TAXATION AND PUBLIC-SCHOOL FINANCE IN COLORADO

By G. S. Klemmedson

THE HORSELESS CARRIAGE OF 1900 WAS A SUCCESS — IN 1900! SO WAS OUR TAX SYSTEM!
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By G. S. Klemmedson

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Summary

Federal, state, and local taxes take about one-twelfth or 8.4 percent of the net income of all the people of Colorado each year.

The public activity that takes the largest part of the tax dollar is education. It took 50 cents out of every dollar of taxes paid to the state and local governments in 1928 to support public education. People are not purchasing more education than they want, as is evidenced by the fact that they are demanding better schools, and this demand results in better school buildings, more efficient school equipment, better trained teachers and longer terms of schools. More children are going to school and they are remaining longer than they did a decade ago.

These increased demands for more and better education are factors over which school officials have little or no control.

Education is a wealth producer as well as a wealth consumer. The best educational area consumes and produces the greatest amount of wealth. For this reason we shall probably want more and better education. This will necessitate a better method of distributing the cost of education if real estate is not to be burdened with increased tax burdens.

Counties and local school districts in Colorado have been putting up 97 percent of the cost of education while state and federal aid have contributed only 3 percent. In order to raise these funds the rural sections of the state have been levying a higher and higher land tax every year, until the burden has become almost unbearable.

Farmers and ranchmen take pride in the high educational standards of the state, and its public school system. But the owners of farms and ranches along with home and other property owners do emphatically object to paying almost the entire cost of public education in the state, while other huge sources of wealth and income escape taxation.

In any discussion of how to reduce farmers' taxes, schools must come first. Two things stand out. First, school expense is the biggest single expense that the farmer has to meet in the tax field; second, a large part of this school expenditure is directly for the benefit of the people of the cities. A high percentage of the young people from the farms and ranches go to the cities and towns as soon as they grow up. It is a profitable situation for the towns. They neither have to feed nor educate these children in their growing years. They get them only at a time when their labor is profitable and when their presence is an asset to the city instead of a liability.
It is easy to see, therefore, why state aid for schools has assumed such importance. It is only fair that the farmer or ranchman who pays a much higher percentage of his income in taxes than does anyone else, should be relieved of a part of his unfair tax burden. It is only fair that the cities should pay for a part of the educational service from which they are, in the end, to benefit.

We all believe in the best school system possible, supported in an equitable manner and so administered as to give 100 cents worth of real education for each dollar expended. The policy and purpose of our school administrators should be the most educational service and the best, at the least cost to the taxpayer. Above all, the methods by which funds for school purposes are or may be secured should be studied and evaluated so that the cost of public education is distributed fairly among the people of the state.

There is one thing sure, the state aid must not be raised by an increase in the state levy on general property. This tax falls heaviest on the farmers and ranchmen of the state. It is essential that we find other sources of revenue than those we now have to support our public enterprises and that this new revenue be used, in part at least, to reduce the local tax burden on property within the state where that burden is greatest.

An income tax on a graduated scale, plus some form of special taxation which other states have found desirable, seems to be the best way out of the tax troubles Colorado is now experiencing. To distribute a part of this new revenue to the localities to relieve the tax burden on our citizens where that burden is pressing most heavily is not only justice but the most effective way to build Colorado as a state.

If the burden of taxation is to be better distributed, it must be thru adjustment of local levies. The state takes only 3.59 mills out of a total of 40 or 50 or 60 or more, and if the state demand were entirely removed, and the proceeds of income and other taxes limited to "state purposes only," property would still suffer an unjust burden. The only possible relief is thru a plan of financing education in such a manner that the greater part of the need can be met out of revenue other than that derived from property taxation, and it is apparent that this can be accomplished only if the state assumes the obligation. It has been recognized that education is a function of the state and that the state should therefore help finance school districts which are unable to adequately finance themselves without adding a tremendous burden on real estate.

The proposed plan is for the state, thru financial aid, to guarantee to every community a minimum educational program upon
which will be expended $1,000 per classroom unit of 28 pupils. To support the schools under this plan the local district will be required to levy only 2 mills and the county 3 mills, a total of 5 mills, the remainder of the necessary money to support this program to be supplied by the state from the money it gets from income and other non-property taxes. This seems to be the best way to secure a reduction of the school property tax in places where such reduction is most needed. It is also the method by which the children of the state, regardless of where they live, may secure the kind of educational opportunity the people of Colorado want them to have.
Equalization of the school tax bill is one of the most vital problems facing the farm, ranch, and city home owner in Colorado today.

