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GRAPEVINE  
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Reports on state tax legislation; state appropriations for universities, colleges, and junior colleges; legislation affecting education beyond the high school.

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"American universities are among the world's glories. If they don't flourish, we shall have lost more than we know. Is the significance going to be smeared over? Don't be penny-wise, pound-foolish!"

-- C. P. Snow (Lord Snow, distinguished contemporary British scientist and author)

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HEALTHY INCREASES IN STATE TAX SUPPORT OF PUBLIC HIGHER EDUCATION FOR BIENNIIUM 1971-73 ARE REQUESTED FOR TEXAS UNIVERSITIES AND COLLEGES

TEXAS. The September 1970 number of the monthly newsletter of the Coordinating Board, Texas College and University System, C B Report, carries a condensed summary of the combined requests of all agencies of higher education in the state for appropriations of state tax funds for the biennium 1971-73.

The combined total is approximately \$1.2 billion, an increase of 76 per cent over the appropriations of \$686,560,367 for the preceding (current) biennium 1969-71.

Major causes of the large increase are continuing increases in enrollments, the establishment of several new institutions, and the addition of necessary new projects and programs. Continuing inflation of prices and wages constitute another important factor.

New senior institutions authorized by the 1969 legislature are the University of Texas of the Permian Basin (in the Midland-Odessa area), the University of Texas at San Antonio, and the University of Texas at Dallas.

There are also three new medical or dental units; The University of Texas Medical School at Houston, the Texas Tech University Medical School at Lubbock, and the University of Texas Dental School at San Antonio.

Also anticipated is the inception of two new junior college districts, and a substantial expansion of the Texas State Technical Institute at Waco.

Populous and wealthy Texas is in the midst of an era of vigorous progress.

Table 69. Appropriations of state tax funds for higher education in Texas as made for biennium 1969-71, and as requested for biennium 1971-73, in thousands of dollars.

Institutions and agencies	Appropriated 1969-71	Requested 1971-73	Increase per cent
Public junior colls	\$74,450	\$131,471	76.6%
Public Senior colls	443,842	750,681	69.1
Med and dental units	118,097	210,483	78.2
Ag and engrng services of Texas A&M U Syst	32,315	52,603	62.8
All other	17,856	62,903	252.3
Totals	686,560	1,208,141	76.0%

Source: Page 3 of C B Report, Vol. V, No. 9 (September 1970). Austin: Coordinating Board, Texas College and University System, P. O. Box 12788, Capitol Station, Austin, Texas 78711.

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LOOKING FORWARD INTO 1971

Some recent and possible future state legislative happenings in the fields of taxation and bonding

THE GENERAL OUTLOOK. During the first half of the calendar year 1971, nearly all the state legislatures will be in regular session-- most of them beginning in January.

Their membership, somewhat changed from that of the immediately prior biennium, will be the result of the state elections of November 1970. There is no doubt that this election brought some receding of the rightward swing that was manifested in the elections of 1968.

GRAPEVINE is not a political sheet, and will not repeat the explorations and explanations that have already appeared in the daily press and the popular journals.

We have confidence in the wisdom and good will of the fifty state legislatures when the annual or biennial "moment of truth" arrives for state tax financing of operating expenses of public institutions of higher education. This confidence is built in part upon a dozen years of detailed observation. It also comes in part from the indisputable evidence that growth in enrollments at the public institutions, and the increase in the diversity of the programs and services required of them are continuing steeply upward, and will go on upward at rapid rates all through the present decade.

Save in a possible few instances where unfortunate political mishaps have occurred and must be outgrown, the legislatures of 1971 will not allow themselves to be pre-occupied with politically-motivated pre-election hysteria about "law and order on the campus" to the exclusion

of their duty of appraising thoughtfully the immediate and long-range needs of their state universities, colleges, and junior colleges.

State legislators generally understand that tax money appropriated to public higher education is by no means a throwaway unrecoverable cost, but is a highly productive investment that pays big returns, immediately and over a long period.

