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(First of two numbers this month)

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.

IN THIS ISSUE

- Arkansas appropriates \$39 million for fiscal year 1967-68; \$44½ million for 1968-69.641
- Georgia makes 2-year jump of 72% in appropriations for operating expenses of higher education in fiscal year 1967-68; becomes, with Kentucky and Virginia, one of swiftest 2-year gainers in the nation.641
- Indiana has new tax-credit statute for donors to public and private colleges, permitting individual taxpayers a credit up to \$50 or 20% of the adjusted gross income tax, whichever is smaller642
- Kansas appropriates \$59 million for fiscal year 1967-68 .643
- Montana turns upward from the dip of the early Sixties. .643
- Nebraska enacts new state revenue system including 2½% sales tax, and income taxes with rates to be adjusted each year according to revenue needs.644
- North Dakota appropriates \$40 million for biennium. . . .644

Statement of ownership and circulation of GRAPEVINE is on Page 640 (reverse hereof).

SIXTEEN STATES MAINTAIN WEIGHTED AVERAGE TWO-YEAR GAIN OF FORTY-FOUR PER CENT

It is something of a coincidence that the weighted average gain over the most recent two years (fiscal year 1967-68 over fiscal year 1965-66) in the first eleven states reported in GRAPEVINE (page 634, Table 21) was 44 per cent -- exactly the same as the 2-year gain for fifty states one year earlier (fiscal year 1966-67 over fiscal year 1964-65).

In this issue GRAPEVINE reports an additional five states, making sixteen in all, and finds that the consistency of the two-year gain is continued -- the weighted average for the sixteen states continues to be 44 per cent.

Table 28. Appropriations of state tax funds for operating expenses of higher education in sixteen states, in thousands of dollars, for four selected fiscal years, 1959-60 through 1967-68, with dollar gains and percentage gains over the most recent two years and over eight years.

States	Year 1959-60	Year 1963-64	Year 1965-66	Year 1967-68	2-year gain	%	8-year gain	%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Eleven states previously reported (page 634, Table 21) --								
Totals	193,235	-	393,699	567,283	173,583		374,048	
Weighted averages						44		193½
Five states reported here for the first time --								
Ark	13,551	20,369	28,722	38,985	10,263	36	25,434	188
Ga	24,058	35,270	50,859	87,369	36,510	72	63,311	263
Kas	25,036	38,390	48,598	59,003	10,405	21½	33,967	135½
Mont	11,230	12,177	14,749	20,881	6,132	41½	9,651	86
N D	9,368	12,079	13,989	19,888	5,899	42	10,520	112½
Sixteen states - totals --								
Totals	276,478	-	550,616	793,408	242,792		516,931	
Weighted averages						44		187

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ARKANSAS. Appropriations of state tax funds for operating expenses of higher education, biennium 1967-69:

Table 29. State tax-fund appropriations for operating expenses of higher education in Arkansas, biennium 1967-69, by separate fiscal years, in thousands of dollars.

Institutions	Sums appropriated	
	1967-68	1968-69
(1)	(2)	(3)
U of Arkansas		
(Incl Ag Exp Sta, Ag, Exten, and Grad Inst of Technol)	\$15,299	\$17,080
Medical Center	5,594	6,203
Indus Research and Exten Ctr	375	412
Soils Testing Lab	129	129
<u>Subtotals, U of Ark *</u>		
Arkansas State U + (Incl Beebe branch)	4,715	5,618
State colleges -		
Ark A, M&N College (Incl vocational sch)	2,422	2,782
State Coll of Ark ++	2,383	2,708
Henderson State Coll	2,229	2,594
Southern State Coll	1,605	1,852
Ark Polytechnic Coll	1,622	1,793
Arkansas A&M College	1,436	1,608
Asso degree prog in Nursing at 4 insts		160
Educational TV	459	459
SREB **	188	249
State aid to jr colls	600	900
<u>Totals</u>	<u>38,985</u>	<u>44,547</u>

* \$21,327,169 and \$23,822,637.
 + Formerly Arkansas State College.
 ++ Formerly Ark State Teachers Coll.
 ** Southern Regional Education Board.

The total for fiscal year 1967-68 seems to be a gain of nearly 36% over the comparable figure for fiscal year 1965-66, two years earlier. The 8-year gain since 1959 appears to be almost 188%.

GEORGIA. Appropriations of state tax funds for operating expenses of higher education, fiscal year 1967-68:

Table 30. State tax-fund appropriations for operating expenses of higher education in Georgia, fiscal year 1967-68, in thousands of dollars.

