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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 388 (reverse hereof).

COLORADO. Governor Love has directed the Local Affairs Study Commission to look into the possibility of an increase in the 2 per cent sales tax, and declined to commit himself for or against the step.

The Colorado Public Expenditure Council has proposed increasing the sales tax to 3 per cent, estimating the added revenue at \$28 million a year. The executive board of the Colorado Municipal League also endorses the increase, and says it will urge that such a measure be submitted to the voters in the 1964 election.

FLORIDA. The voters approved a constitutional amendment authorizing the state to issue \$75 million in bonds for construction of university and junior college buildings during the next two years; and authorizing similar issues of \$50 million every two years thereafter.

KANSAS. In May 1963 we reported that Wichita University, a municipal institution, would become a state institution July 1, 1964 (GRAPEVINE, Page 347).

A reasonably detailed sketch on this operation is carried on Pages 79-85 of Decisions of the 1963 Kansas Legislature, by James T. McDonald -- a 158-page printed report designated as Citizen's Pamphlet No. 33 of the Governmental Research Center at the University of Kansas.

Wichita University consists of 34 buildings on 140 acres of campus, worth \$15 to \$18 million. Founded by the Congregational Church in 1895 as Fairmount College, it was a private institution, but became municipal in 1926 when the people of Wichita voted to provide for its support out of city tax funds.

Currently it has about 6,000 students, and is said to have available space to accommodate about 2,500 more. Of its current operating income, 44% is from a 5-mill levy on real property within the city of Wichita, 45% is from student fees, 5% is from state aid, and 6% from other sources.

It has outstanding general obligation bonds of \$3,665,000. These will be paid off by continuing the city levy. It is said that judicial precedents in Kansas indicate that there is probably no legal obstacle to this arrangement. It also has outstanding "revenue bonds" of \$6,986,000. These, of course, may normally be expected to be "self-liquidating" from rentals of the buildings they financed.

It was estimated that, with a total

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operating budget of about \$4 million, the first year operating cost to the state would probably be slightly less than \$3 million, assuming that the state would adjust student fees to a level commensurate with that of other state institutions, and pay the costs it now pays for the other state universities and colleges. Second year costs would rise to \$3½ million.

Estimates that if and when the enrollment rises to 7,000 full-time students, the total budget would go up to the order of about \$6 million a year, may be accurate if the expansion is prompt and swift, as it is expected to be.

Nearly 40% of all people under 20 years of age now live in south central and southwestern Kansas, in or near the Wichita-Hutcheson areas. Recognizing the obvious need of a state university in this region, nevertheless both the legislature and the state board of regents were set against making Wichita University a third state university coordinate with the older two; and the new statute provides that Wichita University shall be directly subject to the authority of the state board of regents, but as an "associate" of the University of Kansas, and that its president shall be nominated by the president of the University of Kansas, and shall report through him to the board of regents.

Wichita is the headquarters of the petroleum industry in Kansas, and an effort was made to enact a 1% severance tax on oil, which would have produced about \$5 million annually in new revenue and largely financed the acquisition of Wichita University by the state. This effort at revenue reform failed in the 1963 session.

An attempt to increase the "educational and dormitory building fund levies" (respectively .75 mill and .25 mill on all real property in the state) also failed. During 1962 the total levy actually amounted to 1.75 mills, because the .75-mill hospital building levy was

temporarily transferred to the educational and dormitory building fund.

The first budget requests for 1964-65, including Wichita University for the first time, were submitted by the state board of regents to the governor in November, and aggregated over \$40 million of state tax funds for operating expenses of higher education in Kansas.

MARYLAND. Looking forward to 1964, it has been reported that Governor Tawes has tentatively approved a proposal to reduce personal exemptions from the state income tax from \$800 to \$600. This change would produce nearly \$14 million a year.

NEW JERSEY. Proposed bond issues aggregating \$750 million, \$275 million of which would have been for financing construction at the state university and state colleges, were defeated at the recent November election.

Governor Hughes is reported to have said he would submit to the legislature in January a proposal for a new sales tax and an income tax, plus a revision of corporation income taxes. Public finance in New Jersey is always interesting to observe, because, having no sales tax and no personal income tax, the state has long had one of the narrowest-based state revenue systems in the entire nation.

The New Jersey Education Association has formally called for increases in state school aid amounting to \$92½ million a year, and asked for a 3 per cent sales tax "with drugs and food exempt", or "some other reasonable broad-based revenue measure."

