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GRAPEVINE

A newsletter on state tax legislation; state appropriations for universities, colleges, and junior colleges; legislation affecting education at any level. There is no charge for GRAPEVINE, but recipients are asked to send timely newsnotes regarding pertinent events in their respective states.

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Utah appropriates exactly \$40 million for 1969-70 . . . 804

STATE REVENUE SYSTEMS CAN BE MADE MORE PRODUCTIVE WITHOUT HARDSHIP 805-806

Student tuition fees at public institutions of higher learning should be kept to the minimum. Increases tend to seal off opportunities for quality higher education from great numbers of underprivileged youth, particularly members of ethnic and racial minorities. Public education, essential for political democracy, must be kept within financial reach of all citizens.

-- Editorial in the Milwaukee Journal
(January 29, 1967)

Statement of ownership and circulation of GRAPEVINE is on Page 802 (reverse hereof).

THE SIX STATES FIRST REPORTING FOR 1969-70 SHOW WEIGHTED AVERAGE 2-YEAR GAINS OF 27½ PER CENT; 10-YEAR GAINS OF 284½ PER CENT

GRAPEVINE is now able to report six states, as in Table 57. In forthcoming weeks and months we intend to report the other 44 states.

Table 57. Appropriations of state tax funds for annual operating expenses of higher education for fiscal year 1969-70 and in previous fiscal years 1959-60 and 1967-68, in six states, in thousands of dollars, with dollar gains and percentage gains over most recent two years and over ten years.

States	Fiscal years ending in even numbers			1968-70		1960-70	
	1959-60	1967-68	1969-70	2-yr gain	%	10-yr gain	%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Ind	\$45,463	\$132,628	\$150,979	\$18,351	14	\$105,516	232
Ky	14,954	74,371	95,478	21,107	28½	80,524	538½
Miss	15,118	36,720	47,804	11,084	30	32,686	216½
S D	8,128	16,992	18,227	1,235	7½	10,099	124½
Utah	13,139	33,695	40,000	6,305	19	26,861	204½
Va	25,544	74,335	117,158	42,823	57½	91,614	350½
Totals	122,346	368,741	469,646	100,905	-	347,300	-
Weighted average gains	-	-	-	-	27½	-	284½

Three of the states named in Table 57 made appropriations for fiscal year 1969-70 in their 1968 biennial sessions (Kentucky, Mississippi, Virginia). The three others (Indiana, South Dakota, Utah) were among the first to make appropriations during their 1969 sessions.

Appropriations of these six states for 1969-70 aggregate nearly half a billion dollars. The number of these states is much too small to be made the base of any projection of what the 50-state total for 1969-70 may be. None of the ten most populous and wealthy states has yet reported.

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INDIANA. Appropriations of state tax funds for operating expenses of higher education, biennium 1969-71:

Table 58. State tax-fund appropriations for operating expenses of higher education in Indiana, biennium 1969-71, by separate fiscal years, in thousands of dollars.

Institutions	Sums appropriated	
	1969-70	1970-71
(1)	(2)	(3)
Indiana U *	\$39,524	\$43,751
Indianapolis Campus**	13,803	16,122
Regional campuses ***	7,562	9,557
Med ed planning	825	825
Intern resident prog	675	675
Psychiatric research	400	400
Clinic for retarded	75	75
Public health tng	40	40
Dept of toxicology	30	30
Subtotals, I U^x		
Purdue U ⁺	41,215	45,902
Regional campuses ++	8,441	9,751
County ag agents	956	1,004
Animal Disease Lab	290	260
Util of ag products	90	90
Ag market research	50	50
Bangs Disease testing	30	30
Johnson grass erad	15	15
Legis conf h s students	3	3
Subtotal, Purdue^{xx}		
Ball State U	16,284	18,816
Indiana State U	15,037	17,019
Regional campuses	1,021	1,329
Subtotals, I S U^{xxx}		
Higher Ed Telecommuni- cations System +++	1,113	1,113
Vincennes U (Jr Coll) @	500	530
Indiana Voc Tech Coll @@	3,000	3,000
Totals	150,979	170,387

* Bloomington Campus.

** Medical Center and other units in Indianapolis, set out for the first time as Indianapolis Campus.

*** Fort Wayne, Gary-East Chicago, Jeffersonville, Kokomo, South Bend-Mishawaka Campuses, and "Centers" operated in conjunction with

(Continued in next column)

INDIANA footnotes -

(Continued from preceding column)

Earlham College at Richmond and Vincennes University.

x \$62,934,000 and \$71,475,000.

xx \$51,090,000 and \$57,105,000.

xxx \$16,058,000 and \$18,348,000.

+ West Lafayette Campus.

++ Fort Wayne, Hammond, Indianapolis, and Michigan City Campuses. The campuses of Indiana University and Purdue University in Fort Wayne occupy jointly a new college plant and work in close cooperation, though retaining their identities.

