	2.6	96.3
Indiana	89.18	33.2	.6	66.2
U. S. Average	94.03	30.6	6.8	62.6

Per Pupil Education Cost High In Minnesota

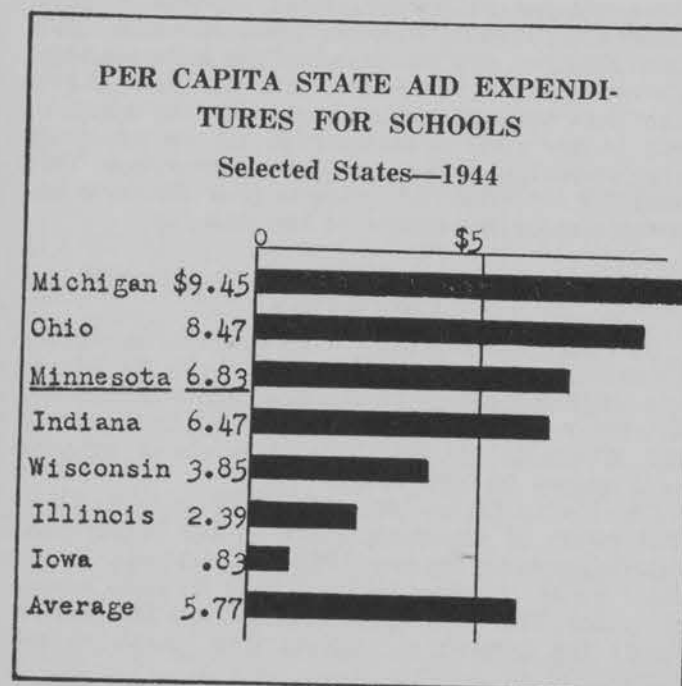
It will be noted from the above tabulation that only Illinois (\$121.09) exceeds Minnesota's \$104.20 per pupil educational cost. In Indiana per pupil education cost amounts to only \$89.18. In fact, Minnesota exceeds the national average by over \$10.

In this connection an interesting observation can be made. The highest per pupil education cost occurs in the state (Illinois) with the largest number of school districts (12,129) while the lowest occurs in the state (Indiana) with the least school districts (1,183). Minnesota ranks second in the number of school districts as well as in the cost per pupil. All of the states listed, with the exception of Iowa, pay an average higher salary for its instructional staff than Minnesota. Instructional costs constitutes the bulk of school costs yet Minnesota ranks second high in per pupil educational costs.

Minnesota Furnishes 35.2% Of School Revenue

The percentage of school receipts or aid furnished by the state varies from 1.1% in Iowa to 46% in Michigan. The State of Minnesota ranks third in the

CHART VIII



percent of aid provided local schools, furnishing 35.2% of their total revenue from taxation and appropriations. It is exceeded only by Michigan (46%) and Ohio (37.7%).

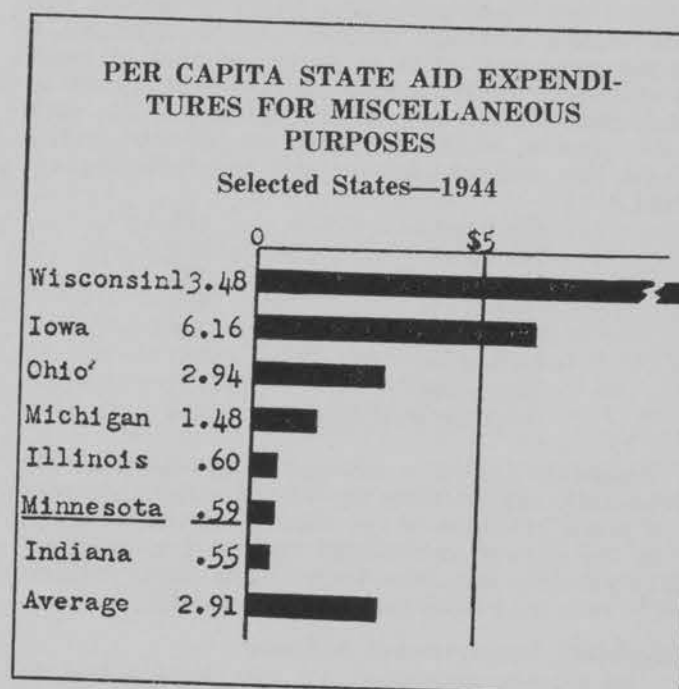
Schools Local Responsibility In Iowa And Illinois

In Iowa, for all practical purposes, schools are supported entirely by local government, the state furnishing only 1.1% of school revenue. Illinois which furnishes 10.2% school revenue also considers schools primarily a function of local government.

IV — PER CAPITA MISCELLANEOUS AIDS VARY

"Miscellaneous" aid as shown in Chart IX granted by the seven states under consideration varies from 55 cents per capita in Indiana to \$13.48 per capita in Wisconsin. Iowa ranks second high with a miscellaneous grant of \$6.16 per capita. In three states, namely, Minnesota, Illinois and Indiana, miscellaneous state aid granted amounted to 60 cents or less per capita.

CHART IX



"Miscellaneous" aid is not earmarked for any specific local purpose and is, therefore, classified under this heading. Thus local governmental units may use such funds for, say, welfare or educational purposes or for general governmental purposes. It has been pointed out that the state aid granted public welfare and schools in Iowa is negligible whereas its miscellaneous grant of \$6.16 per capita is unusually high. The use of "miscellaneous" aids granted in Iowa would indirectly serve welfare and school activities.

Iowa's "Miscellaneous" state aid of \$6.16 per capita is the result of its unusual homestead exemption law. Under their law such property, both urban and rural, occupied by owners receive credits not to exceed 25 mills on the first \$2,500 of valuation. Payment of this credit is from the receipts of the state collected income, sales and use taxes not otherwise appropriated for other purposes. The state apportions

funds for the homestead credit to the various counties where adjustments are made on the individual property tax statements. This amounted to \$14,-253,000 in 1944.

Wisconsin's "Miscellaneous" state aid of \$13.48 per capita results from its liberal policy of sharing its income tax with local units of government. They

Section V—Liabilities and Problems Created by Grants-in-Aid

State Aids Created New Problems

The wide use of federal and state aids today has been of material assistance in solving many local financial problems but in its wake have developed a number of new governmental problems. There are also many liabilities and dangers in any system of grants-in-aid. Some of these may be solved but others cannot be corrected except by different types of fiscal actions. It is proposed to discuss these problems but no attempt will be made to answer them all.

Present System Of Aids Follows No Consistent Policy

In the first place, the present system of over seventy state aids in Minnesota does not follow any consistent or rational policy. Aids have been granted largely to relieve the burden on property owners. Too often political considerations were of major importance in creating new aids. Other aids were to assist distressed economic units of government. Such aids are usually called "equalization" aids. These aids tend to equalize the tax burden between units of varying wealth and income. The supplemental aids for schools fall under this classification. Some aids replaced revenue lost from tax exempt property such as railroads, state and federal owned lands. Many aids are provided to stimulate and expand local governmental services such as assistance for blind, aged and dependent children.

Over Seventy Aids On Statute Books

There are now over seventy state aid laws on the statute books. While state aids were small in amount they occasioned little concern. Today aids in Minnesota are a major factor in local finance and approximate half of the state budget. The existing system of over seventy different types of aid needs to be overhauled and correlated into a uniform plan if the state is to receive dollar value for the amount spent.

Loss Of Citizen Control Biggest Liability

The most serious liability of any aid system is the resulting confusion that a citizen finds himself in when he attempts to fix the responsibility for the growing cost of all government and the total tax bill. A citizen now pays taxes to Washington, the State Capitol, the County Courthouse and the Town or City Hall. On the other hand, the volume of governmental services do not flow from these various levels of government in the same proportion as taxes

allot 10% of income tax receipts to counties (\$4,-310,000 in 1944) and 50% (which totalled \$21,559,000) to cities, towns and villages. In addition, 40% of the retirement surtax (based on net income) is allotted to city retirement funds. This policy of sharing income tax receipts accounts for Wisconsin's high ranking in total state aids paid.

are paid due to the policy of granting subsidies to the lower units of government.

Certainly local officials cannot be held accountable for the total tax burden when half of their funds come from the state and federal government. Actually, responsibility for higher taxes under the present system of subsidies must be placed on many groups and public officials serving on all levels of government. Without a vast amount of investigation it is impossible to fix the responsibility with any degree of fairness. We doubt if many readers of this report are aware of the percentage that state aids are of local revenue receipts. Certainly few are aware of the extent of federal assistance.

Effective citizen control over the governmental processes and finance is still the keystone of the arch upholding the democratic system of government. Any further expansion of the subsidy system will make citizens' control of their government just that much more difficult. Even a scientific system of governmental aids cannot evade this liability.

Aids Encourage Extravagance

Ample experience has shown that a unit of government largely subsidized from above has its sense of financial responsibility weakened. This tends to encourage carelessness, waste and in some instances extravagance. In other words, spending Santa Claus' money encourages "pork barrel" methods. Too often aids have stimulated the addition or expansion of local governmental services at state expense where there was no genuine need. "Matching aids" are especially vulnerable to this charge. A partial solution to this problem is to extend state and federal control and supervision of all aids granted. This, in turn, means a greater loss of local self-government, an increase in bureaucratic controls, and many students are alarmed over this tendency to undermine local self-government.

Adequate Formula For Aids Difficult

It has been very difficult to develop a formula that distributes state aids on any scientific basis thus defeating in large part the objectives of the legislation. In recent years hundreds of surveys and reports have been made to develop better systems for distributing state aids. Few of these proposals have been adopted and, if so, only by increasing the total amount of aid to a point that no existing unit would receive less aid under the new legislation. This practice of enlarging the umbrella to a point so that

no one was penalized has resulted in the waste of many millions of dollars under the pretense of improving the aid system.

Minnesota is more subject to this formula difficulty than other states. Any sound equalization aid system must rely heavily on assessments or tax levies to determine the amount of assistance required.

Minnesota has the township assessing system coupled with the lack of any major effort to equalize property assessments. This condition results in unfairness wherever mill rates, valuations, etc. are used in aid formula. Many local assessing officers deliberately manipulate assessments so as to benefit their district in respect to state aids.

It has been suggested that the expansion of state aids of any kind be delayed until a sound county system of assessment is established in Minnesota or the state department of taxation be given adequate powers and field staff so that far more effective equalization of assessment can be brought about in this state. The lack of sound formulae in Minnesota has forced the legislature to delegate wide powers to the governor and his legislative advisory committee in distributing aids for relief, social security, veterans' assistance, airport construction and to financially distressed school districts. Approximately \$5,000,000 is being distributed this year under this questionable delegation of legislative powers to the executive branch.

Attempts to use other indices such as retail sales, automobile registrations, number of telephones, incomes, etc., have not been effective since the statistics are not reliable for the problems involved.

Trend Toward Centralization Delayed

It is generally agreed that grants-in-aid have slowed down the trend of moving up more and more functions to some higher level of government. Modern science has made it not only possible but necessary for government to operate with larger units. Machinery and new methods of transportation and communication have centralized the social and economic phases of the American way of life. It, therefore, appears advisable to re-allot some local function of government to a higher level of government rather than expand the aid system. Some, though not all, students of this problem even feel that many local units of government have served their usefulness and their continued existence is no longer compatible with modern economic facts.

It needs to be constantly remembered that greater centralization of functions in the hands of the state or federal government can be avoided only by the display of greater efficiency and economy by local units. If inefficient management continues on the local levels, the heritage of "home rule" must give way to the broader perspective of central administration and operation.

Centralization In Other States

A few states have made substantial progress in the re-allotment of the functions to higher levels of government. There is a strong trend in this direction in spite of the recent expansion of state aids. The State of Delaware has assumed practically the entire responsibility for operating and financing the educational system of the state. There have been a few instances of city-county consolidation such as at San Francisco, Denver and Baltimore. Metropolitan

governments have been set up to handle sewerage, police and park problems. The States of North Carolina and Virginia have taken over the local highway systems. The state government of Pennsylvania and Illinois accepted full responsibility for all relief grants during the depression years just before the war. Ohio and twenty-six other states are financing and administering their old age assistance program without any local assistance. The same is true for aid to dependent children in twenty-one states. If the State of Minnesota were to assume full financial responsibility for old age assistance and dependent children, county governments would be relieved of \$4,015,525 in current expense (based on 1944 figures). This type of action has the same financial effect as increasing state aids for these two purposes.

The 1943 Legislature took a step in this direction by increasing the state's share of dependent children expenditures from one-sixth to one-fourth. This reduced the counties' share by an equal amount.

Indirect Financial Assistance Attempted

The attempt in 1945 to add over 1000 miles of highway to the trunk highway system was an indirect method of aiding local governmental units and is in line with the trend toward centralization of governmental functions. This bill passed the House but failed in the Senate. It was estimated that it would cost the state \$500,000 annually to maintain this new mileage. In addition, the construction of new roads on this mileage would become an obligation of the state government. In other words, counties would have been indirectly aided by this amount as their responsibility for this mileage would have been shifted to the state.

Aids Have Delayed Local Reorganization

There is no question but that state aids have perpetuated thousands of uneconomic, over-lapping, and wasteful local units of government. The biggest loophole for waste and inefficiency centers in the antiquated local machinery of government. Aids have delayed any wide scale attempt to abolish, consolidate and reorganize the local structure of government. Little attention has been given this field of governmental reform since it steps on the toes of entrenched local officials. If local units were large enough in population and wealth to render essential services efficiently there would be little need for state aids. It would then be possible to unify tax raising and tax spending in one unit of government.

Little Progress Made In Local Administration

Little progress has been made in improving local governmental administration such as budgeting, centralized purchasing, city manager form of government, modern accounting and elimination of administrative boards. On the other hand, the "spoils system" still prevails in most of the towns, villages, cities, and counties. While the State of Minnesota has adopted a merit system for selecting its own employees yet political machines are still in control of most local units of government.

Local Governmental Setup In Minnesota

Minnesota has an acute problem in respect to its local governmental organization. Only three states (Illinois, Kansas and Missouri) have a larger number of local units of government. Minnesota had

10,409 local units of government in 1941. Of our neighboring states, it is of interest to note that Indiana had only 3,032 units; Ohio, 4,216, and South Dakota 4,919. Most of the southern states have less than 1,000 units. Only thirteen states have more counties than Minnesota (87 counties). Twenty-six states have no township government while Minnesota with 1,883 townships exceeds every state in the union. Minnesota has 7,687 local school districts, being exceeded only by Illinois (12,129), Kansas (8,650), and Missouri (8,652).

Aids Have Delayed School Reorganization

Minnesota has made little effort to solve this problem of excessive number of local school units. The present liberal policy in respect to state aids for schools, and the high school tuition aid in particular, has deadened any action in this field. If state aids were suddenly withdrawn, over half of these local school units could not survive.

It has been suggested that town boards be given jurisdiction over the local district schools. Such a move would automatically reduce 7,687 school units of government to about 1,700 units and greatly simplify the local system of government in Minnesota. Others have suggested a county system of administering schools. It is clear that little will be done about simplifying the local school system until the existing aid system is revised, and the number of sub-normal districts be reduced by some means.

Little Effort Made To Solve Local Tax Problems

State aids have delayed or prevented any local effort to solve municipal tax problems on a local basis. Many tax economists are not convinced that local units, especially the cities, have actually exhausted the full possibility of obtaining additional revenue from new types of local taxes, fees, licenses, service charges and special assessments. Further, little progress will be made in this field so long as state aids are available. Municipal officials would naturally prefer the state and federal government to take the responsibility for raising additional taxes and then to increase aids or share the tax receipts. Local politicians are not going to seek out local tax sources so long as there is a Santa Claus at the State Capitol or in Washington.

New Tax Source Badly Needed

It is highly important that some new non-over-lapping and non-conflicting tax source be found for cities. Much of the vitality of local government in Minnesota depends upon the discovery and use of such a tax source. Fortunately considerable progress has been made by cities in other states proving very definitely that cities can solve their local revenue problems with certain types of taxes which do not conflict with sound economic and tax principles. We are, therefore, listing recent moves in this field.

Nation's Cities Tap New Sources Of Revenue

The nation's municipalities are tapping an increasing variety of new revenue sources in order to maintain local governmental services and free themselves of state and federal control.

A compilation of numerous sources which cities have adopted in recent years to supplement real property tax and other income is presented below.

- (1) **Admissions:** Usually a flat rate of one or two cents per ticket, or a fixed percentage

of the price of admission to all amusements is imposed. The State of Washington granted authority to all cities in the state to enact an admission tax. In 1943 sixty-seven cities adopted such a tax. The average rate was 5%. Tacoma's estimated receipts from this tax were \$100,000 in 1944. Philadelphia recently hiked its ticket tax on movies from 4% to 10%. Portland, Oregon has a 1c tax on each theater ticket. Atlantic City has a 3% tax, while Canton, Ohio and Springfield, Missouri are now applying a 1% tax on all tickets.

- (2) **Amusement Devices:** Many cities license automatic coin machines. Both the operator and the owners are taxed in most municipalities. Auburn (New York), Cincinnati, Milwaukee, Tacoma, Topeka, Watertown (Massachusetts), Kewanee (Illinois), and Akron (Ohio) are levying taxes on pinball machines and juke boxes.
- (3) **Business Licenses:** Many cities, especially those in the South, obtain sizeable revenue from licenses on business or gross receipts. Seattle, Washington, has a business and occupation tax with an estimated yield of \$1,200,000 a year. The rate is \$1.00 for each person or company doing business in the city. There is also a one mill tax on each dollar of gross income except business with income less than \$600 bi-monthly. Missouri cities use the gross income method; license averages \$1.00 per \$1,000 retail, 50 cents per \$1,000 wholesale. Chicago, Louisville, St. Louis, Birmingham, and Richmond base the license on volume of business. In Richmond and Birmingham the tax covers nearly all kinds of business and professions. San Diego, California, has an annual business license that covers all retail, wholesale, and manufacturing establishments. Detroit recently raised license fees on 43 items (of 98 items), thereby increasing revenue \$200,000.
- (4) **Cigarettes:** A few cities have imposed a municipal tax on cigarettes. Kansas City, Birmingham, St. Louis, Denver, Miami, and Tuscaloosa have special cigarette taxes. Denver received \$330,000 from this source in 1944. Miami, Florida adopted a two-cent per pack cigarette tax on July 24, 1946 and expects to realize over one half million dollars.
- (5) **Garbage and Rubbish Collection Charges:** There is a growing use of charging for special services. Indiana has recently adopted this plan and the 1945 Minnesota Legislature granted this authority to the three cities of the first class. St. Paul has adopted a 75 cent service charge per month for single families for garbage and rubbish collection. Cambridge (Massachusetts), Long Beach, Traverse City (Michigan), Beatrice (Nebraska), Sweetwater (Texas), Fort Worth, Dallas, and Vancouver (Washington) follow this fiscal practice. Columbus, Ohio obtained \$325,000 revenue from this source in 1944.