Institutions	Sums allocated *
U of Georgia	\$25,772
Ag Extension Service	3,870
Ag Experiment Stations	3,545
Continuing Education Ctr	862
<u>Subtotal, U of Ga - \$34,149</u>	
Georgia Inst of Technol	8,781
Southern Technical Inst	850
Engineering Exp Station	1,940
Engineering Extension	135
<u>Subtotal, G I T - \$11,706</u>	
Medical College of Georgia	3,848
Talmadge Memorial Hosp	5,282
<u>Subtotal, MC of Ga - \$9,130</u>	
Georgia State College	6,279
Other state colleges -	
Georgia Southern College	2,879
West Georgia College	2,448
Fort Valley State College	1,698
Valdosta State College	1,637
Georgia Southwestern Coll	1,329
Savannah State College	1,329
Albany State College	1,285
Woman's College of Georgia	1,246
Augusta College	1,206
Armstrong State College	993
North Georgia College	890
State junior colleges -	
Middle Georgia College	1,066
A Baldwin Ag College	922
Kennesaw Junior College	891
Columbus College	735
Albany Junior College	644
South Georgia College	589
Brunswick Junior College	506
Gainesville Junior College	474
Dalton Junior College	396

(Continued on page 642)

GEORGIA (Continued from page 641)
Table 30, continued.

Regents of U System	696
State tech services program	300
Graduate scholarships	200
Regents' scholarships	200
Regional education	75
Interest on const debt	8
Unallocated	553
State aid to jr colls	810
Regents for jr colls	200
<u>Total</u>	<u>87,369</u>

* Allocations to the several institutions are made by the Board of Regents of the University System of Georgia.

The total for fiscal year 1967-68 seems to be a gain of nearly 72% over the comparable figure for fiscal year 1965-66, two years earlier. The 8-year gain since 1959 appears to be a little more than 263%.

Among the sixteen states first to be reported in GRAPEVINE for this forthcoming fiscal year, Georgia's 2-year gain seems to be second only to that of Virginia (83%), and Georgia's 8-year gain appears to be second only to that of Kentucky (397%).

One would say the three Southern states named, having been at relatively low points in recent years, are now determinedly moving upward in their support of public higher education.

CORRECTIONS

Insert, at the points indicated--

Page 602 Table 4
 Montana State U (Bozeman) a/ 7,471
 (between the present 24 and 25)

Page 608 Table 7
 U of Montana (Missoula) b/ 5,296
 (between the present 10 and 11)

Page 611 Table 8
 Southwest Missouri St Coll 3,970
 Eastern Washington St Coll 3,959
 (between the present 33 and 34)

INDIANA. A statute believed to be the only one of its kind ever enacted in any of the 50 states provides for tax credits under the Indiana Adjusted Gross Income Tax Law, of 50% of donations to public or nonprofit educational institutions. (Chapter 201, Indiana Acts of 1967).

In the case of a taxpayer other than a corporation, the amount allowable as a credit against the state income tax in any one tax year can not exceed \$50, or 20% of the taxpayer's adjusted gross income tax, whichever is smaller.

In the case of a corporation, the amount allowable as a credit can not exceed \$500, or 5% of such corporation's adjusted gross income tax, whichever is smaller.

Within the specified limits, many individual taxpayers may make a gift of \$100 at a net cost of from \$15 to \$37, counting both the state and federal tax saving, with the latter fluctuating according to the income bracket, the type of return made, and other variable factors. A corporation may make a gift of \$1,000 at roughly proportionate net cost.

The tax credit is not a deduction from gross income for tax purposes, but is offset directly against the amount of tax due from the taxpayer. Thus it is not to be confused with the deductions allowable under the federal Internal Revenue Code; nor is it to be confused with the proposed tax credit for payment of tuition fees, long advocated by Senator Ribicoff and some other members of Congress.

It is impossible to estimate reliably how much the colleges and universities of Indiana will gain from this new measure during its first year of operation, and how much revenue the state will lose. In theory it broadens somewhat the option available to individuals and corporations as to whether they will make their contributions exclusively through taxes or partly through direct gifts to institutions of their choice.

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KANSAS. Appropriations of state tax funds for operating expenses of higher education, fiscal year 1967-68:

Table 31. State tax-fund appropriations for operating expenses of higher education in Kansas, fiscal year 1967-68, in thousands of dollars.

Institutions (1)	Sums appropriated (2)
U of Kansas	\$16,244
Medical Center	6,156
<u>Subtotal, U of K - \$22,400</u>	
Kansas State U	16,124
Wichita State U	5,994
Kansas St Tchrs Coll (Emporia)	4,814
Kansas St Coll of Pittsburg	4,336
Fort Hays Kansas State Coll	3,295
State aid to municipal u	
Washburn U of Topeka *	430
Dental students **	15
State aid to jr colls ***	1,595
<u>Total</u>	<u>59,003</u>

* State aid is at the rate of \$5.50 per undergraduate credit hour.

** Having no dental school, Kansas makes payments on behalf of Kansas students studying dentistry in other states. This program is now in its final year prior to the beginning of the operation of a new interstate agreement.

