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NEWS LETTER

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STATE HIGHWAY EXPENDITURES

STATE HIGHWAY EXPENSES

The table which appears in this issue ranks the states according to the amount of money expended upon their respective state highway systems in 1926. About a year ago a similar table was presented showing disbursements in 1925. In that year North Carolina spent \$32,688,514 and ranked fifth among the states. In 1926 North Carolina spent \$34,144,768 and ranked third among the states. The only states which surpassed North Carolina in state highway expenditures in 1926 were Pennsylvania and New York, both states with several times as much population and wealth. The next states in order of rank, following North Carolina, are Ohio, Missouri, Illinois, California, and Texas. The state highway departments which are spending least are in the mountain states, Nevada, Arizona, Utah, and New Mexico. The Southern states show up well in the table, thirteen states ranking lower than Mississippi, the lowest-ranking Southern state.

Revenue Sources

Altogether the forty-eight state highway departments expended last year \$584,550,481. Of this amount \$77,586,266, or 13.2 percent, was received from the federal government. The sum of \$345,600,870, or 59.2 percent was realized from automobile license and gasoline taxes, hence 72.4 percent of the cost of constructing and maintaining the state highways was realized from current revenues.

North Carolina's contribution from the federal government was \$1,928,352, or 5.6 percent of its total expenditures. Seventeen states received larger appropriations. Texas received more than any other state, \$4,743,693. North Dakota merely duplicated the federal appropriation and Nevada spent less than double the appropriation.

The percentage of the total expenditures realized from auto and gasoline taxes ranged from 2.6 percent in Montana to 100 percent in Washington and Michigan. In fact in these two states the revenues from these sources exceeded the amount of expenditures. There were six states where revenues, including federal appropriations, were in excess of expenditures, the other four being Utah, Kentucky, Florida, and Indiana. In thirty-four states at least sixty percent of the money expended was realized from auto licenses, gasoline taxes, and federal appropriations. This indicates that relatively few state highways are being built from the receipts of a property tax or with borrowed money. Most of the states are to a considerable extent paying as they go. Of course, in so far as these expenditures represent maintenance costs only a pay-as-you-go policy would be justified.

In North Carolina

North Carolina's receipts last year from license and gasoline taxes were \$17,036,473 or 49.8 percent of the expenditures of the state highway department. Adding the \$1,928,352 of federal aid, there still remained 44.6 percent of the cost to be met from the receipts from bond issue. Some states are afraid to follow North Carolina's policy, but the overwhelming sentiment in this state is in favor of the borrowing policy, provided a sinking fund is built up adequate to retire the bonds during the lifetime of the roads. Sinking fund payments are being made regularly, even in addition to the legal requirements. North Carolina is safe unless the roads wear out sooner than has been anticipated. Time alone will reveal whether they last a longer or shorter time than the estimate.—Paul W. Wager.

NORTH CAROLINA TAXES

The North Carolina Club at the University held its second meeting of the year October 31. As a preliminary to the series of tax studies which the club is undertaking this year, Mr. Paul W. Wager described the present tax system. He pointed out the fact that North Carolina's total annual tax bill is now approximately 120 million dollars, of which 20 million dollars represents income and inheritance taxes paid to the federal government, 30 million dollars of taxes paid into the general and highway funds of the state, 30 million

A HEALTHY SIGN

One of the healthiest signs on the national horizon is that growing tendency on the part of the national government and state legislatures to hold further increases in all forms of taxation to a minimum, and I believe that if we will begin working towards a limitation of tax levies and a wise expenditure of public funds, and demand a dollar's worth of material and service for every tax dollar expended, the tax problem of the United States can be satisfactorily solved.—Cecil E. Inman, Chairman of the Mississippi State Tax Commission.

forest land is ruinous to the state. The ad valorem tax on all classes of realty makes it necessary to tax forest land at market value. This tempts the owner to cut off his timber to avoid paying taxes. Rarely does a board of commissioners meet that someone does not appear and ask for a reduction in valuation because he has cut off his timber. One of the most necessary tasks before the state is the reforestation of its idle acres. The farmers will not do it, nor can they be expected to, unless we change our methods of taxing growing timber. New York has adopted the right plan—exempt the growing timber and then impose a severance tax when the timber is cut.