- (6) **Gasoline:** Municipalities in six states — Alabama, Florida, Missouri, Nevada, New Mexico, and Wyoming—levy municipal gasoline taxes ranging from one-eighth cent to two cents per gallon. The widespread use of this tax is limited by the development of a ring of filling stations all around the city. Birmingham, St. Louis, Albuquerque, Kansas City, St. Joseph (Missouri), Montgomery, and Pensacola (Florida) levy a one cent gasoline tax. The 1945 Legislature in Arkansas authorized localities to tax distributors of gasoline.
- (7) **Income:** Philadelphia, Toledo and St. Louis (August 1, 1946) adopted what are called municipal income taxes. They might be labelled payroll taxes. Philadelphia received \$22,500,000 from this tax in 1944.
- (8) **Parking Meters:** As of January 31, 1945, 431 cities, including the City of Minneapolis, were operating approximately 200,000 parking meters. Rochester, New York, obtained \$100,000 revenue from this source last year. St. Paul has recently installed meters.
- (9) **Sales:** The municipal sales tax is used in a few cities but since such a tax has the tendency to destroy the trading advantage of the central city, it has not spread to many communities. New York City is the best example—also New Orleans with a 2% tax. Los Angeles and San Bernardino, California, recently enacted a 1% sales tax that followed the state's sales tax law in all particulars. Over twenty other California cities have adopted a sales tax in the past six months. New Orleans received 40% of its total receipts from the sales tax.
- (10) **Sewer Rentals:** Sewer rentals are being used in an increasing number of cities. The 1945 Legislature of California passed a law permitting cities to make service charges for sanitation and sewerage facilities. Cleveland receives \$1,000,000 a year from this source.
- (11) **Utilities:** There are various municipal taxes imposed on utilities. New York state permits cities to levy a 1% on gross receipts of utilities. In 1945 Florida gave cities authority to impose a tax not to exceed 10% on the purchase of electric, gas, water, telephone, and telegraph utility services. Columbus, Ohio, has a 5% consumer's utility tax on gas, electric, telephone, and water bills. Memphis, Tennessee, has a 4% gross receipts tax on telephone and telegraph companies, and obtains \$200,000 each year. Kansas City levies 4% on gross income of telephone companies and 3% on bus revenues and a tax of one mill per street car passenger. St. Louis has a 5% gross receipts tax on telephone companies. El Paso, Waco, Galveston and other Texas cities, Los Angeles, Pasadena, Wichita, Detroit, Allentown, Erie and McKeesport (Pennsylvania) levy taxes on utilities.

Philadelphia Income Tax Endorsed

It will be noted that many of these new sources listed above do over-lap and conflict with existing

state and federal taxes. The major exception is the semi-gross income tax being used in the City of Philadelphia. This tax is more of a gross than a net income tax. There is a flat rate of 1% on income earned in the City whether by residents or non-residents. Unincorporated business and professions are included in the base. Corporations are excluded on the theory that they are already taxed by the state. On the same theory dividends and interest are excluded from the tax base. The tax is collected at the source in so far as possible and is sometimes referred to as a payroll tax.

The City of Toledo adopted the general principles of the Philadelphia plan and added a 1% tax on the net income of all business done in the City. However, the State of Ohio has no income tax so there will be no conflict between the city and the state.

St. Louis calls their new tax an "earnings" tax but follows the Toledo plan in most respects.

It is rather surprising that this type of tax has not been given wider use by the cities of the country since it is endorsed by many tax authorities. For example, we quote Professor Harold Groves of Wisconsin:*

"Such a tax would have many advantages over any alternative you could think of—over the property tax, the sales tax, the gross income tax, even the customary net income tax. Over the property tax because it would not be regressive as the property tax undoubtedly is on the home owner; it would not be shifted in any large degree; it is a tax that would stay put. Over the sales tax because it would at least not affect the family man more heavily than the single individual or the individual with few dependents, and again would not be shifted. Over the gross income tax for a good many of the same reasons. It would not be as progressive; it would be a really proportional tax in fact as well as in name. It would not be progressive as is the customary net income tax, but would yield a great deal more. It would be much more like the property tax. Possibly we have to rely on the federal government to a considerable extent to provide the progressive element in our tax system."

Enabling Legislation Necessary In Minnesota

It is quite obvious that local communities throughout the country are making progress in their efforts to find new sources of revenue to supplement the property tax. A great many types of taxes are being used. Out of this experience Minnesota cities and other local communities can obtain valuable hints to possible steps that might be taken in this state. It would, no doubt, be necessary for the Legislature to delegate wide powers of taxation to the local communities before most of the tax sources mentioned above could be used in this state.

Property Tax Administration Needs Reorganization

State aids have eased the pressure on the necessity of improving the assessing, equalizing and administrative machinery in respect to the property tax, thus increasing the revenues from this source. Minnesota has sidestepped this problem of better property tax administration for many years. A reasonable property tax properly administered by local governments has real merit if local units are to retain any vitality or if local officials are to retain a voice in and responsibility for local services.

*March, 1945, Minnesota Municipalities.

Under present day conditions property taxes are no longer the leading tax source. In 1941 of the total taxes (\$18.6 billions) for all units of government in this country, property taxes supplied only 24% (\$4.5 billions). This percentage was much smaller in 1944. Perhaps the recent trend to relieve the property taxpayer by the device of larger state aids has gone far enough and more attention should be given to better administration of this tax and to finding additional sources of direct revenue for local government.

Shared Taxes Preferred By Local Officials

Numerous local public officials have urged the greater use of the shared tax rather than the expansion of state aids as a means of solving the local revenue problem. They suggest that shared taxes would be distributed on the basis of where the revenue originated; would not be dedicated to any special purpose or have any supervisory strings attached thereto.

Shared taxes also eliminate wasteful duplication of tax administration and costly repetition of taxpayers' compliance. In addition, the tax system is adjusted to the economic pattern of the state. In spite of these advantages there are some definite liabilities to a shared tax. In the first place, the funds are often distributed to communities that have no need for the assistance, thus encouraging waste. In the second place, the state places no supervisory restrictions on the use of the funds. Local taxpayers do not place the same scrutiny on these Santa Claus funds. A third defect is the fluctuation of the yield from year to year. As yields decline during business depressions local units find themselves in serious financial difficulties. A final disadvantage involves the difficulty of finding a satisfactory apportionment formula. Residence of a taxpayer, either an individual or corporation, does not truly indicate where the income was produced.

Shared taxes will not gain much headway due to the make-up of most state legislative bodies. Legislators from the poorer districts will always insist on distributing funds on a need or equalization basis. If the state government is going to raise the taxes and assume the political responsibility, then the legislature is certain to insist on attaching certain qualifications to where and how the funds are to be used.

Optional Supplemental Tax Proposed

It is well known that shared taxes raise the serious and unsolvable problem as to the method of distribution. As an alternate plan it has been suggested that local communities be granted the authority to add supplemental local rates to existing state taxes. The administration and collection of the tax would still rest with the state tax department but the revenue from the additional rate or surcharge would be returned to the locality.

Such a plan was recommended to the Michigan legislature by a special legislative interim committee. It was suggested that the state reduce the 3% sales tax to 2 1/2% and then grant any city the authority to levy a supplemental sales tax of 1/2 of 1 percent to be collected by the state. It has also been suggested by other tax authorities that the

same plan might be applied to state income, inheritance, utility, gasoline and auto license taxes.

Some Definite Advantages Of The Plan

Advocates of this type of tax sharing contend that there are some very definite advantages to this plan. In the first place, "home rule" powers are upheld since the local legislative body must determine whether they want the supplemental tax or not. If so, they must take the political responsibility for their action. Secondly, it avoids piling one more tax on the business world by providing for central administration. Further, it will not harm business interest of the central city since the rate differential with the suburbs is too small. The optional feature of the plan meets the diverse needs of the cities of the state. In other words, many cities do not need the additional revenue. Some experimentation with this type of a tax seems to be justified.

Co-ordination Of National, State And Local Taxes

Little has been done to assign separate spheres of taxing authority to the federal, state and local units of government although a vast amount of research has taken place in the field. Co-ordination of national, state and local taxation and the prevention of conflicting and over-lapping taxes is largely an unsolved problem.

Most plans for co-ordinating federal, state and local tax system segregate special types of taxes to different levels of government. Such plans suggest that a tax is to be assigned to the layer of government that is best able to administer it. If this were done, the federal government would probably be selected for practically all types of taxes except the property tax. This would require the development of an extensive system of federal aids or shared taxes. Such a program might be ideal from the taxation viewpoint but it would create a problem of distribution to the states that is well nigh insoluble. The battle between poor and rich states would reach tremendous proportions. In addition, it is pretty well agreed that any such plan would impair the financial integrity and sovereign powers of the state and local governments.

Aids Expand Unsound Fiscal Practices

An additional indictment of any subsidy system can be made in respect to the practice of dedicating the aid funds to some special purpose. Most aid laws, either state or federal, limit the use of the funds to some exclusive purpose such as old age assistance, highways or education. Local officials are left only with authority to administer the grant. This makes them merely rubber stamps for official decisions made on a higher level of government.

The Institute, on a number of occasions, has pointed out the harmful effects of dedicating certain revenue receipts to some special function of government. It places the local finances in a fiscal strait-jacket and makes local legislative bodies impotent to adjust currently the needs to the revenue available.

This is a rapidly changing world. Governmental needs are shifting rapidly. No one can say what the educational or highway needs of a state or county may be five or ten years hence and rigid allocation of funds may prevent their being met.

Competent local self-government cannot be main-

tained if all decisions of local officials are impeded by the device of dedicating funds to special purposes. America needs vehement and free local legislative bodies if the democratic process is to be maintained and extended. State or federal aids limited to a spe-

cific purpose have contributed materially to this unsound fiscal practice. It is true that shared taxes do not have this liability but few legislative bodies favor this method of assisting local units of government.

Appendix A—Reasons for State Aids

Shared taxes and grants-in-aid are methods by which the state and federal government supplement revenue raised by local governmental units with state and federal collected revenue. The state or federal government is responsible for collection of the revenue while the spending of such funds is performed by local governmental officials. In the this discussion of payments to or for other civil divisions no distinction is made between shared taxes and grants-in-aid. The use of the term "state aids" is considered synonymous with both.

Shared Taxes—Definition

A shared tax is defined as a tax collected by a higher level of government and receipts therefrom shared with a lower level in proportion to the payments of such tax within the sharing unit to the total collected. The tax is a continuing one being distributed each year without further legislative action. In most instances the cost of administering the tax is deducted by the state government. In the state of Minnesota six taxes and two fees fall within this definition.

Grants-In-Aid—Definition

Local governmental units receive grants-in-aid from the state government for various purposes. These grants are usually called state aids and are dependent on a state appropriation rather than on a tax. Some of the aids granted are contingent upon the local governmental unit contributing funds and meeting certain standards prescribed by the state in order to qualify. Others are outright grants for special or general purposes. Almost all state aids are paid directly to local governmental units with the actual expenditure being made at the local level.

Administrative Controls Important Part Of Aids

With the exception of shared taxes and fees and a few minor aids, the state attaches "strings" to its grants to local subdivisions to be assured that the funds will be used for the purposes designated by the legislature. When federal funds are commingled with state funds and passed on to local governmental units the federal requirements as well as state standards must be met. One advantage which grants-in-aid have over shared taxes is that the former carries greater possibilities of control and of conserving

funds by insuring that aids are spent effectively on designated purposes.

The various methods of control and supervision require that aids must be credited to a special fund; require local officials to make detailed reports covering operations, receipts and expenditures; to withhold funds to check abuses; require advance review and approval of expenditure plans, and in some instances, require the selection of local personnel by civil service provisions. In addition, the state employs special auditors and inspectors to check local governmental units to assure compliance with certain aid laws. There can be no doubt that these controls have had a good influence on the quality of local administration.

Purpose Of State Aids

Motives or reasons underlying all grants to local governmental units are (1) to relieve local property taxes, which account for 90% of the revenue raised locally by the minor civil divisions; (2) to improve the overall tax system of the state by broadening the tax base; (3) to assist in financing new activities such as old age assistance, airport construction, etc.; (4) to equalize the cost of certain governmental functions; (5) to provide for minimum uniform services throughout the state irrespective of ability to finance such expenditures; (6) to assist financially distressed areas, and (7) to stimulate the introduction of new activities or raise the standards of specific programs deemed advantageous to the general welfare of the state. The granting of additional funds for the latter in many instances also relieves local property taxes although in other instances it may be necessary for the local governmental units to raise additional funds to qualify for certain stimulation aids.

The first purpose mentioned above, namely, the relief of the local property taxpayer, is the major objective of recent increase in state aid programs.

State Aids A New Financial Development

State aids of present day volume are a relatively new trend in public finance. This new financial development arose largely out of the need of larger expenditures in all local units of government, coupled with the fact that the main source of revenue, namely, the property tax, had serious difficulties during the depression years.

Property Tax Base Smaller

The property tax base has been shrinking for many years. This complicated local financing and forced local officials to seek assistance from higher levels of government. Taxable values have decreased from \$2,084,286,979 in 1920 to \$1,304,899,706 in 1944 or a decrease of 37.4%. This large shrinkage in the local tax base is not entirely due to economic factors.

The adoption of the constitutional amendment exempting motor vehicles from personal property taxes made a substantial reduction in the property tax base in many states including Minnesota. Homestead exemptions were also authorized in many states.

In recent years the federal government and the state have constantly increased their land holdings. Such property is not subject to local property taxes. While the valuation of such property is not large in relation to total state valuation, it is important to local governmental units wherein such property is located. This is especially true of Minnesota.

This decrease in the property assessment base made it necessary to increase mill levy rates as the need for revenue was still present or even increasing. The resultant high mill levies caused property taxpayers to seek laws which would limit this ever increasing tax burden.

Property Owners Forced The Issue

Property owners in self-defense passed considerable legislation limiting or freezing existing tax rates on property. In addition to homestead exemptions and the elimination of property taxes on automobiles, this legislation took the form of fixing an overall limitation on property tax rates, limitations on local spending (usually on a per capita basis), and in some cases limitations were placed on the amount or mills to be levied for special purposes, such as schools, highway, relief, parks, etc. As a result of this legislation, local units of government found themselves in a tight fiscal strait-jacket due to a constantly shrinking tax base. By the very nature of this condition, local public officials and citizens appealed to the state legislature for additional funds.

Other Factors Increasing State Aids

There are also a number of factors, other than the relief of the property taxpayer, that have influenced the granting of larger state aids. In the first place state governments, and in some cases the federal government, have assumed greater responsibility and interest in local functions of government such as relief, education, social security, highways, etc. For example, state governments have for many years shown a special interest in improving and expanding the local education system. This has been done by a number of different types of aids, such as the stimulation of vocational courses, transportation to encourage school consolidation, classification aids to encourage schools to adopt a nine month

school year, employment of better trained teachers, etc.

Equalization Of Tax Burden A Factor

The wide variation in financial ability between local units of government to support government has induced the state government to offer various types of supplemental or equalization aids so that all citizens would receive approximately the same type of local governmental services irrespective of their ability to finance the expenditures. In other words, these grants are based on relative need for the service and relative financial resources.

The large cut-over area in northern Minnesota has made this an acute problem in this state. This type of aid is known as supplemental aid, and has been used rather widely for local schools and social welfare purposes. Equalization aids have not been used by the federal government but many bills now pending in congress propose to use the variable grants theory.

Loss Of Local Tax Sources

The enactment of state taxes which deprived local governmental units of special tax sources has forced the state government to replace such revenue with another type of special assistance. Examples of this type of aid in Minnesota are the money and credits tax and gross earnings (railroad) aid and the sharing of the bank tax and vessel tonnage tax.

Matching Aids Increased Local Taxes

Expansion of federal aids in recent years has forced the state government to increase its own grants-in-aid. This is due to the federal practice of requiring the state or local governments to match federal funds before qualifying for the same.

It should be pointed out here that matching aids either of the state or federal government has practically forced local or state governments to increase their costs of government many times against their own judgments.

Social Security Aids—Good Example

The best example showing the effects of this type of federal action on state finance is the Federal Social Security program. In 1935 the federal government entered the social welfare field, involving assistance for the blind, the aged, and for dependent children.* Large grants of federal aids were authorized, with a like amount to be matched by the states. The program was to be administered by either the state and/or county governments under close federal supervision and with definite standards of administration. States could elect to finance their shares alone or to pass all or part of the burden on to the local units. About half the states, including Minnesota, elected to grant substantial amounts of additional aid, leaving only a small percentage of the expense for local taxpayers to carry. This federal action explains in large part the large increase in state aids during the past decade.

*Unemployment compensation payments are not considered as a federal aid.

Appendix B—Growth of State Aids

Thirty Years Ago State Aids Meager

Years ago state aids were not a large factor in state finance. In 1911 state aids amounted to only \$3,121,557. Aids were limited largely to local schools, being \$2,813,968 or 90% of the amount listed above. The major item was the distribution of earnings of the school trust funds and a state one mill school levy on property. By 1931 all state aids had reached \$16,089,525 and of this amount, school aids amounted to \$10,400,000. This was 29.5% of all local school revenues. At that time school aids had been broadened in scope to include supplemental (distress districts) aids, classification, high school tuition, transportation, etc. These aids were justified as stimulation devices and also assisted school districts with meager finances. Supplemental aids are sometimes known as equalization aids.

Further, highway aids (payable from the one mill highway property levy) appeared for the first time in 1914 and amounted to approximately \$1,300,000. The gasoline tax, of which 1/3 of the receipts are paid to counties for highway aid, became effective May 1, 1925. The rate was 2c per gallon until May 1, 1929 when it was raised to 3c. In 1941 the Legislature permanently raised the rate to four cents. The adoption of this increase automatically raised state aids.

Ten Year Comparison Of State Aids

Appendix Table A presents the increase of payments by the state to other civil divisions by governmental functions for a ten year period ending June 30, 1944 and total current state governmental costs. State aids increased from \$20,004,266 in 1935 to \$45,673,789 in 1944. This was an increase of \$25,669,523 or 128.3%. The percentage increases are shown on Appendix Chart A.

APPENDIX TABLE A
STATE PAYMENTS TO OR FOR OTHER CIVIL
DIVISIONS—BY FUNCTIONS
1935-1944

	1935	1944	1944 over 1935	% 1944 over 1935
Health and Sanitation	\$ 603,563	\$ 623,047*	\$ 19,484	3.2
Protection to Persons & Property	222,861	301,471	78,790	35.4
Development & Conservation of Natural Resources	58,990	104,575	45,585	77.3
Highways & Airways	4,636,918	4,622,606	-14,312	-.3
Public Welfare	2,980,184	19,482,766	16,502,582	553.7
Education	11,131,508	19,210,516	8,079,008	72.6
Miscellaneous	370,422	1,328,808	958,386	258.7
	\$20,004,266	\$45,673,789*	\$25,669,523	128.3

*Includes \$5,364 for aid to County Sanatoria which cannot be allocated to counties. Distribution of such aid by counties is not available for 1935 and, therefore, must be included so that figures will be comparable.

All governmental functions, with the exception of "general government", are present in this table. It will be noted that a substantial increase has occurred in almost all governmental functions represented during the ten year period. Only one governmental function, namely, "Highways and Airways" has shown a decrease. This is due to curtailment of highway construction during the war. During this ten year period highway aids in excess of 8 million dollars per year have been recorded.

It is also to be noted that practically all of the twenty six million dollar increase occurred in two functions, \$16,502,000 for "public welfare" and \$8,079,000 for "education". The major single item responsible for the large increase in aids over the past ten years was old age assistance which amounted to \$16,587,359 alone.*

Protection To Persons And Property

Aid for protection to persons and property has increased from \$222,681 to \$301,471, an increase of \$78,790 or 35.4%. This is due to increased receipts from a 2% tax on fire insurance policies in municipalities and a 2% surtax on fire insurance policies in certain cities and not to any change in the law. The receipts from these taxes are collected by the state and returned intact to the municipalities. In other words, this is a shared tax type of aid.

Health And Sanitation

During the ten year period ending June 30, 1944 state aids for health and sanitation have increased approximately \$20,000 or 3.2%. Minnesota University General Hospital expense—a 50% payment of the cost by the state for county indigent patients treated at the Minnesota General Hospital — has increased \$83,000. A minor item — "Aid to County Nurses" (federal funds) — in amount of \$15,000 appears in 1944 which was not present in 1935. As an offsetting item — "Aid to County Sanatoria" has shown a decrease of approximately \$75,000 during the ten year period due to a decrease in the number of patients in the County Sanatoria.

Development And Conservation Of Natural Resources

The only state aid under this function of government is for County Agricultural Agents. This item increased from \$58,990 to \$104,575 or an increase of 77.3% during the ten year period. The state pays \$1,175 of the salary of each county agent. The increase during the decade is due to more counties accepting the grant. In 1944 eighty-three counties were receiving this aid.

Highways And Airways

State aids for highways and airways is the only function which shows a decrease (.3%) for the ten years under consideration. This is largely due to war conditions (rationing) which cut revenue from

*Decreases in other items classified under "Public Welfare" account for the old age assistance increase exceeding the total increase.

gasoline taxes and motor vehicle licenses (source of receipts for this aid). In addition, priorities and war restrictions on building made it impossible for local governmental units to use such funds had they been received. Due to the latter condition, the state as of June 30, 1944, had invested \$3,000,000 of aid funds and had a balance of \$1,600,000 on hand which normally would have been paid to counties during the year of collection. These deferred grants will now supplement current payments.