*** State aid to local public junior colleges is in two forms: (1) \$3 per credit hour, and (2) dollar-for-dollar matching of student fees. For fiscal year 1967-68 the sums available for these two purposes are respectively \$370,000 and \$725,000.

The total for fiscal year 1967-68 appears to be a gain of 21½% over the comparable figure for fiscal year 1965-66, two years ago. The 8-year gain since 1959 seems to be 135½%.

MONTANA. Appropriations of state tax funds for operating expenses of higher education, biennium 1967-69:

Table 32. State tax-fund appropriations for operating expenses of higher education in Montana, biennium 1967-69, by separate fiscal years, in thousands of dollars.

Institutions (1)	Sums appropriated	
	1967-68 (2)	1968-69 (3)
U of Montana	\$6,755	\$7,785
Ag Exp Sta	1,500	1,700
Co-op Exten Serv	500	575
<u>Subtotal, ISU **</u>		
Coll of Min Sci & Tech	1,045	1,120
Bur of Mines & Geol	58	20
<u>Subtotals, MCMS&T ***</u>		
Eastern Montana Coll	2,220	2,515
Northern Montana Coll	930	1,070
Western Montana Coll	590	695
Executive Secretary	65	66
NDEA matching loan funds	30	30
WICHE	16	16
WICHE student paymts	147	184
<u>Totals</u>	<u>20,881</u>	<u>23,901</u>

* \$6,775 and \$7,785.

** \$9,025 and \$10,400.

*** \$1,103 and \$1,140.

The total for fiscal year 1967-68 appears to be a gain of 41½% over the comparable figure for fiscal year 1965-66, two years earlier. The 8-year gain since 1959 seems to be 86%.

Montana higher education suffered very lean years in the early 'Sixties, especially fiscal biennium 1961-63, when operating appropriations were even less than they had been in the preceding biennium. Currently the rate of gain is approaching the nationwide norm. The significance of this improvement is all the greater because in recent years Montana's growth of population has not been especially rapid.

NEBRASKA. Effective May 1, 1967, the new sales and use tax at the rate of 2½ per cent is a broad-coverage tax with few exemptions. Estimates of its productivity range from \$50 to \$65 million a year.

The 1967 legislature also enacted personal and corporate income taxes, and a corporate franchise tax, effective January 1, 1968. The rates of these taxes will be changed each year, to produce the amount of the difference between the total of legislative appropriations and what is received from the sales tax and other excise taxes.

The idea of adjusting the revenues to cover estimated expenditures, instead of curtailing the latter to fit existing revenues, has much to commend it. Budget-making can thus be lifted above the concept of a mere "slicing of the pie", and be based, as it should be, on appraisal of the amount needed to provide the necessary state services.

The personal income tax will be a percentage of the taxpayer's federal income tax bill; and the business tax rates will be 20 per cent of the individual income tax rates. A personal income tax of 10 per cent would produce \$35 million or more per year, but this would be reduced to \$25 million by a food tax credit of \$7 per person allowed to compensate for the absence of a food exemption in the new sales tax act.

The tax package also contains provisions for state aid for local public junior colleges and the Municipal University of Omaha.

Other details tend toward a modernization of Nebraska's archaic state revenue system, which was more or less forced by recent popular referenda killing the income tax act enacted in 1965 to take effect in 1967, and forbidding the levying of property taxes for state purposes. (Hitherto the state had relied on the property tax as an important source of income for state expenditures).

NORTH DAKOTA. Appropriations of state tax funds for operating expenses of higher education, biennium 1967-69:

Table 33. State tax-fund appropriations for operating expenses of higher education in North Dakota, biennium 1967-69, in thousands of dollars.

Institutions (1)	Sums appropriated (2)
U of North Dakota	\$11,055
Medical Center	628
Ellendale Branch *	890
Subtotal, UND - \$12,573	
North Dakota State U	8,788
Ag Exten Service	1,252
Ag Experiment Stations	4,033
Subtotal, NDSU - \$14,073	
Minot State College	3,074
State Sch of Sci (Wahpeton)	2,899
Valley City St College	1,814
Dickinson St College	1,743
Mayville State College	1,339
St Sch Forestry (Bottineau)	550
State Forest Service	232
Subtotal, SC of F - \$732	
Faculty sabbatical leaves **	130
State Bd of Higher Edn	188
Subtotal, all st insts - \$ 38,615	
State aid to jr colls	1,162
Total	39,777

* Formerly Ellendale Normal and Industrial College.

** This sum is to be expended only if and when needed to meet obligations within its special purpose.

The total for the biennium seems to be a gain of about 42% over the comparable figure for biennium 1965-67, two years earlier. The 8-year gain since 1959 appears to be about 112%.

An act of 1967 provides that if and when at the end of any fiscal year the state's cash balance exceeds \$12 million, the sum of \$2 million shall thereupon be transferred to the college building fund until \$8,843,153 shall have been so transferred.

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