OHIO. At the election of November 5, 1963, the voters approved a proposed \$250 million bond issue, including \$175 million for university and college construction, to become available over the ensuing 8 years. The bond proceeds for this purpose will be augmented by about \$75 million in federal matching grants, making a total of about \$250 million available for higher educational building.

OREGON. The revenue measure which would have brought in \$60 million in new money for the biennium, by means of income tax changes, was defeated by popular referendum October 15. Governor Hatfield called the legislature into special session to begin November 11. The governor asked the special session to enact no new taxes, but proponents of a new sales tax have introduced such a measure. Unless additional revenues are provided for, the biennium 1963-65 bids fair to be an "austerity period" for Oregon higher education and other state services.

A proposed 3 per cent sales tax, with exemption of food eaten off the premises of the seller, would produce \$64 million a year. This measure, if adopted by the legislature, would be submitted to the electorate at the primary election in May 1964.

PENNSYLVANIA. The Pennsylvania State University will establish and operate a medical school, hospital, and research center in Derry Township, near Harrisburg.

The Milton S. Hershey Foundation will provide \$50 million for the purpose. \$20 to \$25 million will be used for construction, and the remainder for

endowment, to provide income for operation.

This \$50 million has been transferred to the Hershey Foundation by the Hershey Trust Company, as trustees of a fund provided by Mr. Hershey in 1909 to establish a permanent institution for the residence and education of poor orphan boys.

This school has operated for half a century. Its enrollment is now 1,171. Meantime its endowment funds have accumulated greatly in excess of its needs; and accordingly the transfer of \$50 million for a medical school has been approved by the court of equity having jurisdiction, as being consonant with Mr. Hershey's general charitable purposes and as meeting a critical public need.

Construction of the plant will be undertaken promptly, and effort will be made to admit the first class by the fall of 1965 or 1966. Indications are that the application of advances in engineering and related sciences to the field of medicine will be emphasized in the research program of the new medical school.

It appears that during its first years at least, the new medical school will be an institution built and endowed wholly with private funds, but operating under the administration of a public university. This may be a unique instance of this type.

The arrangement resembles in some features the current scene in New Jersey, where the 200-year-old board of trustees of Rutgers College, a private corporation, holds the endowment assets and pays the income to board of governors, a public agency operating Rutgers, the State University of New Jersey.

The Pennsylvania State University is about to open a center of graduate education in Upper Merion Township

PENNSYLVANIA (Continued from Page 390)

at King of Prussia, for Southeastern Pennsylvania, principally to meet the demand for graduate instruction for engineers and scientists employed in that populous area. This will be the university's first full-fledged resident graduate program away from its main campus at University Park.

A professor of chemistry at Penn State has been appointed assistant dean of the graduate school and resident director of the King of Prussia graduate center. Formal opening will be on January 9, 1964. A junior high school building has been leased from the local board of education, containing 24 classrooms and library, laboratory, and office space. The first approved programs will lead to masters' degrees in engineering. Initial enrollment of about 175 is anticipated, with rapid future growth.

WISCONSIN. Milwaukee-Downer College, a distinguished small private college for women, with a \$10 million campus located adjacent to that of the former Milwaukee State Teachers College (now the University of Wisconsin, Milwaukee Campus), will sell this land and buildings to the state of Wisconsin, and move its operations to the town of Appleton, where it will join Lawrence College and become a unit of a new private university embracing Lawrence College for men, Milwaukee-Downer for women, a conservatory of music, and the graduate institute of paper chemistry.

The transaction with the state has been approved by the Regents of the University of Wisconsin, but at last report was awaiting the concurrence of the state building commission. The 43-acre Milwaukee-Downer campus is larger than the present University in Milwaukee campus which it adjoins, and would give the university a total of some 75 acres, with many valuable and well-maintained buildings, in a desirable residential section of the city.

STATE TAX FUNDS
AS AID FOR OPERATING EXPENSES OF LOCAL
PUBLIC COMMUNITY-JUNIOR COLLEGES HAVE
NEARLY DOUBLED IN FOUR YEARS

In Table 62, overleaf (on Page 392) GRAPEVINE presents the fourth annual tabulation of estimated appropriations of state tax funds as state aid for operating expenses of local public community-junior colleges.