Public Welfare

For the ten year period under consideration, state payments to or for counties for public welfare have increased 553.7%. Such payments have increased from \$2,980,000 in 1935 to \$19,482,000* in 1944 placing state aid for this governmental function above all other functions.

With the exception of direct and work relief which have decreased from a high of \$5,634,861 in 1937 to \$734,099 in 1944 due to better employment opportunities, all welfare aids show an upward trend. In fact, old age assistance aid did not appear until 1936 and then amounted to only \$542,165 but jumped to \$9,223,388 the following year. While there are approximately 10,000 fewer old age assistance recipients at present (54,820) than the recorded high, payments to such recipients in 1944 were at an all-

*Federal government supplied \$11,759,236 of these funds. Except for relief, the federal government carries approximately fifty percent of the cost of old age assistance, aid to dependent children and aid to the blind.

time high (\$16,587,359) due to higher grants per recipient (\$28.40—June, 1944).*

Aid to Dependent Children did not appear until 1938 and amounted to \$1,151,028. This item reached its peak of \$2,695,866 in 1942. There has been a slight decrease for the past two years, largely due to increased employment and earnings of parents during the war period.

Aid for Children under Guardianship has increased from \$32,272 in 1935 to \$95,499 in 1944. This increase was not due to any change in the law but to the closing of the state school at Owatonna.

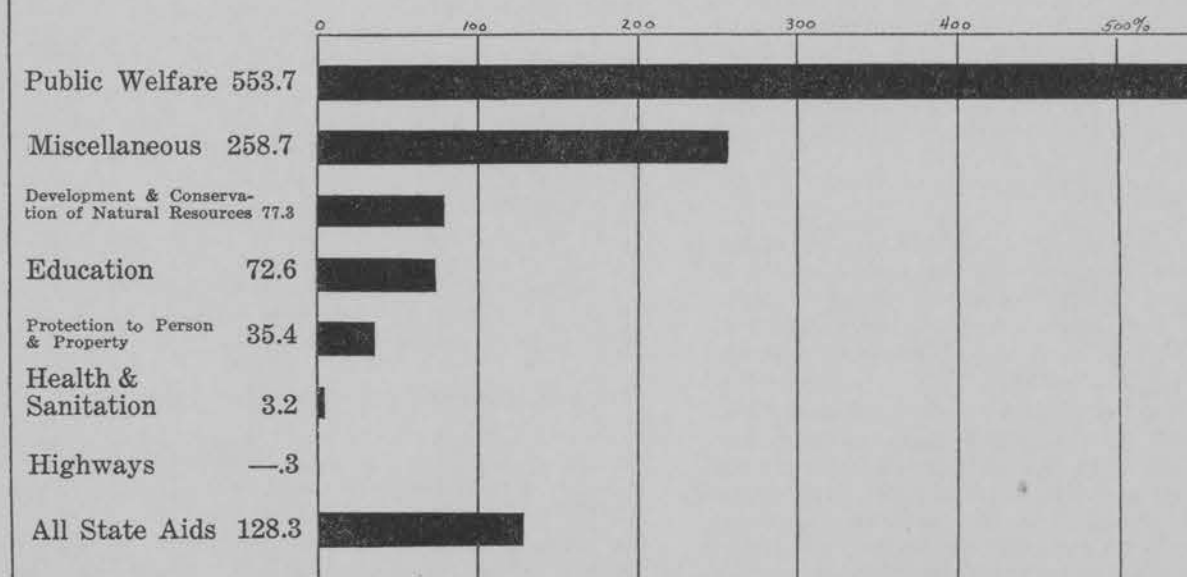
Education

Payments to local schools for the year ending June 30, 1944 totaled \$19,210,516 which is slightly below similar payments for Public Welfare. For the ten year period under discussion these payments have increased \$8,079,008 or 72.6%. With the exception of 1938, when an additional grant on a per pupil basis from the income tax school fund was granted, payments in 1944 are at an all-time high. The large increase in school aids resulted from the legislature adopting the income tax and dedicating the receipts to local school needs. The grant of \$10 per pupil, six to sixteen, resulted in an increase of approximately five million dollars.

Other new school aids during the period were Rural Credits Land Tax Aid, aid in lieu of the Money

*The average grant per capita in June, 1945 was \$30.12 or an increase of \$1.72.

APPENDIX CHART A
PERCENTAGE INCREASE OR DECREASE OF MINNESOTA
STATE AID PAYMENTS—1935 TO 1944
BY FUNCTION



and Credits Tax, transportation of high school pupils and aid for distressed school districts. The four new aids account for \$1,326,456 of the eight million increase.

Years ago most of the state aids for schools were prorated since the legislature did not appropriate sufficient funds. During the last two or three years income tax receipts were much higher and the legislature increased the amounts appropriated. This was true of supplemental aids which increased over one million dollars in the last ten years.

Miscellaneous

The increase of \$958,386 for the ten year period in the Miscellaneous classification is mainly due to

the taxation of banks on an income basis by the state—the receipts from such tax being returned in full to the local communities. Prior to the enactment of this tax, banks were taxed on a property tax basis at the local level. This item alone accounts for \$1,038,368.

New aids since 1935 under this "Miscellaneous" classification other than the bank excise tax, are \$47,630 aid to distressed townships, the co-operative rural electric shared tax amounting to \$8,396, aid to towns with large proportion non-taxable real estate \$4,500, aids to counties with large proportion non-taxable real estate \$25,000, and aid to counties with 40% non-taxable land \$24,000.

Appendix C—Federal Aid to Minnesota

Federal Aids Important In State Finance

Federal aid is an important part of state governmental finance. In fact, Minnesota received 14.8% of its revenues in 1944 from the federal government. Its withdrawal or curtailment would create serious financial problems in the various states—problems similar to those that would be faced by the various counties in Minnesota if their state aid was withdrawn or curtailed.

Federal Aid To All States Totaled Over Half Billion Dollars

Regular federal grants-in-aid to the states and federal shared revenues with the various states for the fiscal year 1944 totaled \$598,306,580.* An additional \$1,163,804,352 was spent by the federal government in the various states for agricultural adjustment, civilian defense, relief, training of nurses, vocational education and training of war workers. In a sense the latter figure could be considered as a grant-in-aid but inasmuch as these expenditures were on an emergency basis and were administered directly for the most part by federal agencies, they are not considered in this report.

Federal Aid Prior To 1914

Prior to 1914 federal grants-in-aid to the states, exclusive of grants for the National Guard which in reality is a federal rather than a state activity, were less than \$5,000,000 annually. With the passage of the Highway Act in 1916 aids increased substantially.

During the twenties Federal highway aids totaled about \$80,000,000 annually and other grants combined totaled 10 to 20 million dollars. Half of the latter was granted to state agricultural experiment stations; about one-third to the various states for vocational education; and the remainder, in annual appropriations of less than \$1,000,000 each for forest fire protection, vocational rehabilitation, public health, and maternal and child health.

*Unemployment compensation payments are not considered as federal aids in this report.

Large Increase In The Thirties

Large increases occurred in the regular, permanent federal aid between 1931 and 1938* largely due to unemployment relief grants and to the new welfare aids provided for under the Social Security Act which was enacted in 1935. In addition, substantial increases in federal appropriations were provided for vocational education, agricultural extension, highway, etc.

Large Increase In Federal Aid To Minnesota

Regular federal aid to Minnesota amounted to only \$310,256 in 1920. By 1930 it had increased to \$2,921,224 and in 1940 totaled \$17,159,630. The lower figure of \$15,385,601 for 1944 was due to smaller highway grants which were postponed by war restrictions on building materials. Payment of federal highway grants had not materialized by 1946 and the total figure for this year remains approximately the same as for 1944.

Increased Federal Controls

As Congress expanded the federal aid program it also provided for more controls over the utilization of aid funds granted the various states. In most instances it has required the states to match federal contributions. Congressional controls were enacted to assure prudent use of funds and to insure the achievement of federal objectives. Regardless of the objectives or motives back of these federal controls, it resulted in weakening state responsibility over their functions of government.

Stringent Controls Fixed For Social Security Grants

The Federal Social Security Act of 1935 contained matching provisions as well as certain standards for the states to qualify. It required financial participation by the state; that uniform aids be in effect in all political subdivisions of the state; if administered by local subdivisions to be mandatory upon them; and that a single state agency be designated

*During this same period of time large sums were appropriated and spent on projects in the various states in an effort to stimulate recovery from the depression. These appropriations, however, cannot be considered as regular, permanent federal aids.

to supervise the program. In addition the act required that state and local governmental employees administering these programs be chosen by merit examination under a Civil Service System.

Cities Given Special Consideration

Recent federal aid legislation (1946) for postwar highways, for the first time earmarks a portion of the federal highway aid granted any state for use within cities. This federal policy of by-passing the state government in determination of allocations was a new departure in federal aid procedure and has resulted in much unfavorable comment from state officials. Generally, rural dominated legislatures have restricted the use of highways funds to non-urban areas. Congress, at the pressure of municipal officials, now seeks to correct this unfair treatment of the cities by ignoring state officials in this new federal highway aid act.

Classification Of Federal Aid To Minnesota

Appendix Table B presents a functional classification of federal grants-in-aid and shared taxes to the State of Minnesota for the fiscal year 1944. The amounts are listed under descriptive titles indicative of the program for which the funds were granted. Federal grants in 1944 totaled \$15,385,601 or 12.4% of total state revenues. It is obvious that the federal government is now participating in financing and controlling to some degree every major function of state government in Minnesota.

Welfare Grants Largest In Minnesota

It will be noted in Appendix Table B that Welfare grants-in-aid far exceed those granted for any other governmental function (\$11,759,236). Grants for old age assistance (\$10,302,848) constitute two-thirds of all federal aid granted Minnesota. Aid to Dependent Children (\$1,252,568) is the only other single aid exceeding a million dollars in amount. Blind education and blind aid totaling \$200,707 constitutes the balance of federal aid granted under the "welfare" function of government.

Federal aid for welfare purposes to Minnesota will temporarily increase as a result of action by the 79th Congress which increased the maximum federal share for Old Age Assistance and Aid to the Blind from \$20 to \$25 and Aid to Dependent Children from \$9 to \$13.50 for the first child and from \$6 to \$9 for each additional child. In addition, the matching formula, under which the federal government matched on a 50-50 basis state funds up to the federal maximum for the three mentioned programs, was revised to provide that the federal share will be two-thirds of the first \$15 monthly payments for old age assistance and aid to the blind and one-half the remainder up to the federal maximum. For Aid to Dependent Children the federal share will be 2/3 of the first \$9 of the payment and one-half of the balance up to the overall federal maximum share of \$13.50 or \$9. These provisions remain in force until 1948.

Agriculture Benefits

The Development and Conservation of Natural Resources function of government receives the second largest amount or \$816,791. The bulk of these funds (\$638,139) are for education and experimental work pertaining to agriculture which is the state's dominant industry. Forest protection and development which receives \$159,082 is the other large appropriation under this governmental function.

APPENDIX TABLE B

FUNCTIONAL CLASSIFICATION FOR REGULAR FEDERAL GRANTS-IN-AID AND FEDERAL REVENUES SHARED WITH MINNESOTA*

Fiscal Year 1944

Development & Conservation of Natural Resources	
Agriculture Experiment Stations	\$ 147,269
Agriculture Extension	490,870
Forest Protection and Development	159,082
Establishing & Maintaining Game Refuges	19,570
	\$ 816,791
Education	
Vocational Rehabilitation	\$ 90,323
Vocational Education	435,048
Colleges for Agriculture & Mechanic Arts	101,868
Education of Indian Children	158,425
	\$ 785,664
Health and Sanitation	
Investigation & Control of Venereal Diseases	\$ 121,424
Public Health Programs	202,790
Promoting Health of Mothers and Children	95,611
Protection and Care of Dependent and Neglected Children	26,971
	\$ 446,796
Hospitals and Institutions	
Corrective Care for Crippled Children	\$ 119,416
State Institutions for Disabled Soldiers & Sailors	53,587
	\$ 173,003
Highways	
Grade Crossing Elimination	\$ 136,635
Federal Aid Highway System	598,136
	\$ 734,771
Welfare	
Aid to Dependent Children	\$ 1,252,568
Aid to the Blind	200,707
Old Age Assistance	10,302,848
Blind Education	3,113
	\$11,759,236
Miscellaneous	
Unemployment Compensation Administration	\$ 668,771
Shared Revenues from Federal Forest Land	569
	\$ 669,340
Grand Total	\$15,385,601

*From figures compiled by the Council of State Governments. These figures vary slightly from those of State Auditor's. Unemployment Compensation payments are not considered as federal aids. Use of the above total in computing percentages causes variations from percentage figures computed from the State Auditor's figures.

Specialized Education Aided

Many citizens are of the opinion that the federal government does not grant aids for education. This is a misconception as the federal government has aided specialized education for a considerable period of time. This misconception stems from recent and current discussions over whether congress should appropriate funds for aid to high and graded schools.

Minnesota received \$785,664 in 1944 from federal grants-in-aid for "education".* The bulk of this amount (\$435,048) was granted for vocational education and vocational rehabilitation programs were aided to the extent of \$90,323. A grant of \$101,868 to colleges for agriculture and mechanic arts and \$158,425 for education of Indian children comprises the balance of federal education grants to Minnesota.

*In addition, Minnesota received \$1,805,190 for education of defense workers. These funds were administered by the state but are not included in these figures due to their temporary nature.

Grants For Health Large At This Time

Federal grants for Health and Sanitation (\$446,796) had a substantial expansion during the war. Federal grants for investigation and control of venereal diseases totaling \$121,424 and swells the normal total for this function. Aid to combat venereal disease was first recorded in 1942. Venereal disease control programs were also carried on during the first World War.

A grant of \$202,790 for the various public health programs carried on within the state, \$95,611 for promoting the health of mother and children and \$26,971 for the protection and care of dependent and neglected children complete the total for Health and Sanitation.

Relatively Little Aid For Hospitals And Institutions

Hospitals and institutions receive relatively little federal aid (\$173,003). Federal aid amounting to \$119,416 was for corrective care of crippled children under programs conducted by the Social Welfare Divisions such as heart and crippled children clinics. A grant of \$53,587 to the State Home for Soldiers and Sailors was also provided.

Miscellaneous Aids

Federal Miscellaneous grants-in-aid are composed almost entirely of funds to administer the Unemployment Compensation Act which amounts to \$668,771. The other item—\$569—is for the state's share of revenue from the sale of lumber in federal forests located in Minnesota.

War Restricts Highway Aid

Highway aid (composed of \$136,635 for grade crossing elimination and \$598,136 for the federal aid* highway system) was abnormally low due to war restrictions. A substantial increase even exceeding prewar grants can be anticipated during the next two or three years. This is due to passage of federal legislation in 1946 which allots \$500,000,000 in highway aids for each of the next three years.

Inasmuch as federal highway aid is on a matching basis, state expenditures for highway will necessarily increase if federal funds are to be available to

*Granted on basis of (a) 1/3 area, (b) 1/3 rural delivery routes and star routes, (c) 1/3 population.

Minnesota. It is anticipated that during the next three years Minnesota will receive \$37,000,000 under the new congressional act.

Minnesota's allocation of federal highway aid for the fiscal year 1947 totals \$12,413,572. This sum is made up of \$6,043,897 for federal aid highways, \$4,163,523 for secondary roads and \$2,206,152 for urban highways. Of the total federal highway aid, 45% is allocated to federal aid highways in the various states on the basis of area, rural delivery routes and population; 30% is allocated for secondary roads on the basis of area, rural delivery routes and rural population and 25% on the basis of urban population over 5,000.

New Federal Airport Aid

Since the basic figures in this report were compiled (1944) a new federal airport aid program has been enacted. Under this law Minnesota will receive federal aid for airports. This airport aid program authorizes expenditures of one-half billion dollars over a seven year period with not more than 100 million dollars to be expended in any one year. The 79th Congress appropriated 50 million dollars for this new aid. From this appropriation Minnesota has been allocated \$756,211 for 1947. In addition Minnesota will receive a portion of the \$10,274,250 discretionary fund allotted separately by the civil aeronautics authority. Dependent upon larger appropriations by Congress, Minnesota should receive a substantial increase in this federal aid.

Comparison With Neighboring States

An analysis of the amount of federal aid granted Minnesota per capita with that granted per capita with our six neighboring, competing states, namely, Illinois, Indiana, Iowa, Michigan, Ohio and Wisconsin, is interesting. Appendix Table C presents per capita regular federal grants-in-aid for seven states classified by governmental functions.

It will be noted from Appendix Table C that Minnesota receives the largest total amount of aid per capita—receiving \$5.99 per capita. This is materially higher than \$4.49 for Wisconsin and \$5.15 which is the average for the seven states. Minnesota receives the largest per capita grant for "Welfare", for "Hospitals and Institutions". It exceeds the seven state average per capita grant for "Develop-

ment and Conservation of Natural Resources", "Education", "Hospitals and Institutions", and "Welfare". In addition, Minnesota receives as much per capita as any other one state for "Health and Sanitation" and for "Education". Obviously Minnesota has fared well from federal grants-in-aid when compared with its neighboring states.

Generous Welfare Policy In Minnesota

Minnesota's high per capita federal grant is largely due to generous "Welfare" grants. In the three items comprising the Welfare grants, namely, Old Age Assistance, Aid to Dependent Children and Aid to the Blind (a minor item—Blind Education is not considered as it amounts to less than one cent per capita in all seven states) the federal government pays 50% of such costs up to certain limits. The fact that Minnesota's per capita grant is 8.7% larger than Illinois, which received the next largest per capita grant and 42.9% above the per capita grant to Indiana which receives the lowest per capita grant, would indicate that Minnesota was more generous in its individual grants to recipients and that a greater proportion of its citizens are receiving such aid.

Effect Of Federal Aid

There can be no question but that federal funds now constitute a sizeable source of revenue for the State of Minnesota. Advocates of federal aid contend that only through intervention of Washington can a nation-wide social security program be

developed or a system of trunk highways that will result in an effective program for national defense. The same argument is also presented for federal aid for a national system of airports. In addition, it is contended the new revenue needed for these various activities is best collected by the federal government as it is more capable of effectively administering the same at a reasonable cost; eliminates multiplicity of returns and eases cost of taxpayer compliance; avoids competition between states both as to tax sources and rates; does not have to face the problem of burdening interstate commerce and the evasion that follows, and has a far wider latitude in the selection of tax sources, especially those based on the ability to pay principle, thus resulting in a more equitable tax system.

Opposition to federal aids is based largely on the "state's rights" theory which contends that the democratic philosophy of government is best protected and preserved by decentralization of governmental activities.

Little Organized Resistance To Federal Aid

There is little organized resistance to federal aid programs. State officials denounce encroachment by the federal government and champion "state rights" but generally urge passage of federal aid bills before congressional committees. Their situation is analogous to local governmental officials who champion "home rule" but urge expansion of state aid programs.

Appendix D—Financing State Aids in Recent Years

The problem of financing \$46,000,000 of state aids is a tax problem of no small magnitude. The following tabulation shows quite clearly that larger state aids were the major factors in creating a state tax problem during the past ten years.

	1935	1944	Percent	Increase Amount
State Government Costs	\$49,467,331	\$ 54,594,892	10.4	\$ 5,127,561
Aids to Local Units	17,056,356	46,621,120	173.3	29,564,764
Total	\$66,523,687	\$101,216,012	52.2%	\$34,692,325

Ten Year Trend

In the ten year period 1935 through 1944, total state governmental costs, including "aids", have increased from 66 million to 101 million or an increase of 52%. Of the \$35 million increase in state expenditure, \$5,127,561* was for direct state government expenditures and 29,564,764 was for aids to other Civil Divisions. The percentage increases were 10.4% and 173.3% respectively. In other words, the

*Normally this item would be larger but in 1944 there was a drastic curtailment of highway expenditures due to the war which has reduced "State Government" costs. On the other hand, departmental savings were abnormally high in the year under consideration as material and supplies could not be purchased due to the war which, at least in part, offset decreased highway expenditure. In addition, the 1944 "State Government" figure contains a war salary adjustment figure estimated to cost \$3,800,000.

large increase in state aids was in large part responsible for the tax problem of the past decade.