+++ Linking the four state universities, and eventually other colleges in Indiana, and also selected hospitals, for television instruction.

@ A former private college, now a junior college supported partly by the county and chiefly by the state.

@@ A public corporation of statewide purview, authorized to provide vocational-technical education by various means, including establishing new schools or contracting with existing schools.

Indiana's total for fiscal year 1969-70 seems to be an increase of a little less than 14 per cent over the comparable figure for fiscal year 1967-68, two years earlier.

The rate of gain over ten years since 1959 is 232 per cent. This is less than the weighted average nationwide rate of gain over the 8-year period from 1960 to 1968, which was 233 per cent. Hence Indiana's gain over ten years will be substantially below the national average.

The 1969 legislature enacted no revenue laws of any major consequence, and many members believe a special session will be necessary before the end of the biennium 1969-71. Only the governor can call a special session, and at present he leans toward a negative view of the matter.

SOUTH DAKOTA. Appropriations of state tax funds for operating expenses of higher education, fiscal year 1969-70:

Table 59. State tax-fund appropriations for operating expenses of higher education in South Dakota, fiscal year 1969-70, in thousands of dollars.

Institutions (1)	Sums appropriated (2)
U of South Dakota	\$6,442
<u>Subtotal, USD - \$6,442</u>	
South Dakota State U	7,362
Ag Experiment Sta	2,061
Co-op Ag Exten Serv	1,328
<u>Subtotal, SDSU - \$10,751</u>	
Northern State College	3,100
S D Sch of Mines and Technol	2,552
Black Hills State College	2,122
Southern State College	1,381
Genl Beadle State College	1,346
Regents of Education	122
For allocation *	1,011
<u>Less student fees and other institutional receipts **</u>	
	-10,600
<u>Net total ***</u>	<u>18,227</u>

* This sum is to be allocated for several ancillary purposes at the institutions, the largest single item being \$700,000 for deferred maintenance.

** These sums are captured by the state treasury, and go partly into the State General Fund and partly into a building fund for the state institutions. Hence they must be subtracted in order to arrive at the net state tax investment in annual operating expenses of higher education.

*** Does not include \$421,025 for the State School for the Deaf and \$221,740 for the State School for the Blind, both of which are governed by the State Board of Regents of Education.

South Dakota's appropriation of 18,227,000 for fiscal year 1969-70 appears to be a gain of 7½ per cent over the comparable figure for 1967-68, two years earlier. The ten-year rate of gain since 1959 is 124½ per cent.

UTAH. Appropriations of state tax funds for operating expenses of higher education, fiscal year 1969-70:

Table 60. State tax-fund appropriations for operating expenses of higher education in Utah, fiscal year 1969-70, in thousands of dollars.

Institutions (1)	Sums appropriated (2)
U of Utah	\$15,211
College of Medicine	2,000
Univ Hospital	250
Economic development	100
Special enterprises *	152
KUED - TV	210
Research support	1,000
<u>Subtotal, U of U - \$18,923</u>	
Utah State U	7,585
Ag Experiment Sta	1,050
Co-op Ag Exten Serv	800
Research support	250
Ecology Center	110
Water Laboratory	90
KUSU - TV	50
Continuing education	180
<u>Subtotal, U St U - \$10,115</u>	
State colleges -	
Weber State College	4,875
Southern Utah St Coll	1,491
Utah Technical Coll **	1,365
Utah Technical Coll ***	825
Snow College	672
Dixie College	615
Coll of Eastern Utah	488
<u>Subtotal, st colls - \$10,331</u>	
Central agency	200
Student loan program	125
Statewide TV	100
Western Interst Comm for H E +	56
Enrollmt adjustments	50
Acctg and computer serv	50
Police science	50
<u>Subtotal, Ctrl agcy - \$631</u>	
<u>Total</u>	<u>40,000</u>

* Geological Survey, \$90,000; county translator stations (TV), \$37,000; coal research, \$25,000.

** At Salt Lake City.

*** At Provo.

+ Membership fee, \$15,000; student exchange program, \$40,800.

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STATE REVENUE SYSTEMS CAN BE MADE MORE PRODUCTIVE WITHOUT HARDSHIP

Economic changes, including shifts in the distribution of wealth and incomes, the creation of new industries, and the development of new occupational patterns, make study and revision of state tax systems imperative.

Growing property values, larger per capita incomes, and higher prices annually bring larger proceeds from the various types of state taxes without change in their rates or coverage; but this windfall is not enough. The whole complex rapidly becomes more and more inequitable and more and more inadequate to support the services of state and local governments unless it is regularly studied and improved.

Diversity Among State Tax Systems

Every state has, of course, the tax on real property; but most states have ceased to use the proceeds for any state-level purposes, and it is of relatively small importance in the nationwide scene of state support of higher education. Therefore at this point we do not discuss how property taxes can be improved with respect to appraisal, property classification, assessment ratios, equitable exemptions, and many other features.

