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GRAPEVINE

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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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Statement of ownership and circulation of GRAPEVINE is on Page 694 (reverse hereof).

FLASHES OF 1968-69

In 1967 fourteen states made separate and specific appropriations for annual operating expenses of higher education for fiscal year 1968-69, more than a year ahead.

Table 77. Appropriations of state tax funds for annual operating expenses of higher education for fiscal year 1968-69, in fourteen states, in thousands of dollars, showing dollar gains and percentage gains over most recent 2 years, and over 8 years since fiscal year 1960-61.

States	Fiscal years ending in odd numbers			1967-1969		1961-69	
	1960-61	1966-67	1968-69	2-yr gain	%	8-yr gain	%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Ala	\$22,397	\$54,782	\$58,462+	\$ 3,680+	7+	\$36,065+	161+
Ark	13,551	28,722	44,547	15,825	55	30,996	229
Conn	13,080	34,897	61,513	26,616	76 $\frac{1}{4}$	48,433	370 $\frac{1}{4}$
Ind	50,163	104,312	144,715	40,403	39	94,552	188 $\frac{1}{2}$
Me	5,599	13,457	17,873	4,416	33	12,274	219 $\frac{1}{4}$
Minn	38,920	72,463	105,131	32,668	45	66,211	170
Mont	11,231	16,784	24,418	7,634	31 $\frac{1}{4}$	13,187	117 $\frac{1}{2}$
Nev	4,107	8,074	12,339	4,265	53	8,232	200 $\frac{1}{2}$
N C	30,574	81,194	114,709	33,515	41 $\frac{1}{4}$	84,135	275
Ohio	45,326	93,269	174,136	80,867	86 $\frac{1}{2}$	128,810	284
Ore	28,719	55,614	70,963	15,349	27 $\frac{1}{2}$	42,244	147
Tenn	17,023	50,256	73,137	22,881	45 $\frac{1}{2}$	56,114	329 $\frac{1}{2}$
Vt	3,399	6,998	10,940	3,942	56 $\frac{1}{4}$	7,541	222
Wis	39,417	95,160	155,957	60,797	64	116,540	295 $\frac{1}{2}$
Totals	323,506	715,982	1,068,840	352,858		745,334	
Weighted averages		-	-	-	49 $\frac{1}{4}$	-	230 $\frac{1}{2}$

+ Computed on the basis of the unconditional appropriation. An additional \$10 $\frac{1}{4}$ million was appropriated conditionally, subject to the condition of the Alabama Special Educational Trust Fund and the approval of the governor. If computed on the basis of assumed payment of the conditional appropriations in full, the 2-year gain 1967-69 would be 25 $\frac{1}{2}$ %, and the 8-year gain 1961-1969 would be 207%.

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FLASHES OF 1968-69
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In 1967 nine states made biennial appropriations without specifying separate amounts for each of the two fiscal years of the biennium 1967-69. An approximation of the rates of growth in these states can be derived by dividing the biennial appropriations in half and comparing these figures only with the comparable fiscal year two years earlier, derived in similar manner.

Table 78. Appropriations of state tax funds for annual operating expenses of higher education for fiscal year 1968-69, in nine states which made undivided biennial appropriations in 1967, in thousands of dollars, showing dollar gains and percentage gains over most recent 2 years, and over 8 years since fiscal year 1960-61. (Annual figures derived by dividing biennial figures in half.)

States	Fiscal years ending in odd numbers			1967-69		1961-69	
	1960-61	1966-67	1968-69	2-yr gain	%	8-yr gain	%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Fla	\$41,412	\$95,477	\$128,109	\$32,632	34	\$86,697	209 $\frac{1}{4}$
Idaho	8,799	15,490	20,101	4,611	30	11,302	128 $\frac{1}{2}$
Ill	90,290	204,403	301,136	96,733	47 $\frac{1}{4}$	210,846	233 $\frac{1}{2}$
Iowa	34,861	61,285	85,773	24,488	40	50,912	146
Nebr	15,218	21,897	33,248	11,351	52	18,030	118 $\frac{1}{2}$
N. D	9,368	13,989	19,888	5,899	42	10,520	112 $\frac{1}{4}$
Utah	13,139	24,891	33,695	8,804	35 $\frac{1}{2}$	20,556	156 $\frac{1}{2}$
Wash	47,441	94,980	137,051	42,071	44 $\frac{1}{4}$	89,610	189
Wyo	4,935	8,773	11,123	2,350	27	6,188	125 $\frac{1}{2}$
Totals	265,463	541,185	770,124	228,939		504,661	
Weighted averages		-	-	-	42 $\frac{1}{4}$	-	190