State Revenues

After describing the various sources of state revenue, the speaker said that we might as well face the fact that within three or four years the General Fund will need \$20,000,000 a year and that the present sources can hardly be expected to yield that much. He based the need for twenty million dollars on the assumption that a state-wide eight months' school term would be adopted and that the equalizing fund would be increased to at least \$5,000,000. He also estimated a need of \$4,000,000 a year for debt service. In order that the general fund shall be able to meet the new demands upon it, it ought to have one new source of substantial dimensions.

Mr. Wager said that it was not the function of the North Carolina Club to advocate things, certainly not to advocate any specific form of taxation. He did explain that agriculture and industry were both heavily taxed at present and that we might have to turn to some form of sales tax, in addition to the present sales tax on gasoline. The state's tax program is somewhat dependent on what the federal government does. If the federal government abolishes completely its taxes on theatre admissions, this source might be available to the state. He expressed the opinion that the present federal estate tax ought not to be repealed, for it was essentially a control measure rather than a revenue measure. For the federal government to withdraw from the field of estate taxes would encourage certain states to become asylums for aged millionaires. He concluded by saying that he did not look for very large federal reductions, for the big navy enthusiasts were clamoring for more battleships. He conceded that there ought to be at least one battleship for each admiral and that Washington society would not consent to a reduction in admirals for it had to have its lace and gold braid.

GASOLINE CONSUMPTION

The United States Bureau of Public Roads reports that North Carolina motor vehicles consumed 194,661,825 gallons of gasoline during the calendar year 1926. That means that every motor vehicle in the state consumed an average of 495.5 gallons of gasoline during the year. Figuring 12 miles to the gallon, every motorist was due a 6,000-mile ride. That's enough gasoline for one North Carolina automobile driver, getting 12 miles a gallon, to make more than a dozen trips back and forth between the earth and the sun and all highway maps show that distance as 92,897,400 miles.

Figuring 20 cents as the average price for gasoline in the state, the 1926 consumption means an investment in motor fuel by North Carolinians of nearly forty million dollars a year.—News and Observer.

NOTES ON EDUCATION

12. EQUALIZING FUNDS

The necessity of some type of equalization fund coming from state sources is becoming very generally recognized. Twenty-four states now provide state equalization funds in varying forms and in varying amounts. It is now becoming generally recognized that the evening out of inequalities within the component parts of state school systems can be done only through equalization funds or through state support of minimum school programs. The amount and method of distributing equalization funds is a problem which must be carefully worked out in each state on the basis of its school needs and conditions, administrative organization, methods of taxation for support of public institutions, and the like.

While the source from which state school funds should come and the proportion which the state should contribute toward the maintenance of its schools are important questions in the welfare of a state school system, the essence of equalization of educational opportunity lies in the method of distribution. Undoubtedly there are many states now contributing enough from state funds to the support of schools to go a long way in the direction of equalizing educational opportunities if the funds were scientifically distributed. Distribution of funds on the school-population basis is the oldest and still the prevailing method of distribution. It was, at the time of its adoption, believed the fairest possible method, and it was hoped that it would assist in equalizing educational opportunities. The fact that general development, concentration of wealth and population, centralization of natural resources, and other influences have resulted in changing conditions to such an extent that the method is no longer an equitable one is responsible for its being discredited at the present time as a method unscientific and inequitable. Progressive states are adopting more effective methods of distribution for all or part of their state funds. Progress in this direction is retarded in many states by the fact that the census-enrollment basis of distribution is provided for in the state constitution and is therefore difficult to change.

Various Methods

The most common methods of distribution of state funds among the different states are: (1) Per pupil basis, either school census, average daily attendance, aggregate attendance, or enrollment. Forty-five states distrib-

ute some or all of their funds on one of these per-pupil bases. (2) Per teacher basis, including number of teachers, graduated grant proportioned to salary basis, graduated grant proportioned to qualifications basis. Sixteen states use one or more of these in distributing some of their state funds. (3) On some specifically equalizing basis. Twenty-four states now have equalizing funds. (4) Miscellaneous bases or combinations of different bases.