More than 90 percent of the total public educational expenditures in Colorado come from taxes on real estate and general property which include farm, ranch lands, and homes.

Altho property taxes bear practically all the burden of public school expenditures, over 500 million dollars in annual incomes from wages, salaries, interest and dividends make no direct contribution to the schools in the state!

These and other outstanding facts concerning school taxation and finance are disclosed in this bulletin together with suggestions for equalizing and financing public education in Colorado so as to relieve the burden on property.

There is a feeling that if educators, persons and corporations with large incomes, and the farm and ranch taxpayers can come to a mutual understanding of the problem involved in financing public education, the distrust that each group has of the other will disappear.

Before we can show how the present system of school taxation and finance can be improved it becomes necessary to get some idea of how our present system of taxation operates, its defects and limitations and also a picture of the general trend of state and school expenditures.

Reasons why the present system of school taxation and finance is antiquated and unsatisfactory will be pointed out together with suggestions for improving conditions.

General Trend of all Colorado Governmental Expenditures

Taxes take one-twelfth or 8.4 percent of the annual net income of Colorado citizens. The federal, state, and local taxes take a sum equal to $8.40 annually out of each $100 of net income of all the people of Colorado.

In 1928 the current income of the entire population of Colorado was estimated at $876,306,200. In this state the taxes collected by the federal government during the same year were $16,225,520; by state government, $13,379,693; by the local governments, $44,002,000; making a total of $73,607,213 taxes collected.¹

Dr. Don C. Sowers of the Bureau of Business and Government Research, University of Colorado, has made a careful study of state expenditures in Colorado since 1880. He says, "We may expect that the rate of increase may approach a normal rate of 4 percent increase per year in state expenditures."

Sowers declares that "three principal groups of state activities, highway construction, educational, and public welfare, account for 90 percent of the total increase in state expenditures between 1913-1914 and 1927-1928." He also points out that the highway construction program is not yet completed, that there is need for additional accommodations for the care of the insane, need for additional housing facilities at the penitentiary and also additional housing for the feeble-minded.

"The constantly increasing attendance at the state's educational institutions has necessitated increasing state expenditures for building and for operation and maintenance," Dr. Sowers says. "The enrollments have increased at an almost constant rate during the past five years, which means that provision must be made for a total of 400 more students each year. The state must anticipate, therefore, an annual increase in expenditures for these institutions.

"The upward trend of governmental expenditures is not peculiar to Colorado but is found also in the expenditures of the national government, other states, and municipalities.

"The percentage increase during the 23-year period, 1903-1926, was 540 percent for the national government, 416 percent for the large municipalities, 760 percent for the forty-eight state governments, and 425 percent for Colorado state government."^1

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<table>
<thead>
<tr>
<th>48 State Governments</th>
<th>760%</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Government</td>
<td>540%</td>
</tr>
<tr>
<td>Colorado State Govt.</td>
<td>425%</td>
</tr>
<tr>
<td>Large Municipalities</td>
<td>416%</td>
</tr>
</tbody>
</table>

Percent Increase in Governmental Expenditures, 1903-1926
Expenditures for Public Education.—It took 50 cents out of every dollar of taxes paid to the state and local governments in 1928 to support the public schools.

The total amount expended for public education in Colorado elementary and secondary schools for 1928 was $25,584,988. This expenditure which includes both current expenditures as well as cost of improvements and debt service, is more than twice the cost of education in 1918, $9,994,463.

Expenditure for Public-School Education has more than doubled in ten years.

Expenditures for buildings and improvements which increased from $1,639,623 in 1918 to $5,328,225 in 1926, have been decreasing since that time. The 1928 expenditure for grounds, buildings and contents was $1,979,796.

Cost of Education is Increasing.—There has been a rapid increase in the average annual school expenditure per pupil attending
school. In 1910 Colorado’s average annual expenditure was $41.20; in 1918 it was $70.54; in 1922, $113.64; in 1925, $145.58; and in 1928, $132.89. Similar increases are found in states comparable to Colorado.\(^1\)

The increased cost of education is the result of improvement in school conditions, that is, in the amount and quality of services rendered. The schools of today offer several times as much in the way of buildings, courses of study, and quality of instruction as did the schools of 25 years ago. The improved training of teachers and the consequent increase in the quality of instruction offsets the slight increase in the cost of teachers’ salaries. It is consistent to expect improvement in service over a period of 25 years. It is also consistent to expect to pay a fair price for this improvement.