The twenty-three states named in Tables 77 and 78 are the only states whose appropriations for fiscal year 1968-69 can yet be reported. Twenty-four states made only annual appropriations to run through fiscal year 1967-68. Three states -- Kentucky, Mississippi, and Virginia -- have their regular sessions biennially in even-numbered years; for them fiscal year 1967-68 is the second and final year of the biennium, and they will appropriate early in 1968 for the biennium 1968-70.

Observe that the 14 states in Table 77 made, on the average, rather markedly higher percentages of gain, over two years and over eight years, than the nine states in Table 78. This is obviously partly due to the fact that six of the states in Table 78 are in the northwest quadrant of the continental United States, which for the most part has had comparatively slow growth of population in recent years.

Is the difference also partly due to the different appropriation practice (undivided biennial versus biennial by separate fiscal years)? We do not know. But there is a slow tendency among the states to move toward appropriations by separate fiscal years, even where the appropriation acts are biennial. There is also a tendency toward annual sessions and annual appropriation acts. Both of these tendencies are in accord with the increasing responsibilities of the states, and in harmony with the modernization of state legislatures.

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Table 79 simply combines the totals of Tables 77 and 78, to show the rates of gain for the whole group of 23 states, based on appropriations already made for fiscal year 1968-69.

Table 79. Appropriations of state tax funds for annual operating expenses of higher education in twenty-three states for fiscal year 1968-69, in thousands of dollars, showing dollar gains and percentage gains over most recent two years and over 8 years since fiscal year 1960-61.

States	Fiscal years ending in odd numbers			1967-69		1961-69	
	1960-61	1966-67	1968-69	2-yr gain	%	8-yr gain	%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
14 states	323,506	715,982	1,068,840	352,858	49 $\frac{1}{4}$	745,334	230 $\frac{1}{2}$
9 states	265,463	541,185	770,124	228,939	42 $\frac{1}{4}$	504,661	190
Totals	588,969	1,257,167	1,838,964	581,797		1,249,995	
Weighted averages		-	-	-	46 $\frac{1}{4}$	-	212 $\frac{1}{4}$

For the 23 states included in Table 79, note that the average rates of gain are maintained through fiscal year 1968-69 at much the same levels as in recent years -- the 2-year gain from 1967 to 1969 being higher than the 44% reported nationwide for the 2-year period 1966-68; and the 8-year gain from 1961 to 1969 being a trifle lower than the 214% recorded nationwide for the period 1960-68.

The foregoing 23 states provide the only available reports of appropriations for fiscal year 1968-69, which is now (December 1967) from six months to eighteen months ahead. These reports may, of course, be subject to a few later modifications, if and when conditional appropriations are released, or supplemental appropriations enacted. They indicate no "tapering off" of recent rates of gain in state tax support of annual operating expenses for higher education.

The Prospect

Can these continuing large gains be funded from the state revenue systems? There is no doubt of it. Only three states now have a general sales tax at 5 per cent. Six states have no general sales tax at all. In other states the current rates range down to 2 per cent. About one-fourth of the states have no appreciable state income taxes, personal or corporate; and in many others the proceeds are much less than they could be without hardship. Few states levy adequate severance taxes on the extraction of their natural resources of oil, coal, gas, minerals, clay, and timber.

Even if a state revenue system were near-perfect today, it would be somewhat outdated within a year or two on account of rapid economic and technological changes. Every state revenue system is always susceptible of improvement to make it more equitable and more productive; and should always be under official study, with recommendations forthcoming every year.

Aside from the modernizing of state revenue systems, a good deal of the large increases in revenue will accrue to the states automatically because of growth of population, growth of industry, and gradual inflation. In recent years many states

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have found themselves with surpluses of several million dollars at the end of each fiscal period, simply because the revenues had been underestimated.

It is now recognized that universities, colleges, and a generally superior educational climate constitute a first-ranking magnet for industry and population, taking precedence over the older attractions such as the absence of taxes, the presence of special tax favors, and a local supply of ill-educated and unskilled labor.