Source of Funds For State Aids

Funds for this increase of 30 million dollars in state aids are from two sources, namely, federal aid and state tax receipts. Federal aids were discussed at considerable length in the previous section. Federal funds have materially assisted in solving the tax problems of the state government.

Federal Grants Increase State Expenditures

It must not be overlooked that federal legislation requires the state government to "match" funds in order to qualify for federal grants. In the final analysis this affects the Minnesota tax structure by increasing expenditures. Federal aids operate, and are so intended, to force on each individual state, programs and activities regardless of the state's willingness to undertake them. Citizens of the state must bear their share of federal taxation and if the state government does not match the federal contribution upon the terms fixed by the federal government, it receives no benefit.

Federal Government Supplies 26% Of State Aid Funds

Of the \$46,621,120 allotted to the various counties of the state for grants-in-aid or shared taxes in

APPENDIX TABLE C

PER CAPITA FEDERAL GRANTS-IN-AID BY GOVERNMENTAL FUNCTIONS*

(Fiscal year 1944—Estimated 1943 population)

Type of Aid	Minn.	Ill.	Ind.	Iowa	Mich.	Ohio	Wis.	7 State Average
Development & Cons. of Natural Resources	\$.32	\$.10	\$.22	\$.33	\$.20	\$.13	\$.28	\$.19
Education .....	.24	.22	.22	.24	.21	.18	.30	.22
Health & Sanitation .....	.18	.15	.18	.17	.16	.13	.15	.16
Hospitals & Institutions .....	.07	.04	.03	.06	.03	.03	.05	.04
Highways .....	.29	.54	.28	.31	.38	.46	.27	.40
Welfare	4.63	4.26	3.24	4.14	3.72	3.59	3.28	3.83
Miscellaneous .....	.26	.40	.32	.10	.35	.31	.16	.31
Total	5.99	5.70	4.50	5.35	5.05	4.83	4.49	5.15

*From data of Council of State Governments, Chicago, Ill. based on Federal Bureau of Census reports.

1944, \$11,916,415 or approximately 26% was supplied by the federal government. In addition to the above mentioned federal aid funds, the state receives grants from Congress for highways, venereal disease control, etc., which are spent at the state level and are not part of local aids. This amounted to \$3,470,877 in 1944 which is abnormally low as the federal government deferred highway aids during the war period. In other words, the federal government granted \$15,387,292* to both the state and local units of government in Minnesota.

State Revenue System Expanded

In order to carry the state's share of increased aid and for the increase in direct state expenditures it was necessary to expand the state revenue system to include practically every new tax source available to the state except a sales tax. The state adopted two new taxes at the beginning of this ten year period, namely, the income tax and liquor taxes. In 1937 the gift tax was adopted as a companion tax to the inheritance tax which had been in force for a considerable period of time. In addition, a drastic revision upward of rates of almost all existing taxes was made in 1937. Tax rates of liquor, iron ore, inheritance, gasoline and gross earnings (except railroad) were raised materially. Moreover, the income tax rates were raised to a level where the individual income tax was exceeded by that of only two or three states. In 1935 income taxes produced \$2,932,000 in revenue but in 1944 the treasury received \$24,941,000. Again gross earnings taxes brought into the state treasury \$5,012,000 in 1935 but reached the unprecedented total of \$12,419,000 in 1944. For the same year the occupational and royalty taxes on iron ore were \$949,000 and \$5,335,000, respectively. The 1944 increase over 1935 was \$22,009,000 for income taxes, \$7,407,000 for gross earnings taxes and \$4,386,000 for ore taxes.

The increases mentioned above were due to higher rates and to a large improvement in business conditions connected with the war. This factor was especially important during 1941 and 1942 and remained a factor in 1943 and 1944 although federal rationing had, in certain tax fields such as gasoline and motor vehicle licenses, limited the full effect of these war conditions.

Source Of State Aids By Specific Funds

State aids were financed from five sources in addition to federal funds. They were the income tax school fund, school trust fund, bond funds, gasoline tax fund and appropriations from the General Revenue Fund.

General Revenue Fund Appropriations

The General Revenue Fund is the main and the only non-dedicated fund of the state. This fund finances an array of state activities as well as state aids. Revenue for this fund is derived from taxes on gross earnings, liquor, insurance, inheritance, gift, iron ore, miscellaneous earnings and from

*In addition, \$1,805,190 in federal funds were spent under the administration of the Department of Education for education of defense workers and \$1,409,237 was received by the state for Maternity and infancy emergency programs, defense highway aid, military training in teachers colleges, etc. These funds financed temporary war programs and for this reason they are not included in this study.

licenses, fees and permits. Nearly all of these tax sources were given sizeable increases in rates in 1937. Receipts are now at an all-time high due largely to war production. There was no state property levy for the General Revenue Fund in 1944 but there has been a two and one-half mill levy during the past two years.

State aids appropriated from the General Revenue Fund totaled approximately \$10,000,000 for the year ending June 30, 1944 or 1/3 of total legislative appropriations from this fund.

Income Tax School Fund

The Income Tax School Fund was created in 1933 by dedicating receipts from the income tax. This fund was to finance school aids. A provision of the law provides that if such income tax receipts are not sufficient to finance authorized school aids, then said aids are an obligation of the General Revenue Fund. In 1944 receipts from the income tax were \$24,941,000 which was more than ample for financing current school aids.

Prewar income tax receipts ran 10 to 12 million dollars before the levying of the present high federal taxes (which are deductible) and receipts should, therefore, fall below this figure in the postwar period. Prewar normal receipts were insufficient to finance all school aids. For the years 1934 through 1939, \$34,000,000 of General Revenue Fund moneys were used to supplement school aid expenditures. School aids payable from income tax receipts amount to sixteen million dollars today. It is thus apparent that future school aids will, at least in part, continue to be an obligation of the General Revenue Fund.

School Trust Funds

The annual interest earned from investment in the Permanent School Trust Fund and Swamp Land Fund is another major source for school aids. These funds were established by investing receipts from the sale of land granted to the state by the federal government. In addition, the Permanent School Trust Fund receives annually 40% of the receipts from the iron ore occupational tax. There are 107 million dollars in these trust funds and the interest available for school aids amounted to \$3,025,933 in 1944.

One-third of the gas tax receipts furnish the funds for county highway aids. The gas tax is now 4c per gallon, having been raised 1c in 1941. Part of the increased receipts was used to replace aid grants from the one mill state road tax which was repealed at that time. The amount of this aid, therefore, varies directly with such tax receipts, barring restrictions on spending such as occurred during the war when unspendable funds were invested for future distribution.

Bond Funds

State aid for relief payments have been financed by bond issues during the entire ten years under consideration. The 1945 Legislature rejected this unsound fiscal practice and provided that relief payments for the present biennium be paid from current tax receipts.

APPENDIX TABLE D
Total Payment To Or For Other Civil Divisions By Counties, And An Expression Of The Same In Terms
Of Percent Of Total Revenue And The Mill Rate Equivalent For Such Payments.

Year Ending June 30, 1944				
Amount	% of Total Revenue	Mill Rate Equivalent	Amount	% of Total Revenue
Atkin	62.0	271.88	Martin	29.1
Becker	45.2	79.70	Meeker	39.4
Benton	47.8	81.99	Mille Lacs	54.8
Beltrami	65.2	223.91	Morrison	47.9
Brown	40.8	53.44	Mower	28.9
Big Stone	42.1	46.61	Murray	22.87
Blue Earth	32.3	26.53	Nicollet	24.85
Burnell	32.3	24.49	Nobles	32.5
Carlton	38.8	71.68	Norman	28.8
Carver	36.5	31.00	Olmsted	19.89
Cass	64.9	289.00	Otter Tail	23.00
Chippewa	35.7	39.01	Pennington	23.6
Chisago	41.3	59.85	Pine	41.9
Clay	42.9	48.88	Pipestone	44.5
Clearwater	55.8	244.62	Polk	52.0
Cook	68.9	257.03	Pope	33.3
Cottonwood	33.1	30.52	Ramsey	38.9
Crow Wing	39.2	69.93	Red Lake	42.69
Dakota	28.6	31.43	Redwood	24.52
Dodge	36.7	35.28	Renville	80.40
Douglas	41.6	53.58	Rice	26.83
Faribault	35.9	29.65	Rock	35.6
Fillmore	36.8	41.87	Roseau	84.23
Freeborn	29.2	25.63	St. Louis	20.19
Goodhue	29.7	26.31	Sherburne	50.12
Grant	38.4	39.47	Sibley	27.42
Hennepin	24.5	30.25	Stearns	32.47
Houston	32.3	44.12	Steele	39.3
Hubbard	54.4	177.21	Stevens	50.09
Isanti	45.4	81.75	Swift	88.89
Itasca	25.4	37.49	Todd	34.43
Jackson	30.6	20.69	Traverse	41.86
Kanabec	54.1	137.61	Wabasha	37.6
Kandiyohi	35.1	33.19	Wadena	121.55
Kittson	41.0	54.27	Washington	23.74
Koochiching	46.7	157.22	Watsonwan	36.71
Lac Qui Parle	38.8	28.89	Wilkin	56.71
Lake	54.2	148.73	Winona	31.46
Lake of the Woods	76.2	388.79	Wright	35.99
Le Sueur	35.8	31.48	Yellow Medicine	32.03
Lincoln	37.3	35.27		29.0
Lyon	37.8	31.63		41.4
McLeod	33.5	27.97		36.5
Mahnomen	60.0	180.65		
Marshall	44.2	77.24		
			Average	30.4
			\$ 524,924	34.81

APPENDIX TABLE E

FUNCTIONAL CLASSIFICATION OF TOTAL STATE GRANTS-IN-AID TO LOCAL UNITS OF GOVERNMENT BY COUNTIES

Year Ending June 30, 1944

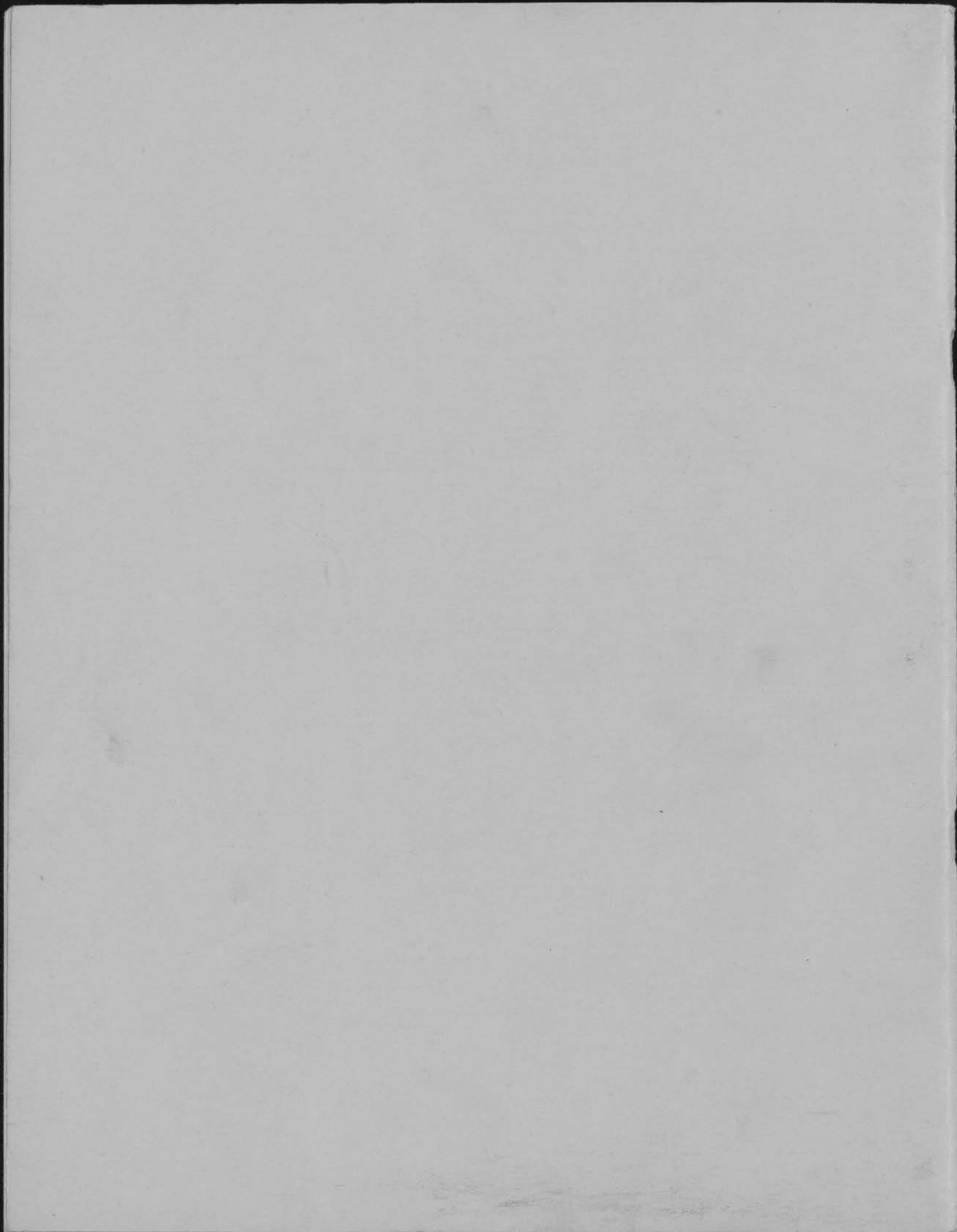
	Protection to Persons & Property	Health & Sanitation	Development & Conservation of Natural Resources	Highways & Airways	Public Welfare	Education	Miscellaneous	Total
Aitkin	423	5,038	1,257	49,100	167,458	252,042	23,568	498,888
Anoka	918	4,691	1,257	56,472	151,720	221,782	2,323	439,166
Becker	869	7,492	1,254	50,900	248,011	217,127	2,139	527,794
Beltrami	1,104	8,008	1,277	71,000	335,327	368,725	4,111	789,554
Benton	1,010	536	1,261	41,525	90,086	99,054	1,402	234,876
Big Stone	691	1,410	1,175	37,525	85,964	93,799	2,730	223,296
Blue Earth	2,981	1,350	1,224	73,716	213,411	227,527	10,091	530,301
Brown	2,194	467	1,255	49,469	125,012	142,846	6,285	327,529
Carlton	1,577	5,949	1,175	37,525	182,028	261,331	2,311	491,898
Carver	884	1,734	1,254	37,525	115,135	110,860	2,500	269,894
Cass	504	5,025	1,175	65,400	281,059	346,462	7,595	707,222
Chippewa	1,036	3,788	1,313	38,600	126,448	128,847	3,444	303,379
Chisago	750	3,528	1,251	37,525	104,296	107,378	849	255,580
Clay	1,462	3,957	1,261	52,800	194,105	226,039	8,953	488,579
Clearwater	323	2,116	1,214	37,525	102,797	131,177	2,186	277,340
Cook	212	1,496	1,175	37,525	40,998	54,608	16,986	153,002
Cottonwood	758	2,446	1,175	40,300	86,278	162,808	4,738	297,505
Crow Wing	1,890	8,800	1,175	62,300	222,600	282,285	13,713	593,264
Dakota	2,402	8,681	1,256	61,746	175,899	267,534	13,263	530,583
Dodge	448	1,652	1,250	37,525	104,025	103,843	1,422	250,167
Douglas	1,085	3,378	1,240	42,700	156,949	163,688	3,279	372,321
Faribault	1,687	1,551	1,175	50,721	141,391	204,021	6,926	407,475
Fillmore	1,080	1,796	1,175	63,600	193,168	235,687	5,222	501,730
Freeborn	1,646	5,353	1,175	56,326	133,171	188,380	4,431	390,484
Goodhue	2,169	5,429	1,254	57,494	168,020	184,617	7,152	426,136
Grant	559	1,899	1,258	37,525	63,327	75,910	2,539	183,518
Hennepin	118,564	174,022	1,175	150,200	4,499,441	2,463,627	542,152	7,949,183
Houston	561	720	1,258	48,000	76,263	96,318	1,756	224,878
Hubbard	386	5,791	1,175	42,700	114,555	149,718	985	315,312
Isanti	401	4,124	1,175	37,525	130,521	85,841	1,987	260,401
Itasca	1,688	5,937	1,175	85,267	178,209	432,086	7,551	711,915
Jackson	700	2,505	1,250	41,300	71,570	131,014	3,929	252,271
Kanabec	221	1,954	1,175	37,525	105,709	113,370	1,423	260,204
Kandiyohti	1,126	3,985	1,254	50,500	175,674	170,204	5,000	407,744
Kitson	520	1,517	1,247	42,700	91,353	102,429	1,256	241,025
Koochiching	1,351	6,433	1,175	61,800	200,444	240,802	2,440	514,446
Lac Qui Parle	717	3,363	1,254	44,600	128,259	117,539	2,547	298,280
Lake	496	345	1,262	38,500	79,943	72,915	48,486	241,949
Lake of the Woods	342	689	1,264	45,200	68,888	115,516	10,176	242,078
Le Sueur	1,437	3,753	1,258	38,400	112,364	127,384	3,217	287,815

Lincoln	459	1,504	1,254	37,525	72,413	96,194	2,048	211,399
Lyon	1,536	2,612	1,175	45,900	134,956	181,700	6,476	374,357
McLeod	1,653	2,179	1,257	45,100	115,491	144,470	5,257	315,409
Mahomen	299	1,194	1,175	37,525	69,924	113,638	566	224,329
Marshall	654	5,370	1,247	62,700	135,190	183,959	2,659	391,782
Martin	1,594	1,632	1,175	53,674	72,469	188,453	7,947	326,946
Meeker	1,146	2,026	1,261	45,500	123,730	160,611	4,444	338,722
Mille Lacs	785	4,744	1,175	47,525	199,785	186,104	1,855	441,976
Morrison	1,041	9,371	1,257	54,300	252,138	246,301	1,782	566,192
Mower	1,843	5,894	1,175	67,872	165,263	226,864	8,884	477,599
Murray	562	2,627	1,258	38,500	82,962	101,160	6,054	233,125
Nicollet	684	559	1,175	39,200	69,047	81,501	1,536	193,705
Nobles	1,262	1,962	1,248	46,785	91,035	130,758	5,026	278,078
Norman	424	7,125	1,229	47,100	101,528	124,018	1,975	283,401
Ohmsted	3,512	4,842	1,175	67,644	196,387	217,266	11,519	502,347
Otter Tail	2,151	12,241	2,283	96,594	336,139	374,908	9,075	833,403
Pennington	762	5,915	1,261	37,525	105,785	114,888	1,900	267,839
Pine	676	6,278	1,175	56,000	238,617	292,020	26,450	621,217
Pipestone	788	1,999	1,258	39,333	80,432	104,368	5,878	234,058
Polk	2,127	7,887	2,506	87,120	298,423	281,683	7,092	686,840
Pope	609	1,816	1,261	37,525	112,934	112,793	1,631	268,571
Ramsey	57,545	60,595	1,250	191,631	1,722,066	1,266,883	217,169	3,517,141
Red Lake	381	4,253	1,314	37,525	45,542	72,644	943	162,603
Redwood	1,489	2,918	1,208	55,911	105,156	198,616	6,002	371,303
Renville	1,175	8,214	1,175	59,189	141,156	186,312	4,602	401,825
Rice	1,796	7,922	1,253	50,258	163,989	153,291	5,459	383,972
Rock	540	889	1,175	37,525	49,303	70,290	3,348	163,073
Roseau	473	5,323	1,175	37,525	132,556	172,446	1,953	371,528
St. Louis	31,946	63,101	2,376	137,700	1,486,377	1,396,459	83,202	3,200,164
Scott	873	3,396	1,175	37,525	77,527	92,140	3,058	215,696
Sherburne	910	1,743	1,277	47,525	82,378	94,863	777	229,476
Sibley	756	3,946	1,262	38,500	80,679	95,260	3,799	224,204
Stearns	4,393	5,939	1,175	91,247	434,273	435,050	15,675	987,755
Steele	1,219	1,128	1,264	42,600	72,847	141,798	6,569	267,427
Stevens	637	1,682	1,175	37,525	65,018	83,577	1,332	190,948
Swift	997	4,000	530	38,400	139,415	143,930	6,576	333,851
Todd	1,063	9,959	1,253	55,100	320,504	242,484	8,169	638,533
Traverse	449	2,477	1,261	37,525	62,775	69,583	1,654	174,465
Wabasha	1,053	3,104	1,261	53,900	147,891	111,302	5,934	324,447
Wadena	736	4,858	1,261	40,200	112,209	146,069	2,568	307,903
Waseca	953	1,175	1,248	37,900	62,387	95,687	5,162	204,514
Washington	1,654	3,693	1,254	40,400	201,075	219,367	5,906	473,351
Watsonwan	998	1,646	1,258	37,525	83,902	115,332	3,223	243,886
Wilkin	556	861	1,175	40,900	55,992	110,380	2,360	212,217
Winona	2,741	5,321	1,175	71,759	225,690	204,278	13,984	524,951
Wright	1,319	3,581	1,257	62,200	196,179	212,108	3,832	480,479
Yellow Medicine	1,036	3,441	1,257	44,600	120,017	140,727	2,589	312,413
	\$301,471	\$617,683	\$104,575	\$ 4,622,606	\$19,482,766	\$19,210,516	\$ 1,328,808	\$45,668,425

Note: \$5,364.25 for aid to County Sanatoria cannot be allocated to counties and is not included in these figures.