Most governors and legislators are well aware that we are right now in the middle of a long phase of expansion and improvement of public higher education. It is a time during which the share of the state's resources applied to higher education, as compared with the shares of other state services, must gain rapidly.

Fewer governors than formerly are elected on "no tax" platforms. More and more have the good sense and integrity to advocate modernizing the state's revenue system to increase its productivity without hardship.

Irreversible economic changes have constantly forced the exercise of the taxing power upward to the larger units (the states and the federal government). Enlightened statesmen recognize this added responsibility.

During a few years of apparent slowdown in federal support of higher education through many channels, the responsibility of the states is larger than ever. It is GRAPEVINE's opinion that the state legislatures of 1971 will not dodge, but will fulfill that responsibility well.

The pages which follow sketch some happenings and probabilities in fourteen states as we look forward to 1971.

ALASKA. Electors approved a state bond issue of \$29.7 million for capital improvements at the University of Alaska.

ARKANSAS. It seems by no means certain that important new tax measures will be enacted in 1971; but Governor-elect Dale L. Bumpers is said to have indicated that his first priority for the production of new revenues would be removal of industrial exemptions from the sales and use tax.

FLORIDA. The Governor-elect, Reuben Askew, proposed the necessity of a corporation income tax as his principal campaign issue. He is reported to be conferring with legislative leaders on the possibility of a special session prior to the regular 1971 session beginning in April, thus making it possible for the legislature to propose the measure formally and have it placed on the ballot for an election prior to that date.

A favorable popular vote before April, he points out, would enable the new legislature to enact necessary implementing statutes and start collection of the tax July 1, 1971.

Florida, along with Texas and Ohio, is one of the very few remaining states having neither personal nor corporate income taxes, but depending largely on a general sales tax.

Studies recently made for the Revenue Study Committee of the Florida House of Representatives indicate that the state could increase revenue by \$150 million a year by raising the state sales tax to 5 per cent from the present 4 per cent. (Sales tax collections last year were \$685 million).

KANSAS. A joint legislative tax study committee has recommended getting an additional \$7 1/2 million of revenue yearly by removing the sales tax exemption of "consumables" (products or services which are consumed in the production of other goods and services).

MASSACHUSETTS. A state master tax plan commission has completed two years of labor at a cost of \$300,000, which would have the general effect of lessening the proportion of reliance on property taxes and shifting toward heavier dependence on state income and sales taxes.

The picture is complicated by a recommendation that the state enact a statewide property tax assessed on a full cash value basis, separate and apart from locally levied property taxes for local purposes.

The report makes clear that if additional revenue is needed beyond expectations, it recommends either extending the coverage or increasing the rate of the general sales tax, or both.

The 1970 legislature authorized issuance of state bonds to finance \$294 1/2 million of capital improvements, chiefly institutional. A large portion is for higher education projects. Commenting on this, Governor Sargent said the record amount for higher education "is the true measure of our commitment to public higher education." The remark is of special significance because of the prior parsimonious treatment of the state university and state colleges in Massachusetts, until recent years when the necessity of better support of the public colleges and universities has been increasingly recognized.

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MINNESOTA. It appears possible that there may be some new tax measures aimed at big business, under Governor-elect Wendell R. Anderson, who campaigned against the regressive features of the 3 per cent sales tax enacted in 1967, under which businesses were given reductions on their machinery and their inventories.

Changes in the composition of the legislature include the retirement of the 77-year-old chairman of the Senate Tax Committee, known as a friend of business.

MISSOURI. A special session of the legislature, convened in November, was asked by Governor Hearnes to approve increases in the corporation and individual income taxes and to double the taxes on alcoholic beverages to produce a total of \$110 million in new revenue annually. He also invited the legislature to consider other new revenue sources.

It will be recalled that on April 7, 1970, in a referendum election, increases in the personal and corporation income tax rates enacted by the 1970 legislature were defeated at the polls. This resulted in a loss of \$106 million of expected new revenue for fiscal year 1970-71, and placed the operation of the state government and state services on a hardship basis until provision is made for larger revenues. (GRAPEVINE, page 893).