Of these different methods, distribution on the census basis is considered least equalizing in effect. School enrollment basis, average daily attendance or aggregate attendance basis, number of teachers employed, distribution of state money in inverse ratio to the tax valuation of the unit to which it is distributed and direct ratio to the tax rate, are other methods of distribution which are considered better. In some states combinations are employed with advantage. Any state considering changing its system of support and its method of distributing state funds should provide that a careful study of the whole situation in the state be made in order that the distribution adopted may be an equalizing one, combining the best elements of methods used in the most progressive states.

Another distributive plan extensively used in a number of states is that of encouraging progress in individual communities by rewarding through state funds special effort on the part of local districts. Frequently the state matches dollar for dollar a certain maximum amount raised by a local district. This system was inaugurated because it was believed it was a good method to promote progressive practices. Recent studies indicate that state funds cannot be satisfactorily used both to equalize opportunity and to encourage progress in individual communities by rewarding effort unless two different funds and systems of distribution are practiced. This has led to a reexamination of state-aid systems. Reward for effort, while an administrative device for encouraging progress, has not the same claim as a state responsibility as that of equalization of educational opportunity. Of the two the latter is of greater importance.

New York, Massachusetts, California, Maryland, North Carolina, Minnesota, Delaware, and a number of other states have worked out methods of distributing their funds which are equalizing in effect. These methods are not alike. Each has some strong and some weak characteristics. They are, however, well worth studying by states considering changes in distribution of funds.—U. S. Bureau of Education.

EXPENDITURES OF STATE HIGHWAY DEPARTMENTS, 1926

The following table, based on figures compiled by the U. S. Department of Agriculture, ranks the states according to total expenditures of their respective state highway departments in 1926.

Total expenditures amounted to \$584,550,481, Pennsylvania leading with expenditures of \$53,004,351. North Carolina ranked third, with expenditures of \$34,144,767. All the southern states rank well, the lowest-ranking being Mississippi which is thirty-fifth among the states. North Carolina, Florida, Georgia, Louisiana, and Mississippi each expended more last year than the previous year. All the other southern states reduced expenditures. In proportion to wealth and population North Carolina expended far more in 1926 than any other state.

These figures do not include expenditures by counties and other local units.

Paul W. Wager
Department of Rural Social-Economics, University of North Carolina

Rank	State	State highway expenditures	Rank	State	State highway expenditures
1	Pennsylvania	\$53,004,351	25	Kentucky	\$9,408,897
2	New York	37,276,327	26	Kansas	8,769,892
3	North Carolina	34,144,757	27	Oklahoma	8,726,493
4	Ohio	29,319,691	28	South Carolina	8,587,884
5	Missouri	26,641,364	29	Georgia	8,440,293
6	Illinois	24,267,208	30	Nebraska	7,781,810
7	California	20,874,346	31	Maryland	7,468,201
8	Texas	19,198,110	32	Washington	7,458,019
9	Minnesota	18,006,362	33	Colorado	6,694,912
10	West Virginia	17,492,253	34	Arkansas	6,529,277
11	Wisconsin	16,103,245	35	Mississippi	5,822,500
12	New Jersey	16,063,119	36	South Dakota	5,210,142
13	Iowa	16,760,272	37	Montana	4,991,935
14	Florida	13,667,012	38	Vermont	4,884,301
15	Michigan	13,619,503	39	Idaho	4,413,028
16	Massachusetts	13,066,303	40	North Dakota	4,346,238
17	Indiana	12,136,496	41	Rhode Island	3,788,183
18	Tennessee	11,702,453	42	Delaware	3,469,189
19	Virginia	10,818,824	43	Wyoming	3,165,197
20	Louisiana	10,564,446	44	New Hampshire	3,016,989
21	Connecticut	10,503,714	45	New Mexico	2,536,116
22	Maine	10,154,265	46	Utah	2,369,124
23	Oregon	10,021,149	47	Arizona	2,222,470
24	Alabama	9,502,257	48	Nevada	1,567,124