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The Federal Social Security Act and What It Means to Minnesota.
- Bulletin No. 7—March, 1937.....Out of Print
Revised Analysis of the Effects of Proposed Net Income Tax Bill (House File 276) As Passed by the Minnesota House of Representatives on March 1, 1937, and sent to the Senate.—20 pp.
- Bulletin No. 8—June, 1938.....Out of Print
Population Trends in Minnesota and What They Mean.—36 pp.
- Bulletin No. 9—February, 1939.....Out of Print
Analysis of Recent Economic Development in Minnesota on the Basis of Occupational Employment Statistics.—31 pp.
- Bulletin No. 10—April, 1939.....Out of Print
Minnesota and the Agricultural Situation.—37 pp.
- Bulletin No. 11—March, 1941.....Out of Print
An Analysis of Minnesota State Fiscal Operations, 1932-1940—Dedication of Revenues and Erroneous Allocation of Accounting Functions as Obstacles to Sound Fiscal Operation.—36 pp.
- Bulletin No. 12—January, 1943.....Out of Print
Financial Data and Other Factual Information for the State of Minnesota Affecting 1943 Budget.—46 pp.
- Bulletin No. 13—February, 1943.....Out of Print
A Factual Analysis of the Money & Credits Tax Problems in Minnesota.—24 pp.
- Bulletin No. 14—October, 1943.....
The Legislative Program for Minnesota State Government 1943-1945.—20 pp.
- Bulletin No. 15—March, 1944.....
Possible Role of the State of Minnesota in Post-War Public Works Program and An Analysis of Minnesota Fiscal Operations, 1934-43.—30 pp.
- Bulletin No. 16—March, 1945.....
Financial Data Affecting 1945-1947 Budget, State of Minnesota—An Analysis of State Fiscal Operations, 1935-1944.—18 pp.
- Bulletin No. 17—July, 1945.....
The Legislative Program for Minnesota State Government 1946-1947.—22 pp.
- Bulletin No. 18—February, 1947.....
Problems of State Aids in Minnesota.—44 pp.



Our School Needs and Ways to Meet Them

One of the Problems Given Highest Priority by Governor Youngdahl in His Inaugural Address

A big step forward is proposed in the revised State Aid for Schools.
It merits your consideration and support.

WHAT ARE STATE AIDS?

They are moneys appropriated by the State to help pay the cost of education throughout school districts of Minnesota (first appropriated in 1881).

These aids give financial help to all school districts to support adequate educational programs, and special aids, such as for the education of handicapped children, transportation, etc.

Since the State has many sources of revenue, such as the income tax, gross earnings tax, etc., and the local districts depend chiefly on the property tax, these aids help to distribute the tax burden.

WHY DOES OUR SYSTEM OF STATE AIDS NEED REVISION?

Because:

Present state aid funds are **not enough**. Most school districts, both urban and rural, are having more and more difficulty making real estate taxes cover the burden of rising costs of education. The State is not contributing its share toward these increased costs.

Because:

The present system is **too complicated**. It is made up of 40 different aids, requiring an immense amount of unnecessary work in local districts and in the State Department of Education. Under it, fair distribution is practically impossible, some districts receiving more than they need, others not enough.

Because:

Under the present set-up, our State is not providing basic educational opportunities for large segments of its **rural youth**. Many of them are being denied a high school education. This is unfair to them and to the state. Only one other state, Kentucky, has fewer farm boys between the ages 16-17 attending high school than Minnesota.

Because:

The problem of securing and retaining **competent teachers** is becoming increasingly urgent. 16,000 Minnesota teachers have left their profession since Pearl Harbor. About $\frac{1}{3}$ of these went into military service. Only a few are returning. They are finding more remunerative employment in other fields—this, at a time when enrollments are increasing and educational services must be expanded.

HOW WILL THIS BILL IMPROVE OUR EDUCATIONAL SYSTEM?

1. Does it offer anything new in the way of approach to the problem? . . . Yes, by basing State Aid on actual present costs (\$110) of pupil instruction in average daily attendance (ADA), it guarantees for the first time an opportunity for a basic minimum education to every child in the state.
2. Does it lessen the complexity of our present State Aid Program? . . . Yes, by reducing the number of state aids from 40 to 17.
3. Does it provide for more equitable distribution of state aids? . . . Yes, by giving to school districts a flat sum as a BASIC or "birthright" aid for each child; by giving an additional EQUALIZATION aid to those districts without sufficient taxable property to maintain the minimum standards of education with the help of the basic aid only.

4. **Does it offer specific help with rural school problems?** . . . Yes, it requires all districts to provide free transportation for non-resident H.S. pupils (the district will be entitled to reimbursement as transportation aid). Each district is made responsible for educating its pupils through high school. The State will give adjusted equalization aid to ungraded rural districts not maintaining high schools for this purpose.
5. **Will it raise the general educational standards of the State?** . . . Yes, all schools receiving state aid will be required: 1) to be in session at least 9 months, 2) to provide free text books, and 3) to use all of the \$110 for maintenance and none for capital outlay (building program and equipment, etc.) or debt service.
6. **Does it make any specific requirement regarding teachers' salaries?** . . . Yes, at least 65% of the \$110 per pupil maintenance cost must be allocated to the salaries of instructional staff. This should help provide better salaries for teachers and attract more capable people into the teaching profession.

SOME FACTS AND FIGURES—IF YOU WANT THEM:

1. The **average cost of education** today is \$110 per pupil in average daily attendance (ADA). Kindergarten costs $\frac{1}{2}$ as much as elementary; H. S. $1\frac{1}{2}$ times as much. Therefore, all aids will be based on a so-called "pupil unit."

Elementary	= 1	pupil unit
Kindergarten	= $\frac{1}{2}$	pupil unit
H. S.	= $1\frac{1}{2}$	pupil unit
2. **Basic aid** is \$50 per pupil unit in ADA to all public schools in the State meeting minimum standards. (This includes apportionment from interest on Permanent School Fund as provided in State Constitution.)
3. **Equalization aid** — In those districts that cannot raise the \$60 difference between the basic aid of \$50 and the required \$110, additional aid will be given, ranging from none in districts with assessed valuation of \$2000 or more per resident pupil unit in ADA — to the entire \$60 in those having less than \$100 such valuation, with a higher
- adjustment for ungraded elementary districts sending pupils to H. S.
4. **Emergency aid** is money paid by the State (upon direction of State Board of Education only) to districts in distress because of calamity, high tax delinquency, excessive debts, etc.
5. The bill will continue special aid for such things as education of **handicapped children, transportation, and the matching of federal funds.**
6. The approximate **cost of financing** this plan will be a total of \$29,000,000 annually. The amount appropriated for education by the last State Legislature was about \$23,000,000. The estimated income from the Permanent and Income Tax School Funds for the year 1947-48 is \$20,500,000.

The bill proposes to use all income tax receipts for school aids.

This bill is the result of more than a year's intensive study, debate, and earnest effort on the part of a state-wide committee (made up of educators, public officials, legislators, and representatives of labor and other interested groups) appointed by Governor Thye to work out a simpler and fairer system of state aids for schools. It represents a big step forward. Together with other legislation to revise our assessment system and reorganize school districts, this bill would give us a sound and equitable basis of state support for an improved educational system.

HOW YOU CAN HELP:

Study the bill; understand it; and then write Gov. Luther H. Youngdahl, Hon. A. L. Almen, Chairman of Senate Education Committee, Hon. E. B. Herseth, House Education Committee (all at the State Capitol, St. Paul), and your own State Legislators. A penny postcard will do the job. DO IT NOW!

MINNESOTA LEAGUE OF WOMEN VOTERS

832 Lumber Exchange Building, Minneapolis 1, Minnesota

JANUARY 20, 1947

1947 LEAGUE-SPONSORED STATE LEGISLATION

CURRENT AGENDA ITEMS PASSED BY LEGISLATURE:

1. A bill establishing a Legislative Research Committee to give advance consideration to problems expected to confront the next legislature. This legislation had been supported by the League for four sessions.
2. A bill providing for Revised Distribution of State School Aids.
3. A bill providing for the Municipal Housing Act. This law had a two-fold purpose: (1) To enable our cities to qualify for any Federal Aid to housing that might be available and (2) To encourage private capital to go into housing and redevelopment in blighted areas in our cities by giving various kinds of financial and other aids. As a consequence, the Minnesota Act is usually described as divided into two main parts—the low-rent public housing part and the redevelopment and slum clearance section.

PLAT- A bill for an Act Relating to Public Health Nursing. This act provides FORM: that the state will pay \$1500 yearly to any county employing a public health nurse.

CURRENT AGENDA ITEM NOT PASSED BY LEGISLATURE:

A bill for an Act to authorize counties to establish and join in establishing County or Multiple County Health Departments. This bill was passed unanimously by the Senate but was referred to the Appropriations Committee in the House on a very technical point of order. It was tabled there in the closing days of the session so did not come to a vote on the floor of the House.

PLATFORM ITEMS PASSED:

1. A Bill for an Act to Provide a Survey for Reorganization of School Districts and Appropriating Money Therefor. Counties which voted to organize the county school survey committees under this law are: Aitkin, Anoka, Becker, Beltrami, Benton, Big Stone, Brown, Carlton, Carver, Cass, Chisago, Clay, Clearwater, Cottonwood, Crow Wing, Dakota, Dodge, Douglas, Faribault, Fillmore, Freeborn, Goodhue, Hennepin, Houston, Hubbard, Isanti, Kanabec, Kandiyohi, Kittson, Lac qui Parle, Lake of the Woods, Le Sueur, Lyon, McLeod, Mahnomon, Marshall, Martin, Mille Lacs, Morrison, Mower, Nicollet, Norman, Olmsted, Pennington, Pine, Polk, Pope, Ramsey, Red Lake, Renville, Rice, Roseau, St. Louis, Scott, Sherburne, Sibley, Steele, Stevens, Traverse, Wabasha, Wadena, Washington, and Wilkin. The counties which did not organize survey committees are as follows: Blue Earth, Chippewa, Grant, Jackson, Lincoln, Meeker, Murray, Nobles, Otter Tail, Pipestone, Redwood, Rock, Stearns, Swift, Todd, Waseca, Watonwan, Winona, Wright and Yellow Medicine.

There are four counties to which the statute is not applicable; namely, Cook, Itasca, Koochiching, and Lake. Special survey committees have been organized in Cook and Itasca counties to study their local school conditions. Lake county is one large district and Koochiching county has only three districts which maintain graded elementary and secondary schools.

2. A Bill for an Act Relating to the Assessment of Property for the Purposes of Taxation; Creating and Establishing the Office of Supervisor of Assessments for each County.

Schools

February 13, 1947

Mr. J. S. Jones, Executive Secretary
Minnesota Farm Bureau Federation
478-486 St. Peter Street
St. Paul, Minnesota

Dear Mr. Jones:

Following up your telephone conversation of yesterday with Mrs. E. S. Holmgren of St. Paul we are enclosing herewith a copy of our leaflet "Our School Needs and Ways to Meet Them" and under separate cover we are mailing you 1500 copies of these leaflets.

We are grateful to you for your cooperation as it was our hope in publishing this material to transmit the information to every citizen in Minnesota. That, of course, is possible only through our own organization and the assistance of other organizations such as yours.

Sincerely yours,

Mrs. Irvine McQuarrie
President

Enc.

KNOW YOUR STATE

(IX. Education, pp. 22-25)

All references given below may be found in pamphlets in the League office.

I. Education as a Public Responsibility

1. Why is education a public responsibility? The stability of a republican form of government depending mainly upon the intelligence of the people. it shall be the duty of the legislature to establish a general and uniform system of public schools. Reference: Constitution of the State of Minnesota, Art. VIII, Sec. 1.
2. What powers over education are there in your state constitution? Reference: Constitution of the State of Minnesota, Art. VIII, Sess. 2-8.
3. Have any powers relating to education been added to the State Constitution in recent years? No changes relating to education have been made in the state constitution. The last legislature authorized the appointment of a committee to study the state constitution.
4. Do you think the state should assume more or less responsibility for education? Reference: Equality of Educational Opportunity : Can It Be Attained, State Department of Education, 1947.

II. Types of School Districts Established by State Law

1. Common school district, Special school district, Independent school district, Consolidated school district, Joint school district, County school district, Ten-or-more-township district, Unorganized Territory.
2. Which kind of school district is yours?

References: Laws Relating to the Minnesota Public School System, Minnesota State Department of Education 1946, Chap. 122, p. 33.

Minnesota, The State and Its Government, by Joseph Kise and George Sjoselius, p. 90 & 91.

III. Relation Between Size of Local School Administrative Units and Adequacy of Educational Opportunities

1. Has there been a reorganization of school districts in Minnesota in recent years?
2. Does Minnesota need a reorganization of school districts? Why?
3. Did the 1947 legislature take any steps in the direction of reapportionment?

References: Equality of Educational Opportunity: Can it be Attained? State Department of Education, 1947.

Laws 1947, Chap. 421, H. F. 1125 (This is a copy of the bill)

Manual for County School Survey Committee, State Department of Education, 1947.

IV. Commissioner of Education, Chief State School Officer

1. Is he elected or appointed?
2. Are professional qualifications required?

References: Laws Relating to the Minnesota Public School System, Minnesota State Department of Education, 1947, p. 21.

V. State Board of Education

1. How are its members selected? For what terms?
2. What are the functions and powers of the State Board of Education?

References: Laws Relating to the Minnesota Public School System, Minnesota State Department of Education, 1947, p. 20, 22, and 23.

VI. What Regulatory Functions over Education are Performed by the State?

1. Accrediting Teachers, Reference: Laws Relating to the Minnesota Public School System, State Department of Education, 1946, p. 92-96.
2. Tenure, Same as above, p. 97, 98, and 99.
3. Curriculum, Same as above, p. 22, subd. 7.
4. Supervision of teaching program, Same reference, p. 94, 130.09 and p. 30, 120.01.
5. Accrediting of schools, Manual for Graded Elementary and Secondary Schools, Minnesota State Department of Education, Aug. 1945, Chap. IV, p. 20 & 21.
6. Buildings and Grounds, The State Department makes suggestions in its Manual for buildings and grounds, but it requires no uniformity. See Manual for Graded Elementary and Secondary Schools, State of Minnesota, p. 15, 16, & 17.
7. Health, See Manual for Graded Elementary and Secondary Schools, State of Minnesota, Aug. 1945, p. 79 & 80; also p. 97, sec. d.

VII. Is the State Taking Leadership in Improving Education?

The professional staff of the State Department of Education, with the help of professional people in their various fields in the state, are continually working on manuals and courses of study for elementary and secondary schools. The last manual was published in 1945, but a new manual is practically completed. All standards are compiled by the professional staff, submitted to people in the field for suggestions, submitted to the State Board of Education for approval; the State Board holds a hearing to which anyone may come. After the hearing, the standards are submitted to the attorney general and finally filed in the office of the secretary of state. They are then put into circulation for the use of the schools.

VIII. Special Fields in Which the State Offers Financial Help.

The references here in this section are all from the pamphlet--Laws Relating to the Minnesota Public School System, Minnesota State Department of Education 1946.

1. School Libraries, p. 82
2. Vocational Education, p. 84
3. Special Classes for Handicapped Children, p. 84
4. Evening Schools, p. 85
5. Teacher Training, p. 85
6. Home Economics, p. 84

See also for reference: Manual for Graded and Secondary Schools, State Department of Education, 1946, p. 54 & 55.

IX. Equality of Educational Opportunity as to Availability and Amount Spent

White and Negro, Rural and Urban, Handicapped Children, and Higher Education.

There is no distinction in opportunities between White and Negro; the amount spent for schools depends to a considerable extent upon local wealth, but attempts are being made to equalize for all school districts, both rural and urban; isolated handicapped children through the state are poorly cared for; Junior Colleges have helped the higher education situation as to availability but still wide differences as to availability of higher education exist.

X. Responsibility of State for Preparing Teachers.

1. State Teachers' Colleges: References: Laws Relating to the Minnesota Public School System, State Department of Education, 1946, Chap. 136, p.130
2. Teacher Training Departments in High Schools: Reference: Same as above, p. 85, para. 128.15.
3. In-service training--Offered in the Graduate School of the University of Minnesota, in the Extension Courses of the University, and in workshops under the supervision of the Minneapolis Public Schools.

XI. Financing Schools

1. What are the sources of funds for the state budget?

Reference: Comments on Minnesota's Income and Expenditures for the fiscal year 1943-44, prepared by Commissioner of Administration, State of Minnesota, April, 1945. Also--Constitution of State of Minnesota, Article VIII, Section 2 & 5.

2. What are some of the things accomplished by the passage of the New State Aid Law?

Reference: • The New State Aid Law passed by the 1947 Legislature, Edited by Dean M. Schweickhard, Commissioner of Education.

League of Women Voters of Minnesota
84 South Tenth Street, Room 417
Minneapolis 2, Minn. (At. 0941)
November 5, 1948

FILE COPY

STATE AID TO EDUCATION

The League of Women Voters of Minnesota supported two bills which were enacted into law by the 1947 Legislature: The Revision of State Aids, Chapter 633, Laws 1947, and a bill to provide a uniform system of assessments. Enacted into law, Chapter 531, Laws 1947, this bill requires the appointment of a Supervisor of Assessments in all counties which do not have a County Assessor. Only 35 counties have had a County Assessor, and now under this law the remaining 52 have appointed a Supervisor. As assessments are the basis for payment of equalization aid to school districts, this law makes possible a fairer distribution of such aids.

The Revised State Aid Law reduces the number of aids from 42 to 21, increases materially by \$11,000,000 the amount of money appropriated, and provides for an equalization aid, up to \$60 per resident pupil unit in A. D. A. (average daily attendance), for districts where low assessed valuation prevents maintenance of minimum standards. It further provides for a 9 month school term in all schools, free textbooks for all pupils, allocation of a portion of fund to teachers' salaries, transportation, vocational, and emergency aid.

Another improvement over the former law is the establishment of a system for distribution of most of the funds on a current basis. Thus, the basic aid (\$50 per resident pupil in A. D. A.) and equalization aid (from \$3 to \$60 per resident pupil A. D. A.) is distributed in this manner: 50% in October, 45% in March, and the remaining 5% in August. 2,368 districts have an assessed valuation of less than \$2,000 and received equalization aid. Other aids were paid in full in October, and emergency aid is paid as granted.

From the few provisions listed above, it can be seen that the law is indeed a forward step for education. One problem which will have to be met during the 1949 legislative session is that this same law will cost the State approximately an additional \$3,000,000 during the coming year, because of the expected increase in school population of from 35,000 to 45,000 pupils for whom aid must be paid. In addition, a few refinements remain to be made in the law. It aids all school districts which meet its requirements, and thus perpetuates small schools and schools with poor programs.