NEBRASKA. Heavily defeated at the November election was a proposed constitutional amendment that would have provided for abolishing the existing governing boards of state institutions of higher education and creating a single statewide governing board with plenary power over all the institutions.

OHIO. Governor-elect John J. Gilligan made tax reform a major issue in his campaign, and he is reported to be considering a corporation income tax. A personal income tax is another possibility. Both may be necessary to bolster up Ohio's limping revenue system.

Prospects are not too brilliant however, because both houses of the legislature will be controlled by the opposite party to that of the governor. The outcome may be some sort of compromise or piecemeal measure which may be too little and too late.

The president of the Ohio AFL-CIO and the head of the Ohio United Auto Workers are jointly proposing a tax revision program that would raise an estimated \$505 million in new revenue annually.

Its principal features include a corporation income tax and a severance tax on the extraction of natural resources. It would also make several lesser changes intended to correct alleged inequities in the present revenue system.

It is said that if the legislature does not enact this program, the intent is to obtain initiative petitions and place it on the ballot in 1971.

PENNSYLVANIA. A year ago the legislature increased the corporation income tax to 12 per cent from the former 7 per cent, and enacted other new and increased taxes on business and industry for a total of \$225 million, after persistently balking at Governor Raymond P. Shafer's proposal of a tax on personal incomes.

Currently it is said that business interests are supporting the idea of a personal income tax, and prospects for enactment of such a

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PENNSYLVANIA (Contd from page 943)

measure in 1961, under Governor-elect Milton J. Shapp, are thought to be good. Pennsylvania is the most populous state not having a personal income tax;-- a nearly indispensable element in a modern state tax system.

William E. Schiller, board chairman of Hershey Foods Corporation, recently re-elected president of the Pennsylvania State Chamber of Commerce, is reported to have said "The Chamber intends to urge members of the legislature to accept the idea of a personal income tax and enact it."

RHODE ISLAND. Voters adopted a measure authorizing a bond issue of \$12 1/2 million for the physical development of the state college system.

SOUTH CAROLINA. A legislative act of 1969 authorizes the members of the State Budget and Control Board to rise from their chairs, turn around and sit ex officio as members of the State Educational Facilities Authority, and as such to lend money to private colleges.

Such loans are not to be regarded as involving the property or credit of the state because the property financed by the loan will be owned by the state as collateral until the college repays the loan.

When the Board agreed to lend \$3 1/2 million to the Baptist College of Charleston to pay off indebtedness incurred in building operations, a taxpayer attacked the law as unconstitutionally contrary to the doctrine of separation of church and state.

The state supreme court has unanimously sustained the act, in an opinion by Judge Clarence Singletary.

(Continued in next column)

SOUTH CAROLINA (Contd from preceding column)

The court held that the issuance of bonds to be retired in the manner indicated in the law would not require any public taxation or use of public funds; and declared it to be a proper public purpose by saying:

"The act recites that in order for the people of the state to increase their commerce, welfare and prosperity, and improve their health and living conditions, it is essential that this and future generations of youths be given the fullest opportunity to learn and to develop their intellectual and mental capacities."

Apparently the South Carolina agency created in 1969 can borrow without pledging the credit of the state, in a manner resembling the practice of "state building authorities" recently created in some other states.

SOUTH DAKOTA. Governor-elect Richard F. Kneip is opposed to a state income tax, but has said he will organize a Council for Tax Decision to resolve disagreements as to the types of tax reform needed.

WISCONSIN. The Wisconsin Manufacturers' Association is reported to have admitted that taxes will have to be increased in 1971, and expressed fear of a raise in the corporation income tax. Governor-elect Patrick J. Lucey had not announced a specific tax program prior to December 1.

Wisconsin's corporation income tax, enacted in 1911, is at the rate of 2 per cent on the first \$1,000 of earnings, ranging to a maximum of 7 per cent on net earnings of \$6,000 and above. It produced \$100 million in fiscal year 1969-70.

Several states have higher rates, and also additional higher brackets.