The upshot is that the twenty states tabulated show a climb from a total of \$53 million to a total of \$105 million in a period of four years. It now appears that state tax funds allocated to this purpose are now equal to a little more than 5% of the total of all state tax funds appropriated for operating expenses of higher education in the fifty states.

While confidence can safely be placed in the broad outlines of the picture as disclosed in Table 62, readers are again warned that usually the figure for a given state for a given fiscal year represents only an informed estimate made at the beginning of the year, of the amount that will be actually paid out during that fiscal period. In a time of rapid expansion, these estimates may overshoot or undershoot the mark somewhat.

For this reason no great importance should be attached to the percentage figures in Column 8 of Table 62, pertaining to individual states. They may not always represent the exact truth for the short period of one fiscal year. For example, we are informed that our estimate for California for 1961-62 turned out to be some \$2 million higher than the amount actually paid out. Hence the percentage gain between the actual payment of that year and the estimate for 1963-64 would amount to about 17½% instead of the 13% entered in Column 8 of Table 62. A similar situation in Florida indicates that the 139% gain would be reduced to 87%.

These deviations fortunately tend to cancel each other out. The horizontal and vertical totals prove to be substantially correct, and the over-all gain of 43% over two years is reasonably accurate.

APPROPRIATIONS OF STATE TAX FUNDS AS STATE AID FOR OPERATING EXPENSES OF LOCAL PUBLIC COMMUNITY-JUNIOR COLLEGES FOR FISCAL YEAR 1963-64 AND FOUR PRECEDING FISCAL YEARS (IN TWENTY STATES) IN THOUSANDS OF DOLLARS

For fiscal year 1963-64 the aggregate of state aid for operating expenses of local public community-junior colleges has reached more than \$105 million in the twenty states. The figures do not include state aid for capital outlays.

Table 62. State tax-fund appropriations for operating expenses of local public community-junior colleges (in 20 states), for fiscal years 1959-60 through 1963-64 inclusive, in thousands of dollars, with percentages of increase for 1963-64 over 1961-62 (representing change over a period of 2 years).

States	Year 1959-60	Year 1960-61	Year 1961-62	Year 1962-63	Year 1963-64	2-year gain	Percent gain
(1)	(2)	(3)	(4)	(5)	(5)	(7)	(8)
California	\$26,539	\$26,280	\$33,189	\$33,900	\$37,460	\$4,271	13
Florida	3,129	4,149	5,395	7,409	12,900 ^a	7,505	139
New York	3,450	4,610	5,690	7,100	9,500	3,810	67
Washington	4,902	5,433	6,976	6,630	9,270 ^a	2,294	33
Texas	5,178	5,178	7,000	7,000	8,256	1,256	18
Illinois	2,150	2,150	3,250	3,250	6,759	3,509	108
Michigan	3,620	3,820	4,382	5,677	6,272	1,890	43
Mississippi	1,683	2,147	2,147	2,363	2,362	215	10
Arizona	300	400	453	585	2,273 ^b	1,820	373
Minnesota	605	670	878	966	2,188 ^c	1,310	150
Missouri	NR	NR	350	350	1,519 ^a	1,169	334
Oregon	NR	NR	426	840	1,350	924	217
Colorado	475	1,050	1,050	1,339	1,346	296	28 $\frac{1}{4}$
Maryland	405	432	554	869	1,254	700	126 $\frac{1}{4}$
Iowa	400	631	768	899	1,017	249	32 $\frac{1}{2}$
Kansas	0	0	325	385	466	141	43 $\frac{1}{2}$
North Carolina	150	234	409	462	388 ^d	-21 ^d	-5 ^d
Wyoming	200	200	317	317	360	43	13 $\frac{1}{2}$
North Dakota	115	115	119	119	220	101	85
New Jersey	30	30	130	100	200	70	54
Totals	53,331	-	73,808	-	105,360	31,552	
Weighted average (approximate)							43

A - Estimated as 45% of the appropriation for biennium 1963-65.

B - Includes \$1,657,600 to Phoenix College, \$356,300 to Eastern Arizona Junior College, \$176,750 to Arizona Western College, and \$82,002 to the State Board of Junior Colleges, in accord with statewide scheme for junior colleges.

C - Contemplates that the junior colleges will become state institutions, no longer receiving operating income from local taxing districts.

D - The decrease from 1961-62 is due to the fact that three of the five junior colleges were made state senior colleges in 1963, leaving only two local public junior colleges in operation. Probably five new ones will be operating by September 1965.