Minnesota League of Women Voters
914 Marquette Avenue
Minneapolis 2, Minn.



Affiliated with the
National League
of Women Voters

FILE COPY
ACTION

February 10, 1949

Dear Presidents:

Subject: State Aid to Education

Amendments to the present state aid school law are being prepared for introduction in the state legislature. The LWV of Minnesota has consistently supported adequate state aid for education. Now is the time for your League and individual members to write your Senators and Representatives concerning the amendments which provide:

1. Increased state aid from \$50 to \$70 per pupil
2. Include recognized public junior colleges in this per pupil aid.

There is talk of diverting the state income tax revenues which are dedicated to education to other purposes. Until the entire problem of dedicated funds is explored and solved and some other security is established for the provision of public education, the Minnesota League opposes any diversion of state income tax derived funds to any other use.

Immediate expression to this effect to your legislators is imperative.

Sincerely,

Malcolm Hargraves
Mrs. Malcolm Hargraves
President

Educ Jail

League of Women Voters of Minnesota
84 South Tenth Street, Room 417
Minneapolis 2, Minnesota

March 21, 1950

— — — — — M E M O R A N D U M — — — — —

To: Local League Presidents

The attached material will be helpful to your League in forming opinions on Minnesota education problems so that your delegates will come to state convention prepared to discuss the position which the League should take toward related legislation in the 1951 legislative session.

League of Women Voters of Minnesota
Room 417, 84 South Tenth Street
Minneapolis 2, Minnesota
March 15, 1950

Additional copies - 10¢

TOWARD ARRIVING AT A LEAGUE POSITION ON
EDUCATION PROBLEMS IN MINNESOTA FOR 1950-51

The problems likely to need League decision are incorporated in the three items listed below.

- I. Continued emphasis on reorganization of school districts.
- II. Can we come to some conclusion on what we want to stand for with regard to "dedicated" funds for schools?
- III. A thorough understanding of State Aids: sources, amounts, distribution. (Equalization of educational opportunity should be based on a fair distribution of tax burden.)

Information basic to an understanding of these problems has been selected because it is important to education and because it fits into our study of the economic item.

As a result of a directive by the Governors' Conference on June 16, 1948, there is available for the first time a study of education in the 48 states made by an agency of all the states, the Council of State Governments. The study, The Forty-Eight State School Systems, contains not only tables of statistics but a discussion of practices developed through the years in the main aspects of education. We have used parts of this important study as a basis for the following outline.¹

What is Minnesota's educational load as compared with other states? (proportion of total population to children 5-17 incl.)

Minnesota, with a population of 2,888,000, had a school-age population of 594 per thousand with enrollment in public schools (Kindergarten - 12th) of 480,478; a ratio (in percentage) of 20.2 as compared with the all state ratio of 20.5; 18 states have a lesser number. The ratio of public school enrollment to school-age population was 82.3 compared with the all state ratio of 81.6. In numbers of children to educate, Minnesota load is not heavy.

In numbers of children enrolled in public schools, Minnesota approximates the all state ratio.

What is Minnesota's ability to support education as compared with other states?

	Per capita income	Rank	Income per school-age pupil	Rank	Income per pupil A.D.A.*	Rank
All State	\$1,318		\$6,436		\$8,981	
Minnesota	\$1,195	28	\$5,907	26	\$8,211	24

1. Figures are for 1947-48 unless otherwise indicated. The 48 State School Systems by the Council of State Governments. A 1949 supplement is in preparation.

* A.D.A. is average daily attendance.

Per capita income is over \$1,600 in 8 states and less than \$1,000 in 10 states. Minnesota ranks near the mid-point.

Income per child of school age varies more. It is over \$9,000 in 5 states and less than \$3,500 in the lowest 7 states.

Income per child in A.D.A. ranges from \$15,000 in New York to \$3,000 in Mississippi.

Minnesota, with its per capita income per pupil in A.D.A. of \$8,211 and rank of 24 is at the mid-point in the states with regard to ability to support education.

What is Minnesota's effort to support education as compared with other states?

1. By dividing the state and local revenue receipts for public schools by the total personal income of the people we may find the percentage of the wealth of the state allocated to public schools. (Not including federal funds)

	<u>1937-1938</u>	<u>Rank</u>	<u>1947-1948</u>	<u>Rank</u>
All state median	3.1		2.3	
Minnesota	3.3	17.5	2.5	17.5

Another way of expressing this is that in 1937-38 \$31 out of every \$1,000 of personal income in the U.S. was used for public schools. By the end of the ten-year period between 1938 and 1948 the amount had decreased to \$23 out of \$1,000.

Minnesota used \$33 out of \$1,000 of personal income in 1937-38 and by 1948 the amount decreased to \$25 per \$1,000, yet still held its rank of 17.5 from the top.

Although the proportion of income devoted to public schools has declined, the revenues for schools has increased substantially. This is explained by the increase in personal income in the several states.

2. Another measure of effort is the % of state and local revenues actually allocated to public schools. (League members may here use to advantage this year's study of How Minnesota Gets and Spends Its Revenues for state government.)

	<u>% of state-local revenues allocated to public schools</u>	
	<u>1941-42</u>	<u>1947-48</u>
Median of all states	21.0%	data lacking
Minnesota	20.2%	22.4% (for 1946-47)

3. A third indication of effort is the amount of current expense as compared with other states. All states have increased expenditures for public schools in the ten-year period of 1937-38 to 1947-48. Increases are due to increased numbers of children, decrease in the purchasing power of the dollar, and increased services.

<u>Current Expense (incl. interest) per pupil in A.D.A.</u>								
	<u>1937-38</u>	<u>Rank</u>	<u>1941-42</u>	<u>Rank</u>	<u>1945-46</u>	<u>Rank</u>	<u>1947-48</u>	<u>Rank</u>
Medians	\$82.79		\$97.14		\$139.81		\$178.71	
Minnesota	\$93.29	19	\$109.64	17	\$159.25	13	\$204.07	12

The current expense per pupil in A.D.A. for 1947-48 ranges from less than \$67 in Mississippi to more than \$260 in New Jersey. Only 11 states spent more than Minnesota: New Jersey, \$260; Montana, \$255; New York, \$250.75; Washington, \$229; California, \$223; Connecticut, \$220.92; Rhode Island, \$220.65; Nevada, \$219.20; Oregon, \$216; Arizona, \$211; South Dakota, \$209.70.

<u>Values of school property, indebtedness & textbooks per pupil in A.D.A.</u>						
	<u>Value of School Property</u>	<u>Rank</u>	<u>Indebtedness</u>	<u>Rank</u>	<u>Textbooks</u>	<u>Rank</u>
Median of all states	\$401		\$71.88		\$5.43	
Minnesota	\$493	15	\$85.89	22	\$8.47	6

From the above comparisons we may draw some general conclusions: 1) Minnesota in comparison with other states does not have a heavy educational load. Only 18 states have a lighter load, 2) Minnesota's ability to support education is favorable to the provision of a sound state program, 3) Minnesota's effort to support education indicates a desire to provide well for the education of her youth.

The equality of educational opportunity that a state will provide will depend not only upon the funds provided and the leadership of the state authorities but upon the understanding and help of the citizens of the state. What then are the major problems to be worked out and where can the League best spend its efforts?

PROBLEM - Reorganization of school districts is a continuing responsibility with the League. The 1949 legislature extended to April 1, 1951 the 1947 act enabling the merging of school districts. Twenty counties have voted against creation of a county survey committee. Out of those counties which have survey committees 58 elections have been held, 40 elections carried, 18 failed. The total number of districts merged to date is 387 which leaves Minnesota still having more than 7,000 school districts. The 1949 legislative act enabling special school districts to become independent school districts and thereby able to extend their established boundaries to merge with other districts resulted in a reduction from 24 special school districts to 9. (Remaining special school districts are Minneapolis, St. Paul, Duluth, Rochester, Owatonna, Red Wing, Jackson, Winona, South St. Paul)

How does Minnesota compare with other states in number and size of districts? (1947-48)

	<u>Total number of districts</u>	<u>Rank</u>
All states	99,713	
Minnesota	7,518	3rd highest number (Illinois, 1st; Missouri, 2nd)

Of Minnesota's 5,620 elementary schools 4,421 or 78.7% are one-teacher schools. Minnesota ranks 42 in the states; only 6 states have more one-teacher schools.

Of Minnesota's 520 high schools, 23 have fewer than 50 pupils, 116 have fewer than 100 pupils, 159 have 300 or more pupils.

In Minnesota 22.3% of public high school students are enrolled in schools having fewer than 100 pupils and the state ranks 11. In high schools having 300 or more enrolled Minnesota ranks 14 with 30.6% so enrolled.

Many states are working on the problem of reorganization. Some have simply created by legislative act the type of district desired; others, including Minnesota, have preferred to provide the necessary machinery and through education of the people, have them do the reorganizing. This is the slower method but results show that greater progress is being made in states which have adopted it.

Provisions which discourage needed reorganizing in Minnesota:

1. Too much aid to small schools.
2. State aid is sufficient to enable many small districts to operate with very low tax rates.
3. No aid for new buildings in reorganized districts.
4. Increased aid to reorganized districts not great enough to offset loss of tuition payments formerly received by central district.
5. Rural and urban votes must be counted separately and a majority of each required to effect proposed reorganization.

Should there be some incentive offered districts to reorganize??

Greater equality of educational opportunity, more economical and efficient administration, more equitable distribution of public school revenues wait upon the work to be done in redistricting!

PROBLEM - School Finance Practices (including "dedicated" funds).

"Many different school finance practices have developed among the 48 states. Some of these practices contribute directly to the attainment of recognized objectives of education; others contribute very little; and some even have a negative effect. It is generally accepted that every state school finance program should: 1) help to assure reasonably adequate and well-rounded opportunities for all children and youth throughout the state and 2) be based on a system of taxation and administration which assures that the burden will be equitably distributed among all types and classes of citizens and taxing units."²

What is the division of all sources of funds for school support?

1. Federal. All 48 states receive some federal funds. The percentage is small in all cases, usually between less than 1% to a little over 2%. Almost all federal funds provide for vocational education and vocational rehabilitation (other than school lunch and veterans education funds).

2. Council of State Governments, The Forty-Eight State School Systems, Chicago, 1949, p. 111.

	<u>% Federal Funds</u>	
	<u>1937-38</u>	<u>1947-48</u>
All state	1.2%	1.3%
Minnesota	0.6%	0.7%

2. State. The percentage of revenue from state funds has materially increased in the past ten years in most states. During this same period, however, Minnesota's funds from state sources have decreased slightly.

	<u>% State Funds</u>	
	<u>1937-38</u>	<u>1947-48</u>
All state	29.6%	39.8%
Minnesota	39.4%	37.1%

To give a truer picture of Minnesota's position in the U.S. we list below those states showing the highest and lowest percentages of state funds.

Less than 20% of public school revenues are derived from state funds in 12 states (1947-48):

Nebraska	3.9%	Iowa	14.2%
Massachusetts	9.7	South Dakota	15.4
New Jersey	11.5	Montana	16.6
Kansas	11.9	Illinois	17.6
Wyoming	13.2	Rhode Island	17.8
Wisconsin	13.6	New Hampshire	19.2

More than 60%, in 11 states (1947-48):

Delaware	87.0%	Washington	66.6%
New Mexico	84.9	Arkansas	65.2
Alabama	74.4	West Virginia	62.8
South Carolina	68.2	Georgia	61.8
North Carolina	67.9	Tennessee	60.2
Louisiana	66.8		

3. County. Percentages of revenues from counties also vary greatly. 13 states report no county revenue, 11 report less than 2%, some receive almost no revenues from local units smaller than the county.

	<u>% County Funds</u>	
	<u>1937-38</u>	<u>1947-48</u>
All state	4.5%	5.7%
Minnesota	0.8%	4.0%

4. Local. Here again, we find a wide variation in percentage throughout the 48 states (from 0.0% in West Virginia which uses the county as the smallest unit up to Nebraska which receives 93.9% from local funds).

	<u>% Local Funds</u>	
	<u>1937-38</u>	<u>1947-48</u>
All state	62.7%	53.2%
Minnesota	59.2%	58.2%

While more state support broadens the tax base and assures adequate educational opportunity for all children, complete or nearly complete state support would tend to weaken local initiative and bring about a too detailed control from the state. "Evidence seems to indicate that better results can be attained when the foundation program is supported on a partnership plan by revenues derived from all government sources including both state and local funds." Minnesota, in its nearly average position, would seem to be following a wise course with regard to division of financial support.

What are the sources of state school funds? (1947-48)

1. Permanent School Funds. In 30 states revenues from permanent school fund income is less than 2%. The median for all the states is 1.1%. Only 7 states receive 10% or more. Minnesota is one of the 7 and receives 11.9%. In the amount received, \$3,930,171, Minnesota's school revenue from its trust funds is the largest in the U.S.

2. Earmarked Taxes and 3. Appropriations from general funds
In 22 states no appropriations for schools are based on earmarked taxes; in 8 states less than 10%; in 3 states some revenues are earmarked but go into the general fund from which the school funds are appropriated; in several states revenues for schools are earmarked by the constitution; in most other states earmarking is provided by legislative act.

"In only 3 states, Minnesota, New Mexico and North Dakota are all appropriations made from earmarked taxes and permanent fund income."⁴ In Minnesota, the income tax is earmarked by legislative act and the permanent fund income by constitution. These are commonly referred to as "dedicated funds" together with "dedicated funds" for other functions of state government. (See p. 33, You Are the Government.) The amount of money to be used must be decided by legislative appropriation and money not appropriated remains in the "dedicated" fund. About 53 million remains in the income tax fund after appropriations for the biennium 1950-51 have been made.

The question of "dedicated" funds has been a part of the League study in the Economic Item this year and we should be able to come to a consensus so that any proposed legislation may be acted upon. The answer we arrive at will be especially important to the state program of education.

1. Should we hold that the income tax fund be kept dedicated for schools?
 - a. If so, would you recommend a reduction in the income tax which would reduce the surplus?
 - b. Would you recommend that it be kept for education but that some portion be used for other than elementary and secondary schools?
2. Would you be in favor of a constitutional amendment that would also permit use of new capital accruing to the permanent trust fund rather than only the income as now allowed?
3. Should we hold that the income tax be kept dedicated until such time as all dedicated funds are released from dedication?
4. Should we hold that the income tax be kept dedicated until a change in the tax structure be effected in order that the education program be insured?
5. OTHER OPINIONS - - - - -

3. Ibid., p. 115.

4. Ibid., p. 119.

The following information within the dotted lines was prepared by Miss Grace Dougherty, Statistician, Minnesota Department of Education.

STATE AID TO MINNESOTA PUBLIC SCHOOLS

During 1949, Minnesota expended from State funds approximately 34 million dollars for public schools. This is an increase of 100 per cent in the amount provided for public education since 1940 by the State, although the State's share of the total public school revenue is about the same for both years -- 30 per cent.

Sources of State Support

State support of public education is derived from two sources:

Endowment Fund

Income Tax School Fund

Endowment Fund - This fund consists of the income of the Permanent School Fund and one-half of the income of the Swamp Land Fund. These trust funds were accumulated from the proceeds of the sale of lands granted by the Federal government to the State for schools, and a certain percentage of the occupational tax on the mining of iron ore and royalties on iron ore. The principal of the Permanent School Fund now amounts to about \$137,000,000 and the Swamp Land Fund, \$17,000,000.

Income Tax School Fund - Since the enactment of the State income tax in 1933, the proceeds of this tax have been earmarked for schools with a few exceptions. Funds from this source are used for the regular distribution of income tax school aid provided by law and for the appropriations of the Legislature for special state aid to schools and other educational appropriations.

Distribution of State Aid

Funds available from State sources for public schools are distributed in the following manner:

1. Apportionment (Flat grant) - Distribution of the Endowment Fund annually to the schools in session nine months on the basis of average daily attendance. In 1949, this amounted to nearly \$3,500,000 for 407,812 pupils in average daily attendance at \$8.50 per pupil.
2. Income Tax School Aid (Flat grant) - This aid is distributed annually at the rate of \$10 per child 6 to 15 and 16 years of age in attendance in school, as reported on the school census. School districts received \$4,970,000 from this source in 1949.
3. Special State Aid to Schools - In 1947, the state aid system was revised, reducing the number of aids from 41 to 22, revising the method of computing the aid, and increasing the contribution of the state to public schools. For the 1948-49 school year, \$25,842,850 was appropriated by the Legislature as special state aid to schools. For the 1950-51 biennium, the appropriation amounts to \$79,572,400 for these aids. Distribution of these funds is made for the following types of aids:
 - a. Basic Aid (Flat Grant) - Paid to all school districts which provide for the instruction of their elementary and secondary pupils in classified schools for at least nine months during the year, furnish free textbooks and spend the minimum amount provided by the law for teachers' salaries.

The aid is paid on the basis of an allowance per pupil unit in average daily attendance (kindergarten pupils counting as one-quarter unit, elementary as one unit and secondary as one and one-half) less apportionment and \$10 per pupil enrolled. The allowance for the 1948-49 school year was \$50 per pupil unit. For the biennium beginning July 1, 1949, the allowance is \$56 per pupil unit and the deduction of \$10 per pupil enrolled has been eliminated.

- b. Equalization Aid (Equalizing) - This aid is paid to districts which are less able to furnish proper educational facilities as evidenced by an assessed valuation in back of each pupil unit of less than \$2,000 (\$2,300 per pupil unit for the biennium beginning July 1, 1949). The rate of equalization aid per pupil unit increases as the valuation decreases. About one-third of the school districts in the state share in this aid.

Note: Tuition for the secondary pupils in districts not maintaining secondary schools is paid by the county where the pupils reside to the high school attended. Funds for the payment of tuition come from the basic and equalization aid and apportionment received from the State and from the proceeds of the county school tax levy spread on the property of districts not maintaining secondary schools in the county.

- c. Transportation (Special grant) - Reimbursement is made on the basis of a fixed rate for transportation or board of pupils not to exceed the cost in consolidated schools for isolated pupils, crippled children, nonresident secondary pupils and closed-school pupils.
- d. Special Classes for Handicapped Children (Special grant) - Twenty-four districts in the state are reimbursed for some form of services provided for handicapped children. These include special classes for the blind, deaf, crippled, subnormal and speech defectives. Two districts which maintain summer classes for crippled children are also reimbursed from state funds.
- e. Vocational Aid (Special grant) - This aid is paid to school districts maintaining special departments such as agriculture, general industrial training, home economics, and commercial training. These funds are paid on a matching basis for Federal vocational aid. The amount to be distributed in this form of aid has been increased to \$750,000 for each year of the next biennium.
- f. Emergency Aid (Equalizing) - Granted on the basis of need by the State Board of Education. Districts make application and present facts supporting their claims for additional funds to maintain school and the State Board makes grants on the recommendation of a committee of the State Department of Education.
- g. Gross Earnings Aid (Equalizing) - Paid to eight school districts as replacement of tax collections on property exempt from taxation under the provisions of the gross earnings tax law. This law has now been amended to place responsibility for distribution of the aid with the State Auditor and certain revisions were made in the method of determining the tax replacement. Funds to pay the aid are derived from the Income Tax School Fund.

- h. (Special grant) Aid is also paid to 16 school districts for the maintenance of teacher training departments and to the State Schools of Agriculture for tuition of nonresident secondary pupils. Provision for the payment of tuition in these schools is now made directly in the appropriation for the University of Minnesota and distribution to the separate schools is handled by that institution.
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A uniform system of assessments is basic to equalization aid. While this item is properly part of the economic study, it is so important to education that it should be recognized here. The League worked for the enactment of the law in 1947 which provides that a county supervisor of assessment may be appointed by the board of county commissioners with the approval of the State Tax Commissioner. Forty-five counties now have this plan which is intended to improve assessment practices until the time when each county has a county assessor.

Forty-two counties have county assessors. This is the more efficient plan but will take education before all counties adopt it. The State League office has available a list of counties showing the plan now in use and a list of school districts showing assessed valuations and changes from the year before.

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Laws relating to the Minnesota Public School System. (See Section 128.082 for equalization aid schedule.)

*Your League has been sent copies of this material either with this discussion on education or with material on the state economic item.