In the immediate future, while the bulk of the vast federal revenues is pre-empted by defense expenditures and other types of foreign commitments, it would seem that the states offer the brightest prospect for the rapidly growing tax support of higher education. Once the federal government is partly extricated from its heavy external obligations, its contribution to the support of higher education will probably come to exceed that of the states; but this is not likely to happen immediately. The states, meantime, show every sign of moving ahead speedily and retaining their roles as senior partners and major investors in the tax support of public higher education in this country.

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CALIFORNIA. The Regents' allocations of appropriated funds for fiscal year 1967-68 to the several campuses of the University of California appear in Table 80, which is a supplement and extension of Table 54, GRAPEVINE page 671.

CALIFORNIA (Continued from preceding column)

Footnotes to Table 80:

Table 80. Allocations of state-appropriated funds by the Regents of the University of California for fiscal year 1967-68, in thousands of dollars.

- * Originally the agricultural college; now a cosmopolitan university, including the agricultural college.
- ** Chiefly the medical center.
- *** The former private college of osteopathy, recently acquired by the state and now located near the Irvine Campus. Converted to an allopathic medical college. The University also has medical colleges at San Francisco and Los Angeles.
- + The comparatively small discrepancy between the total shown here and that shown in Table 54 (page 671) is within GRAPEVINE's range of tolerance.

Institutions (1)	Sums allocated (2)
Campuses at --	
Berkeley	\$63,244
Los Angeles	59,325
Davis*	33,510
San Francisco**	19,144
Santa Barbara	18,433
San Diego	15,832
Riverside	14,521
Irvine	8,966
Santa Cruz	6,278
Calif Col of Medicine ***	2,864
University-wide activities	1,552
Total state support +	243,670

(Continued in next column)

The total for the University's nine campuses (ten if the California College of Medicine at the Irvine campus be counted separately) is, for the first time in history, slightly less than the \$245,800,000 reported for the State University of New York (approximately 30 campuses).

CORRECTION

GRAPEVINE page 683, Table 70 (Alabama) contains an error regarding the University of South Alabama. The appropriations for 1967-68 and 1968-69 should both read \$3,133.

The same error appears in the Alabama tabulation on page 5 of the 32-page offset document entitled Appropriations of State Tax Funds for Operating Expenses of Higher Education, 1967-68, and should be corrected if you have received an uncorrected copy.

MAINE. A special session of the legislature increased the state sales tax to $4\frac{1}{2}$ per cent from the former 4 per cent, effective November 1, 1967. This is estimated to produce \$11 $\frac{1}{2}$ million of new revenue during the 20-month period ending June 30, 1969.

The regular session of 1967 raised the cigarette tax to 9 cents from the former 8 cents, effective July 10, 1967. A subsequent special session boosted it to 10 cents, to begin November 1, 1967. The first act will bring in \$2 $\frac{1}{2}$ million of new revenue during biennium 1967-69. The second will produce another \$2 million during the 20-months ending June 30, 1969.

PENNSYLVANIA. An act raising the rate of the net income tax on corporations to 7 per cent (from the former 6 per cent), retroactive to January 1, 1967, has been signed by Governor Shafer. The act also raises the rate to 7 $\frac{1}{2}$ per cent, beginning January 1, 1968.

The added receipts for 1967 are expected to amount to \$60 million of new revenue. This is one part of a tax package intended to raise state revenues by \$285 million a year. The fate of the

(Continued in next column)

PENNSYLVANIA (Continued from preceding column)

other elements is not known at this writing.

Another bill has been passed to raise the cigarette tax to 13 cents per pack, from the former 8 cents, to produce another \$66 million of additional revenue.

VIRGINIA. A rather small-bore and futile controversy seems to be raging between the counties and the cities. The Virginia Association of Counties is reported as urging the 1968 legislature to permit counties to levy local income taxes, but bitterly opposing any legislation to allow cities to levy local payroll taxes, which the Virginia Municipal League ardently advocates.

County income taxes would tap the incomes of persons who live in the county and work in the city; while city payroll taxes would tap the wages of the same persons for the city, as well as those of city residents. There are infinite petty complexities involved. With today's mobility of population and of businesses, it is scarcely practicable for either counties or cities to attempt to adopt and administer these types of taxes. The state can do it more efficiently, and remit the proceeds to the local units.

ADD NEWSLETTERS

OREGON. Memo (Newsletter) of "Colleges for Oregon's Future", a voluntary organization headed by a state committee with office at P.O. Box 1491, Portland, Oregon 97201.

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