Currently the two biggest sources of state-level revenue are general sales taxes and income taxes (the latter including personal income taxes and corporation income taxes).

Beginning with the largest revenue producer (viewed nationwide), we observe that 44 states have general sales taxes. The rates vary from 2 per cent in five states to 6 per cent in one state, and six states have no such tax at all. This appears in Column 2 of Table 61,

on the reverse of this page. The listing of the rates provides only a pale impression of the degree of diversity, for in a few states the statewide rate is actually substantially supplemented by local sales taxes; and there are differences from state to state regarding the coverage of the tax and the statutory exemptions from it.

The Core of a Modern State Tax System

In Columns 3 and 4 of Table 61, merely the fact of the presence or absence of state personal income taxes and corporate income taxes is indicated.

Thus Table 61 is a limited and simplistic representation of the 50-state picture with regard to only three types of state-collected taxes that are in general the best revenue-producers currently available to the states.

In brief, 44 states have general sales taxes; 38 states have personal income taxes; and 40 states have corporate income taxes. Only 32 states have all three of these types of taxes.

In a few states the constitutions are interpreted to forbid any graduated income tax, so the tax must be flat-rate (a single rate for all taxable incomes, regardless of size). This is true of Michigan's constitution of 1963, for example.

Where there is no such impediment, there is a trend toward simplifying the administration and collection of state income taxes by making the rate simply a specified percentage of each taxpayer's obligation under the federal income tax law. This automatically provides for graduation of the tax, and eliminates much unnecessary computation.

Table 61. General sales tax rates; and presence or absence of personal income taxes and corporate income taxes in 50 states, as of October, 1968

State	Rate	P	C	Notes and comments
(1)	(2)	(3)	(4)	(5)
Pa	6%		C	<p>NOTE for Column 2: Forty-four states had general sales taxes. The six states having none were all distinctly below average in population. The range of rates (2 per cent to 6 per cent) does not tell the whole story. States having the highest rates have tended to exempt transactions such as purchases of food not to be consumed on the premises, children's clothing, and prescription medicines. Some states exempt farm machinery, fertilizers, livestock feeds, insecticides, herbicides, or other farm supplies. But the general over-all tendency has been to broaden the coverage of general sales taxes. Some states include restaurant meals, hotel and motel room charges, technical and professional services of various kinds, and charges for telephones, electricity, or other utilities.</p> <p>NOTE for Column 3: The presence of a "P" means that the state had some kind of a personal income tax. Thirty-eight states are in this class. The rates vary widely. For example, Vermont's rate is fixed as 25 per cent of the Federal income tax liability of each taxpayer. Oregon's rate begins at 3 per cent on less than \$500 of taxable income and goes to 9½ per cent on taxable income above \$8,000. California's graduated rate goes to 10 per cent on taxable income above \$14,000. New York goes to 14 per cent on incomes above \$23,000. But Indiana and Michigan have respectively 2 per cent and 2.6 per cent flat rates on adjusted gross income. New Hampshire's personal income tax applies only to income from interest and dividends, and its proceeds are virtually negligible.</p> <p>NOTE for Column 4: A "C" indicates that the state has some kind of corporate income tax. Forty states are in this group. Among the ten not included are populous Illinois, Ohio, Texas, and Florida. Nine of these ten have neither a personal nor a corporate income tax. Five of them have only average or below-average general sales tax rates.</p> <p>FURTHER COMMENT: Only 32 states had <u>all three</u> of the types of taxes that are generally regarded as the core of a modern state revenue system: a general sales tax, a personal income tax, and a corporate income tax.</p>
Cal	5	P	C	
Ky	5	P	C	
Miss	5	P	C	
R I	5		C	
Me	4½			
Wash	4½			
Ill	4½			
Ala	4	P	C	
Fla	4			
Hawaii	4	P	C	
Mich	4	P	C	
Ohio	4			
Conn	3½		C	
Ariz	3	P	C	
Ark	3	P	C	
Colo	3	P	C	
Ga	3	P	C	
Ida	3	P	C	
Iowa	3	P	C	
Kas	3	P	C	
Md	3	P	C	
Mass	3	P	C	
Minn	3	P	C	
Mo	3	P	C	
Nev	3			
N J	3	P	C	
N M	3	P	C	
N C	3	P	C	
N D	3	P	C	
S C	3	P	C	
S D	3			
Tenn	3	P	C	
Texas	3			
Utah	3	P	C	
Va	3	P	C	
W Va	3	P	C	
Wis	3	P	C	
Wyo	3			
Ind	2	P	C	
La	2	P	C	
Nebr	2	P	C	
N Y	2	P	C	
Okla	2	P	C	
Alaska		P	C	
Del	No	P	C	
Mont	gen'l	P	C	
N H	sales	P		
Ore	tax	P	C	
Vt		P	C	

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