THE UNIVERSITY OF MINNESOTA ITS ORGANIZATION AND FINANCE

Minnesota Institute of
Governmental Research, Inc.

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BULLETIN NO. 30 — SEPTEMBER 1952

This is the second in a series of informational articles on the major activities of state government and, as in the previous article, a more detailed analysis is given than in our annual bulletin on state fiscal operations.

The University of Minnesota was chosen because through its various functions and activities it affects the life of every citizen in the state.

It is the largest educational institution in the state, enrolling more than half of all students who are attending college in Minnesota. Its over-all instructional load in 1951 was more than 68,000, of which 30,848 were collegiate students. There were 3,238 students from other states and 459 students from foreign countries in 1951. It is the only institution in the state specializing in training for many professions, and the only one in which the Ph. D. degree is given.

Basic Functions

The basic functions of the University are teaching, research and public service. It is doubtful if citizens realize the extent of the public service activities and the volume of research work undertaken by the University. Space in this report will permit us only to highlight these activities. They include the care of the sick in various University hospitals, and the assistance given to farmers through research and extension by the University Department of Agriculture. Other service activities are the Geological Survey, the valuation of iron ore for the State Tax Department, the Institute of Child Welfare, the University Radio Station, the Natural History Museum, the Municipal Reference Library, and the Art Gallery. Research activities costing over five million dollars affect the industrial and agricultural development, as well as the health and general welfare, not only of the citizens of this state but of people everywhere. Much of the research is financed by private gifts or Federal grants and is, therefore, not a direct tax burden of the state.

It has over 7,300 employees on its payroll of whom over 3,200 are academic staff members. Salaries and wages for general, educational, and research purposes amounted to almost twenty million dollars in 1951.

In 1951 total expenditures from all sources including construction of new buildings were \$43,417,082.

In addition to its campuses in Minneapolis and St. Paul, it has instructional and research units at Duluth, Rochester (Mayo Clinic), Cloquet, Castle Danger, Grand Rapids, Itasca Park, Crookston, Morris, Excelsior, Waseca and Rosemount. As of June, 1951 it had over \$76,000,000 invested in physical plant.

ORGANIZATION OF THE UNIVERSITY

The University of Minnesota was established by Chapter 3 of the Territorial Laws of 1851. This act was recognized and perpetuated by Article 8, Section 4, of the State Constitution of 1857.

The government of the University is vested in a board of twelve regents, elected by the legislature for terms of six years, four members being elected each biennium. The Board meets approximately fourteen times each year. The Regents receive no salary but are eligible to receive travel expenses. The chief executive officer of the University is the Chancellor (or President) who is elected by the Board of Regents and who serves as ex-officio president of that board. All major appointments are made by the board upon the recommendation of the president.

President of the University

The President is the representative of the Board of Regents. It is upon his recommendations that the Board acts in preparing the biennial budget for the legislature, and he presents the needs of the University to the legislature at the biennial legislative session.

The President is the administrative leader of the University. He acts as intermediary between the Regents, the staff and the students. He is also the spokesman for the University to the general public, explaining its purposes, programs, problems and needs. He is assisted by two vice-presidents.

The Board of Regents has the final authority in matters of policy and budget-making, but the president and faculty are responsible for carrying out these policies.

The University Senate

The University Senate consists of all faculty members holding the rank of associate or full professor. This is the chief legislative body of the University's internal affairs. It is presided over by the president.

This group through its various standing committees studies the educational problems of the University, takes action on those that fall within its jurisdiction, and makes recommendations (through the president) to the Board regarding matters which require the approval of the Board. The Administrative Committee of the Senate, consisting of deans and serving the president and other administrative officers, advises the president and acts for the Senate on many matters.

Staff

In February 1950 the University had the full-time equivalent of 4,152 civil service employees and 3,217 academic staff members, a total of 7,369.

The civil service staff of the University is under a separate merit system provided for by rules of the University. All civil service employees have a standard forty-hour week, and their salaries are required by law to be in line with those of civil service employees of the state.

Enrollment

There were 68,354 individuals enrolled in the various colleges, schools and divisions of the University in 1951, of which approximately half were collegiate students. Similar figures for 1947 were 68,687. Enrollments remained at approximately the same level for 1947 and 1951 only because of large increases in the sub-collegiate group and in short courses. In 1951 there were 18,549 enrollments in sub-collegiate and short courses compared to 11,508 in 1947. The

major increase was in the agricultural short courses. Enrollments in the General Extension Division were 19,086 in 1947, dropping to 16,868 in 1951. Enrollments in extension classes were approximately 11,300 for both years but enrollments in the Center for Continuation Study had an increase (4,407 five years ago, 6,697 in 1951).

There has been a marked drop in collegiate enrollments, namely 5,730 or 16% in the five-year period (36,578 to 30,848). The Duluth branch was added to the University by the Legislature in 1947 and had 1,828 students in 1951.

This large decrease in collegiate enrollments was due primarily to the fact that the 1947 enrollment which was at a record high of 36,578 included approximately sixteen thousand G. I. students. The enrollment dropped to 34,131 in 1948, 35,935 in 1949, 35,174 in 1950, and then took a sizeable drop to 30,848 in 1951.

Collegiate enrollments in the various schools in 1947 and 1951 are shown in the table below.

The major losses in enrollment were in the Science, Literature and Arts College with 6,251, or 48.4%, General College 1,084 or 40%, Institute of Technology 3,992 or 60.6%, School of Business Administration 949 or 47.7%, and Summer Session 2,753 or 18.3%. Increases in enrollment occurred in the College of Education (625 students) and in the Graduate School (671 students). Percentagewise the largest loss (73.9%) occurred in the School of Nursing (1,060 to 277). In light of the serious shortage of trained nurses this is a disturbing situation. This condition prompted the 1951 Legislature to provide for free scholarships for student nurses.

Comparison With Other Universities

Beginning as a four-room preparatory school while Minnesota was still a territory, the University of Minnesota is now one of the largest of the state

universities and attracts students from all parts of the world. In a study by the U. S. Office of Education the University of Minnesota was listed as having the seventh largest enrollment of all universities and colleges in the United States.

Public Administration Service of Chicago in a report on public education in Minnesota made for the Little Hoover Commission stated: "As compared with other state universities, the University of Minnesota appears to be well organized. That it is functioning effectively is evidenced by its collection and retention of a distinguished faculty, by its noteworthy research contributions, and by its teaching and other service achievements." *

CURRENT EXPENDITURES

The gross expenditures for the University amounted to \$43,417,082 for the fiscal year 1951. This included \$6,065,000 for plant expansion (financed largely from borrowing), \$7,417,000 for the service enterprises and revolving funds such as dormitories, dining halls, book stores, candy counters, etc., and \$719,000 for fellowships, scholarships, and prizes to students from gifts and endowment funds, and expenditures from trust funds for specific non-educational purposes. This report is concerned with the remaining \$29,216,000 which was spent for general, educational, and research purposes. This portion is of particular interest since most of this is carried by taxpayers.

Five-Year Comparison

Expenditures for general, educational, and research purposes increased 70.8% or \$12,115,096 from 1947 to 1951 (\$17,100,531 to \$29,215,627).

This increase was primarily due to inflationary factors. It was not due to an increase in enrollment as there was actually a decrease in enrollment of 5,700 during the five-year period. A drop in enrollment does not necessarily mean a decline in costs since such a decrease is scattered among the various colleges, departments, and classes. If a class of fifty students loses ten students, it still must have an instructor, a heated and lighted classroom, equipment, and supplies for the remaining forty students. Enrollment was at the peak in 1947 and some classes were of a size that could not be justified if maximum educational results were to be obtained. This was a temporary situation, largely due to the influx of G. I. students.

*1 State Organization for Public Education in Minnesota, Public Administration Service, November 1950, page 31.

Larger Proportion of Upper Classmen

A second factor accounting for larger expenditures was a higher proportion of upper classmen, larger enrollment in the professional schools, and more graduate students in 1951. In 1947 only 36.5% of the collegiate enrollments were upper classmen and graduate students, while in 1951 this percentage was 61.0%. The high proportion of upper classmen in 1951 was partially the result of the large postwar veterans' enrollment and partially the result of the transfer of students from other colleges, where they had taken their first two years of basic general education. Upper classmen and graduate students take specialized subjects which require teachers of higher ranks and salaries, more costly equipment and smaller classes for individualized instruction.

Costs have increased to a minor extent because of an expansion in the instructional program, services, and physical plant. These will be discussed later.

Expenditures by major purpose are shown in the following Table. This is the classification used in the annual financial report of the University.

A—ADMINISTRATION

Costs of administration in 1951 amounted to \$1,250,000 compared with \$798,000 in 1947. This was an increase of 56.6%. Administration costs include those of the offices of the President, Vice-Presidents, Comptroller, Director of Civil Service Personnel, Dean of Students and Dean of Admissions and Records.

B—GENERAL OVERHEAD ACTIVITIES

Costs for General Overhead Services amounted to \$1,848,000 of the total expenditures in 1951. Comparable figures for 1947 were \$1,146,000. The largest items of expense in this group in 1951 were the library (\$538,000), bindery (\$51,680), Museum of Natural History (\$32,932), staff insurance and retirement (\$236,000), the Bureau of Veterans' Affairs *1 (\$99,000) the Department of Protection and Investigation ** (\$87,000), bulletins and annual reports (\$81,000), publications (\$45,000), inter-campus trolley (\$75,000) and the secretary of the alumni association (\$61,134). It also includes such items as storehouses, placement inquiry clearance office, workmen's compensation claims, etc.

*1 This division is the liaison office between the Veterans Administration, the student, and the University, and assists student veterans in orientation and registration.
*2 The functions of this department are investigation (alcohol, narcotics, fire inspection, etc.); provision of uniformed patrol (traffic, money pickup and delivery, escort distinguished guests, etc.); provision of watchmen, control and maintenance of a lost and found division; responsibility for night deposits.

Current Expenditures for General, Educational, and Research Purposes

	Fiscal Year 1947 (000)	Fiscal Year 1951 (000)	% of Increase
A. Administration	\$ 798	\$ 1,250	56.6
B. General Overhead Services	1,146	1,848	61.3
C. Instructional and Departmental Research	11,521	18,680	62.1
D. Extension Instruction	516	921	78.5
E. Physical Plant Operation & Maintenance	1,623	2,808	72.5
F. Research Activities	1,385	3,530	154.9
G. Other Miscellaneous Purposes	106	177	67.0
	17,101	29,216	70.8

Included in this group of overhead agencies is a Bureau of Institutional Research which devotes its attention to educational problems and the development of an outline of research for their systematic study. It has made studies of student population and of examinations, instruction, and state educational problems, with a view to improving educational techniques.

C—INSTRUCTION AND DEPARTMENTAL RESEARCH

Costs of instruction and research amounted to \$18,680,043 in 1951. Similar costs were \$11,520,900 in 1947. This was an increase of \$7,159,143 or 62.1%.

Higher salaries due to inflation account for the major portion of this increase. A minor part of the increased cost of instruction is due to an expanded educational program. The number of different courses increased from 1,623 in 1947 to 2,135 in 1951 or 32%. Some of the courses were new; others represented a return to the variety of courses offered in special fields before the war which of necessity were curtailed during the war.

Among the expansions and additions to the educational and research activities since 1947 were the program in American Studies, the Laboratory for Research in Social Relations, Aeronautical Engineering (Research at Rosemount), the School of Veterinary Medicine, and Referred Ambulatory Service.

Following is a five-year comparison of expenditures by the various branches.

General and Liberal Arts Program

The Liberal Arts program is composed of three major colleges and also includes the School of Journalism, School for Social Work, and Library Instruction Division. Enrollment was 6,675 in 1951 and approximately double that figure (12,926) in 1947.

The General College is provided for students who are likely to attend the University for only a year or two. The College of Science, Literature, and the Arts provides two- and four-year programs in the

field of general and liberal education. A similar program is available at the Duluth Branch, with special emphasis on teacher training, and on pre-professional training. This unit is an integral part of the University and expenditures were \$900,358 in 1951, and it adheres to standards of staffing and instruction comparable to those prevailing in other University departments where related courses are offered.

The University College administers individually designed programs. This is a special division to serve any student who discovers that his particular needs cannot be met within any one college.

Special Public Services

These colleges render some public services such as operating the University Theatre and Art Gallery, and conducting the Geological Survey. Geological factors within the state are investigated and mapped with particular attention to such practical matters as iron ore, manganese, feldspars, building stone, limestone and marl, foundry sand, gravel, etc., and sporadic occurrences of many other materials including oil and gas. Since 1947 aeromagnetic work has been carried on in cooperation with the U. S. Geological Survey.

A notable result of this division's work has been the discovery of nickel and copper near Ely. Since copper is a scarce mineral this discovery is important to the national as well as the state economy.

The Institute of Technology

The Institute of Technology expended \$1,990,724 in 1951 and enrolled 2,592 students. Comparable figures for 1947 were \$1,393,004 and 6,584 respectively. The Institute has suffered the largest reduction in enrollment of any of the schools on the campus.

In addition to providing education in architecture, civil, mechanical, chemical, electrical, mines and metallurgy, and aeronautical engineering, the Institute assists individuals or organizations in the utilization of minerals found in this state, and also does research in fields relating to the processing and utilization of minerals.

Special Service

A special service for the Minnesota State Tax Commission is provided by the School of Mines and Metallurgy of this Institute in checking and estimating the tonnage and grade of reserve ore in the state. These factors are used as a basis of valuation for ad valorem tax purposes. This service has been provided since 1909.

The School of Business Administration

The School of Business Administration provides general courses in business and accounting, advertising, merchandising, and other business specialties. It also offers courses in economics for its own students and for students from other colleges. Enrollment of students was 1,042 in 1951 and expenditures were \$408,277. Similar figures for 1947 were 1,991 and \$268,320.

University Department of Agriculture

The University Department of Agriculture includes the College of Agriculture, Forestry, Home Economics, and Veterinary Medicine, the Agricultural Extension Service, the Agricultural Experiment Station, Agricultural schools and experiment stations. The total cost of the Department in 1947 was \$2,829,268 which increased to \$4,712,011 in 1951. Over half the cost of the Department of Agriculture is for the Agricultural schools and experiment stations and for agricultural extension work. In addition to the agricultural experiment station at University Farm in St. Paul and its extension at Rosemount, there are branch stations at Duluth, Waseca, Grand Rapids, Crookston, Morris and Excelsior where research and development work in agriculture is carried on. Vocational training in sub-collegiate classes in agriculture, home economics, and related subjects is given at the four agricultural schools at St. Paul, Crookston, Morris, and Grand Rapids. Enrollment in these four schools in 1951 numbered 1,046 and expenditures amounted to \$782,488. A new school is planned at Waseca. There was also an enrollment of 16,940 in short courses offered for adults at Crookston, Morris, Grand Rapids, and St. Paul. There is an experimental forest at Cloquet (3,710 acres) where students in forestry are given field training, and the results of forest protection and forest management are shown. There is also a Forestry and Biological Experiment Station at Itasca Park.

Scope of Extension Services

The agricultural extension service is a cooperative undertaking of the Federal Department of Agriculture and the University of Minnesota. Expenditures were \$1,145,298 in 1951. This service provides an on-the-job educational program in agriculture and home economics for rural people through the county agents, home demonstration and 4-H club agents. Through this service the results of agricultural research are made available to rural people. The extent of this work is demonstrated by the fact that 825,055 persons were reached by this service in 1949. There were 49,185 4-H club members enrolled in that year, and 1,281,185 bulletins were printed.

Organization of Agricultural Extension Service

The agricultural extension service is divided into two sections—the state staff and the county staff. The state extension office is responsible for the administration of the service, the subject matter taught, and gives assistance to the county staff in making their county programs most effective. County agricultural agents, county home demonstration agents, and county 4-H club agents usually have their offices at the county seat.

The College of Agriculture, Forestry, Home Economics, and Veterinary Medicine

This college offers work in a wide range of subject areas such as animal husbandry, dairy husbandry, agronomy, agricultural economics, agricultural engineering, bio-chemistry, entomology, forestry, home economics, horticulture, plant pathology, poultry, soils, etc. Attention is concentrated on both the theoretical and applied aspects of such subjects as food technology, fish and wildlife management, agricultural education, agricultural business administration, forest management, and home economics. Enrollment in this college was 2,207 in 1947, and 1,985 in 1951.

The School of Veterinary Medicine was established in 1947 for the purpose of training veterinarians. This was necessary as Minnesota students were denied admittance to such schools in neighboring states and research in the field of veterinary medicine is important to the health and welfare of both the animal and human population of the state.

PROFESSIONAL COLLEGES

The Law School, College of Medical Sciences, School of Dentistry, College of Pharmacy, and College of Education comprise the professional schools. Law School

Enrollment in the Law School dropped from 779 in 1947 to 492 in 1951. Classes in this school had been too large, so the drop in enrollment meant a return to classes more suitable for teaching in this subject-matter field. The law library continues to be one of the outstanding law book collections in the United States.

The College of Education

The College of Education was one of the four colleges which gained in enrollment from 1947 to 1951. Enrollments increased from 2,144 to 2,769, a gain of 625. This is an encouraging trend in light of the serious shortages of public school teachers. Expenditures for 1951 were \$740,018. This college includes an Elementary School, the Child Study Center, and the University High School. These schools, located on the Minneapolis campus, serve as laboratories for prospective teachers and also as testing grounds for new educational methods and procedure.

The University Elementary School has been in operation since September 1947. In 1951 it had an enrollment of 50 pupils. The Child Study Center provides for those children who have special problems and provides clinical training for teachers of such children. The University High School is organized as a six-year co-educational high school. In the spring of 1951 there were 377 pupils enrolled. Pupils pay \$25 tuition and \$10 to \$12.50 in fees each quarter.

CURRENT EXPENDITURES FOR INSTRUCTION AND DEPARTMENTAL RESEARCH

	1947	1951	% of Increase
General College of the University	\$ 124,442	\$ 181,075	45.5
College of Science, Literature and the Arts	1,597,390	2,384,386	49.3
University College	799	2,770	246.7
Duluth Branch		900,358	
Institute of Technology	1,393,004	1,990,724	42.9
School of Business Administration	268,320	408,277	52.2
Department of Agriculture—			
Agricultural Extension	861,847	1,145,298	32.9
Agricultural Schools and Experiment Stations	879,350	1,626,790	85.0
All Other	1,088,071	1,939,923	78.3
Total Department of Agriculture	2,829,268	4,712,011	66.5
Law School	130,751	190,202	45.5
College of Education	360,463	740,018	105.3
College of Medical Science	735,546	1,314,465	78.7
School of Dentistry	246,903	323,320	31.0
College of Pharmacy	74,645	102,830	37.8
U. of M. Hospitals	1,989,222	3,356,520	68.7
Graduate School	768,217	771,870	.5
Summer Session	470,548	622,030	32.2
Institute of Child Welfare	54,589	99,796	82.8
Library Instruction	14,637	24,234	65.6
Military and Naval Departments	4,822	12,457	153.3
Physical Education	457,334	542,700	18.7
Total Instruction and Departmental Research	11,520,900	18,680,043	62.1

College of Medical Sciences

The College provides instruction in medicine and in a number of special fields including public health, medical technology, nursing, hospital administration, and physical and occupational therapy. Enrollment in the Medical School and its related schools and courses dropped from 1947 to 1951, but the major loss occurred in the School of Nursing.

School of Hospital Administration

The School of Hospital Administration should be mentioned as it is one of ten in the nation giving a course in hospital administration. It includes a two-year course of which the first year is instruction at the University, the second year in administrative residence in a suitable hospital. Originally this course was subsidized by the Kellogg Foundation. Graduates of this school are helping to meet the urgent need for business management in private and public hospitals. Approximately twenty students are enrolled.

Mental Hygiene Service

Special attention has been given to training nurses for mental hygiene service. There is an urgent need for such nurses due to the recently expanded mental health program in our state institutions. The training program for nurses with some supervisory public health experience covers 15 months. It is one of three such courses in the United States subsidized by the U. S. Public Health Service.

School of Public Health

There is an acute shortage in public health personnel throughout the United States. The number of applicants in the School of Public Health has exceeded the facilities of the school in recent years.

Special Activities

All departments and divisions of the College of Medical Sciences have teaching and research functions but in addition they provide expert and highly specialized care to thousands of citizens who are patients of the University hospitals. This college also performs an invaluable service in providing the means for physicians, nurses, and other health workers to keep abreast of scientific developments and improved techniques in their various fields. In its School of Public Health research is conducted in relation to the control of communicable diseases, sanitation, and psychological hygiene. It renders consultation service to the State Board of Health and to local health agencies. Research work in this school was of great value in planning the postwar feeding of the people of western Europe.

Schools of Dentistry and Pharmacy

The School of Dentistry and the School of Pharmacy have separate status. Expenditures for the School of Dentistry were \$323,320 in 1951. Enrollment increased from 283 in 1947 to 350 in 1951. The School of Pharmacy spent \$102,830 in 1951 and its enrollment increased slightly (410 to 423) in the five-year period.

UNIVERSITY HOSPITALS

The University has a number of special hospitals under its control. The extent of the services performed is fairly well measured by the size of the expenditures which were \$3,356,520 in 1951.

The University of Minnesota General Hospital was established to furnish a medium at the University for training medical students in clinical medicine, and also as an economical means for the state to care for its indigent sick especially from the smaller counties.

Elliot Memorial Hospital, a general hospital of 200 beds, was erected in 1911. Todd Hospital for the care of ear, eye, nose, and throat cases was opened in 1924. The Citizens Aid Society of Minneapolis contributed funds for the establishment of a cancer institute. Another unit was added to the hospital later which includes the Eustis hospital for children, the Health Service for students, a unit for women, and an out-patient department. A psychiatric unit was provided by the legislature in 1937.

New Heart Hospital

The Variety Club Heart Hospital was opened in 1951. This unit provides for 80 patients—40 pediatric service and 40 on adult service—an out-patient department and a large group of clinical and research laboratories. This unit was provided through the generosity of the Variety Club of the Northwest and a grant from the U. S. Public Health Service under the Hiss-Burton Construction Act and through the National Heart Foundation. It is the only hospital in the nation devoted exclusively to the study and treatment of heart ailments.

Mayo Memorial Hospital Under Construction

The Mayo Memorial Hospital, when completed, will increase the capacity of the University by 175 hospital beds, new facilities for the out-patient department, operating rooms, laboratories, x-ray, etc. The addition of these units will give the University hospitals a total bed complement of 705. The cost of this building will be approximately \$12,200,000, of which \$7,000,000 was appropriated by the legislature, \$3,100,000 was from federal funds, \$2,000,000 was from gifts, and \$70,000 from University Service Enterprises.

Source of Patients

It is required that each patient be referred for admission to the Hospitals by his physician or by a physician in his local community. This rule avoids the criticism that the Hospitals or their clinics are taking patients away from private practitioners.

Patients are classified according to their ability to pay and charged accordingly. Most of the patients are from the various counties and cannot afford to pay. Their expenses are shared equally by the county and the state government.

GRADUATE SCHOOL

Enrollment in the Graduate School increased from 3,695 in 1947 to 4,366 in 1951. Postwar veterans' enrollment is a factor in the larger enrollment in this school. All work toward graduate degrees is administered in this school. The school also includes the

Hormel Institute, Dight Institute, the Minnesota Institute of Research and other research centers. Expenditures amounted to \$771,870 in 1951.

The teaching staff consists of more than 1,000 full and associate members from the faculties of the various undergraduate and professional colleges and divisions of the University.

The Mayo Foundation at Rochester is affiliated with the Graduate School and cooperates in its training of graduate students. The graduate school faculty is also responsible for the administration of approximately 1,800 graduate fellowships and assistantships.

In 1950 there were 1,661 Master's degrees and 302 Ph. D. degrees granted. The largest number of Ph. D's were in the physical sciences, then (in order of number granted) in agriculture, education, medicine, and social sciences; the most Master's degrees were granted in education, social sciences, physical sciences, and medicine.

Training in Public Administration

The Public Administration Center, a unit of the Department of Political Science, conducts graduate training and research in public administration and maintains a valuable reference library. Approximately 70 per cent of 155 former students of the training program are in government employment—national, state, or local. The director of the Center served as chairman of the Minnesota Constitutional Commission in 1947-48 and as a member of the Little Hoover Commission in 1949-50. An alumnus of the training program also served as the executive director of the latter Commission.

SUMMER SESSION

There was a decrease in enrollment in the Summer Session from 1947 (15,022) to (12,269) students in 1951. Courses are offered in ten colleges of the University. This school was originally intended as a training school for teachers but it has developed into a fourth quarter of instruction with two terms of five and a half weeks each.

The staff is paid mainly out of tuition fees collected from summer session students, and teaching expenses are paid from course and laboratory fees collected from the students. Expenditures for 1951 were \$622,030.

THE INSTITUTE OF CHILD WELFARE

The Institute of Child Welfare has the three-fold purpose of conducting scientific research on the development of children, instructing students and professional workers, and giving instruction and guidance to parents and others responsible for children.

The Institute offers undergraduate and graduate courses in child development, the education of young children, and parent education. It runs a nursery school and kindergarten, and a first and second grade for demonstration teaching and child study.

The Institute maintains a Parent Consultation Service to which parents bring children with adjustment problems.

DEPARTMENT OF DEFENSE

The Department of Defense consists of the Army ROTC, Navy ROTC, and Air Force ROTC. They provide theoretical and practical instruction in technical subjects necessary for officers in the army, air force, navy, and marine corps reserve.

Financial support of these departments is derived from the University and the Departments of the Army, Navy, and Air Force. Expenditures from University funds were \$12,457 in 1951.

PHYSICAL EDUCATION DEPARTMENT

The Physical Education Department conducts classes in physical education (theory and activities) for the various colleges of the University, and operates the inter-collegiate athletic program. It provides a teacher training program in physical education, coaching, and recreation on both the undergraduate and graduate levels. It provides assistance throughout the state in community recreation, athletics and physical education. It also provides activities and recreation for faculty and employees. Expenditures were \$542,700 in 1951.

D—EXTENSION SERVICE

Most state universities including Minnesota place a great deal of emphasis on educational extension work. The extension service expenditures at Minnesota amounted to \$921,325 in 1951. This does not include agricultural extension which is handled in the University Department of Agriculture. This service is financed entirely by fees charged for the courses taken.

Correspondence Courses

This service offers opportunities to study by correspondence to those who live at a distance from the urban centers. Two hundred and eighty courses at the high school and college level are offered. There were 4,500 enrollments in these correspondence courses in 1951.

Extension Classes

In addition, late afternoon and evening classes for adults (conducted largely by persons who also teach regular day classes at the University) are offered in the Twin Cities and in other Minnesota communities. Over eleven thousand persons were enrolled in these classes in 1951. These courses enable people who are occupied during the day to work toward a baccalaureate degree and to continue their personal and vocational development.

Continuation Center

Another phase of extension activities is provided by the Center for Continuation Study. This Center conducts short institutes ranging in length from two days to several weeks and serves varied groups such as doctors of medicine, surgeons, dentists, lawyers, engineers, bankers, teachers, municipal officials, etc. There has been a great demand for these short institutes, and schedules are filled months in advance. In 1951 there were 6,697 adult students enrolled.

Special Services

In addition to these activities the Extension Division provides a number of special services such as concerts, lectures, and assembly programs, and maintains a play library. Through its radio station KUOM and KUOM-FM it brings the Minnesota University of the Air, the Minnesota School of the Air, and musical and other educational programs to the people of the state. It provides sound motion pictures and slides to groups and individuals through the Audio-Visual Extension Service. The Municipal Reference Bureau and the League of Minnesota Municipalities cooperate in the study of city and village affairs. Its State Organization Service, including the World Affairs Center, provides timely information on international and domestic affairs, and serves as a secretariat for various civic organizations interested in these matters.

E—PHYSICAL PLANT OPERATION

Operating the physical plant of the University required \$2,809,117 in 1951. Five years earlier \$1,628,298 was required. This increase of over \$1,000,000 can be accounted for by inflation and the maintenance of an enlarged physical plant. The new building program is discussed at greater length in the final section of this report. The detailed expenditures for physical plant operation in 1951 were as follows:

FOR PHYSICAL PLANT OPERATION AND MAINTENANCE			
	1947	1951	
Minneapolis Campus	\$1,280,794	\$2,100,190	
St. Paul Campus	343,414	521,747	
University Airport	4,090	1,278	
Rosemount Research Center		185,902	
Total	\$1,628,298	\$2,809,117	

F—RESEARCH ACTIVITIES

Research work at the University is now a major activity. Expenditures from endowment, gifts, and federal grants were \$3,530,000 or 12.1% of the total general, educational, and research expenditures in 1951. A great deal of research work especially in agriculture is performed by regular staff and is not charged to this account. The five-year increase amounted to \$2,145,000 or 154.9%. Legislative appropriations account for approximately one-third of the funds for research. The other two-thirds come from the federal government and from private foundations and industries.

Distribution By Schools

The expenditures from these funds for research by schools for 1951 were as follows:

	Endowed	Gifts and Federal Grants
Science, Literature & Arts	\$ 3,323	\$ 706,888
Medical School	57,353	1,289,066
Graduate School	35,164	233,298
Unassigned	973	10,858
Institute of Technology		960,232
Agriculture, etc.		204,653
School of Dentistry		5,660
College of Pharmacy		2,925
Summer Session		16,803
School of Business Administration		3,142
	\$96,813	\$3,433,525

It is of interest to note from the table that the largest amount, approximately \$1,300,000, was spent by the Medical School. Medical Research studies are extensive, including cancer, heart disease, infantile paralysis, rheumatic fever, high blood pressure, brucellosis, epilepsy, nutrition, etc. Support of this research from other than University sources amounted to over one million dollars, including grants from various societies, foundations, and individuals, from the Army and Navy, from United States Public Health Service, and from the Life Insurance Research Fund.

Approximately one million dollars of research work was done by the Institute of Technology. A major result of years of research by the engineering experts of the University and the iron mining industry is the new taconite processing plants which are in northern Minnesota. These projects in taconite mining come at a time when Minnesota's high grade iron ore is running out. It has been estimated that the three taconite plants may produce 20 million tons of beneficiated taconite annually by 1960 and more than 40 million tons by 1970. Geologists estimate over five billion tons of taconite are in open pits.

Research work in the Institute also includes aeronautical research work at Rosemount. A large volume of work is being done for the Federal Atomic Energy Commission, the Army, Navy, and Air Force. The exact nature of this research is not known for security reasons. Many projects are for private industry. This is carried on at no cost to the general taxpayers of the state.

The largest single research project in the College of Science, Literature and the Arts was for the Federal Atomic Energy Commission for the construction of a linear accelerator. Two other special projects are worthy of mention. A project was set up in 1946 for the purpose of describing and studying the operative relations among national, state, and local governments. This is financed primarily by the Rockefeller Foundation. Secondly, a project on the nature and development of social responsibility is under way and is largely financed by the Carnegie Corporation. This should expand our knowledge of group behavior.

The School of Business Administration has special research projects for improving industrial labor-management relations and for a study of capital formation.

The research projects in the field of agriculture are extensive. Studies are under way in nutrition, animal diseases, soil improvement, dry milk, alfalfa, blue cheese, frost resistant plants, farm management, diseases of turkeys, cornstarch, potatoes, flour, poultry rations, plant nutrition, and many other subjects.

The solving of problems affecting the economic, social and political life, and general well-being of the State and its citizens is an important part of the University's work. It serves as an evidence of the competence of the University staff. The research program has also been of value in attracting and retaining the services of outstanding professors. According to a study made some years ago, three-fifths of all full-time academic staff members of the University were working on one or more research projects, devoting an average of twelve hours a week to such an activity.

G—EXPENDITURES FOR OTHER PURPOSES

Expenditures for other purposes (item 7 on Table III) cost \$177,316 in 1951. These expenditures include services provided by the student health service (\$11,728), audio-visual education service (\$61,553), analog computing center (\$31,790), and minor items such as photographic laboratory, parking lots, recreation field, post-office, theatre, airport, university band, etc.

FINANCING THE UNIVERSITY

The University receives money for its operation from a number of sources. The total current income in fiscal 1951 amounted to \$38,149,793. There was actually \$41,828,809 available for expenditures. The additional amount was largely from balances carried over for construction projects which were financed by state borrowing. Service enterprises and revolving funds provided \$7,736,597 and Trust Funds provided \$768,697, leaving \$29,644,498 which is of special interest to taxpayers. The service enterprises and trust funds are self-sustaining. Receipts from the first source are from revolving or working capital funds and receipts therefrom are used for the support of the dormitories, dining halls, and service enterprises from which they were earned. The income of \$790,000 from the Trust Funds is used for the purposes specified in the endowments.

CURRENT INCOME FOR GENERAL, EDUCATIONAL, AND RESEARCH PURPOSES

Current income for general, educational, and research purposes which concerns taxpayers amounted to \$29,644,000 in 1951. This income was derived from the following sources:

	1947 Amount	1951 Amount	Percent of Change
Student Fees	\$ 4,970,566	\$ 3,749,836	-24.6
State Appropriations	6,333,014	15,055,531	137.8
Federal Aid	963,844	1,272,864	32.1
Income from Endowments	755,952	963,581	27.5
Gifts & Grants from Private Sources	1,833,098	3,876,405	111.5
Receipts from Sales and Services	2,523,930	3,937,952	56.0
Athletic Receipts	566,003	788,326	39.3
	\$17,946,407	\$29,644,498	65.2

There has been an increase of \$11,698,091 or 65.2% in the five-year period. The major change occurred in State appropriations which increased \$8,722,517 or 137.8%. Such appropriations are carrying 50% of the financial load.

Student fees dropped 24.6% during the five-year period, being \$4,970,566 in 1947 and \$3,749,836 in 1951. Of this 1951 total, \$3,137,000 were collegiate fees*, \$120,000 were non-collegiate fees, and \$493,000 were fees paid to the Extension Division.

This decrease in fees of \$1,200,000 was not due

*1 According to a study of tuition fees at state universities made by the Minnesota Legislative Research Committee, the University of Minnesota charges resident students relatively more and non-resident students relatively less than do other comparable state colleges and universities in the Midwest. However, in terms of actual amounts charged, Minnesota is usually close to the middle value for Michigan, Illinois, Indiana, Iowa, Nebraska, Ohio, and Wisconsin.

entirely to a decline in the collegiate enrollment. The decrease was greater because of the decline in veteran enrollment. The Federal Veterans Administration paid non-resident rates for veterans, and non-resident tuition rates in general were almost twice the resident rate. There were approximately 16,000 veterans enrolled in the fall quarter of 1947, but only 6,700 in the fall quarter of 1950.

In order to maintain the standard of education, it was necessary to replace this loss of revenue from other sources, and the main source of replacement was state legislative appropriations.

State Appropriations

State legislative appropriations to the University in fiscal 1951 amounted to \$15,056,000 for general, educational, and research purposes.

In 1951 the amount for maintenance and operation included a standing appropriation of \$273,000 from a levy of .23 mill on general property throughout the state and \$12,201,000 from general appropriations. These two appropriations were supplemented by twenty-one other appropriations for research and special purposes. The larger items were \$179,835 for a psychopathic hospital, \$1,519,990 for the University hospital, \$90,000 for agricultural research at Rosemount, \$75,000 for low grade iron ores, \$90,000 for natural and human resources research, \$60,000 for medical research, \$87,500 for agricultural extension, \$150,000 for county agents, \$40,000 for home demonstration and 4-H club work, and smaller amounts for soils survey, dairy manufacturing, hybrid corn, brucellosis, crop breeding, potato research, etc.

Federal Aids

The University received \$1,272,864 in federal aids in 1951 and \$963,844 in 1947. There were fourteen federal grants. Most of them were for agricultural extension activities and agricultural experiment stations. These moneys must be used for the purpose specified.

Income From Endowments

Income from endowments consists of the interest and earnings from trust fund investments. Endowment income provided \$963,581 in 1951.

The Land Grant Endowment (or Permanent University Fund) and the Swamp Land Fund are funds originated by land grants under Act of Congress. The state legislature further provided that 10% of the iron ore occupational tax would be paid to the permanent University fund. The University received \$632,000 from this fund in 1951. As of June 30, 1951 the Permanent University fund amounted to \$27,638,559.

The University receives a portion of the Swamp Land Fund earnings which amounted to \$96,000 in 1951.

Income from other endowments amounted to \$236,000 in 1951 and represents the earnings of approximately fifty trust funds, and an endowment of almost six and a half million dollars.

Gifts and Grants

Gifts from private sources and federal grants amounted to \$3,876,000 in 1951. This is a far larger figure than \$1,833,000 in 1947. Most of this increase of \$2,043,000 was due to greater use of the University staff by the federal government for military and atomic research. This is a temporary condition. A portion of these funds are given by individuals, by private foundations, by corporations, and by societies such as the American Society of Agricultural Engineers, and the American Cancer Society, etc. In addition, special grants are made by branches of the U. S. Government such as the U. S. Public Health Service and the U. S. Army and Corps of Engineers.

Receipts From Sales And Services

Receipts from sales and services amounted to \$3,938,000 in 1951. These receipts represent the earnings of the University hospitals, laboratory fees, miscellaneous departmental receipts, etc., which may be used for general, educational, and research purposes.

These receipts represent the earnings of the University hospitals, laboratory fees, miscellaneous departmental receipts, etc., which may be used for general, educational, and research purposes.

Athletic Receipts

Athletic receipts amounted to \$788,000 in 1951 and \$566,000 in 1947. Over half of the 1951 income (\$454,217) was derived from receipts of football games. These receipts support not only the collegiate athletics but virtually the entire physical education program as well.

PHYSICAL PLANT

The physical plant of the University was valued at \$76,353,000 as of June 30, 1951. This amount was distributed as follows:

Lands and Buildings	\$53,616,000
Other Permanent Improvements	2,153,000
Equipment	13,052,000
Specimens and Collections	1,005,000
Library and Reference Books	6,291,000
Livestock	236,000

Land and buildings on the Minneapolis campus were valued at approximately \$41,238,000; on the St. Paul campus at approximately \$6,328,000.

The Livestock Sanitary Board and State Highway Department, both have laboratories on the campus. The Health Department also has a building, which is maintained by the University, on the campus.

New Buildings

Among the more important additions to the Minneapolis campus since 1947 were Centennial Hall (men's dormitory) \$2,994,227, the Chemical Engineering Building \$1,121,714, the Variety Club Heart Hospital \$1,229,744, Johnston Hall \$977,340 (under construction in 1951), Ford Hall \$883,898, and the Mayo Memorial Hospital \$932,509 (under construction), the Health Service Addition \$811,334, the Physics Additions \$332,440, and a Science building (\$721,565) at Duluth. On the St. Paul campus one of the major additions was the Veterinary Clinic at a cost of \$705,615.

The Mayo Memorial Hospital when complete will cost \$12,200,000.

A part of the physical plant was financed by gifts such as the Coffman Memorial Union, Northrop Auditorium, Heart Hospital, and a portion of the Mayo Memorial Hospital. In other words, the physical plant was not financed entirely by tax funds.

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ADDITIONAL FACTS

- 1) The state sets standards for schools regardless of the amount of its financial support. A combination of local and state support of schools divides the tax load between property taxes (local) and other than property taxes (state).
- 2) The average per pupil unit maintenance cost of education in the state for 1952-53 for graded elementary and high schools was \$190; for 1952-53 it ran from \$140 to \$312; and for ungraded schools in 1951-52 from \$81 to \$954.

In other words, the highest per pupil costs are in the one-room schools where the number of pupils per teacher is low and where educational services are limited. Attempts are being made to cut down the number of one-room schools. They have been reduced from 5,676 in 1943 to 3,199 in 1953.

- 3) The number of school districts has been reduced from 7,606 in 1947 to 5,298 in 1953 through consolidation and reorganization.

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The ABC's of State Aids

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How They Are Financed

How They Are Distributed

Public Education in Minnesota is a primary responsibility of the State.

"the stability of a republican form of government depending mainly upon the intelligence of the people, it shall be the duty of the Legislature to establish a general and uniform system of public schools."

ARTICLE VIII, SECTION 1, STATE CONSTITUTION

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