<table>
<thead>
<tr>
<th>Year</th>
<th>General control</th>
<th>Instruction</th>
<th>Miscellaneous current expenditures</th>
<th>Capital outlay</th>
<th>Debt service</th>
<th>Total expense for public schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>1910</td>
<td>$3,336,715</td>
<td>$1,105,484</td>
<td>$783,987</td>
<td></td>
<td></td>
<td>$5,211,186</td>
</tr>
<tr>
<td>1912</td>
<td>3,516,676</td>
<td>1,299,135</td>
<td>1,005,389</td>
<td></td>
<td></td>
<td>5,824,200</td>
</tr>
<tr>
<td>1914</td>
<td>3,836,167</td>
<td>1,428,608</td>
<td>1,282,294</td>
<td></td>
<td></td>
<td>6,527,659</td>
</tr>
<tr>
<td>1916</td>
<td>4,654,349</td>
<td>2,031,413</td>
<td>847,332</td>
<td></td>
<td></td>
<td>7,533,093</td>
</tr>
<tr>
<td>1918</td>
<td>277,755</td>
<td>5,421,375</td>
<td>2,442,968</td>
<td>1,639,623</td>
<td>261,242</td>
<td>9,994,613</td>
</tr>
<tr>
<td>1920</td>
<td>329,826</td>
<td>6,879,681</td>
<td>3,471,246</td>
<td>2,419,413</td>
<td>249,404</td>
<td>13,449,563</td>
</tr>
<tr>
<td>1922</td>
<td>385,067</td>
<td>16,495,222</td>
<td>5,878,513</td>
<td>2,624,214</td>
<td>355,558</td>
<td>19,718,444</td>
</tr>
<tr>
<td>1924</td>
<td>375,216</td>
<td>11,975,630</td>
<td>7,006,504</td>
<td>3,603,275</td>
<td>429,132</td>
<td>23,390,085</td>
</tr>
<tr>
<td>1926</td>
<td>361,855</td>
<td>12,836,208</td>
<td>8,023,257</td>
<td>5,328,225</td>
<td>486,527</td>
<td>27,036,074</td>
</tr>
<tr>
<td>1928</td>
<td>564,189</td>
<td>14,225,260</td>
<td>8,095,827</td>
<td>1,979,796</td>
<td>719,916</td>
<td>25,584,988</td>
</tr>
</tbody>
</table>

**Cause of High School Taxes.**—The trend of school costs in recent years indicates continuing increases in annual expenditures for years to come. Increased expenditures in the past have resulted primarily from four causes: (1) Increased total attendance; (2) Increase in high-school attendance; (3) Loss in purchasing power of the school tax dollar due to changes in business and economic conditions; and (4) Increase in the number and quality of services furnished by the schools. Any plan for financing education must therefore be flexible in order to keep up with the natural growth of the state.

**School Attendance Shows Increase.**—One of the reasons for the increase in the cost of education is the large increase in total attendance in schools. More children are going to school than was the case 10 years ago.

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Average daily attendance in elementary and secondary schools in Colorado increased from 2,611 in 1870 to 187,109 in 1928.

Table 2.—Average Daily Attendance in Elementary and Secondary Schools at Different Dates.\(^1\) Colorado 1870 to 1928.

<table>
<thead>
<tr>
<th>Date</th>
<th>Average daily attendance</th>
<th>Percent of total population enrolled in public schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>1870-71</td>
<td>2,611</td>
<td>9.3</td>
</tr>
<tr>
<td>1879-80</td>
<td>12,618</td>
<td>11.4</td>
</tr>
<tr>
<td>1889-90</td>
<td>38,715</td>
<td>15.9</td>
</tr>
<tr>
<td>1899-1900</td>
<td>73,291</td>
<td>21.8</td>
</tr>
<tr>
<td>1909-10</td>
<td>107,520</td>
<td>21.1</td>
</tr>
<tr>
<td>1919-20</td>
<td>150,090</td>
<td>23.4</td>
</tr>
<tr>
<td>1927-28</td>
<td>187,109</td>
<td>21.9</td>
</tr>
</tbody>
</table>

The number of days schools are in session, or the length of school term, has increased. In 1870 Colorado schools were in session an average of 92 days. The corresponding figure for 1910 is 156 days; for 1920, 168 days; and for 1928, 178 days.

More Students Attend High Schools.—Much of the gain in attendance has been made in the high schools where instruction is more expensive than it is in the elementary schools. Nation wide surveys of public school finances show that on the average each additional day of instruction in high schools costs approximately two and one-half times as much as an additional day’s instruction in elementary schools.

School Dollar Buys Less Today.—Another outstanding reason for the increased costs of education in Colorado is due to the change in economic conditions. The decreased purchasing power of the dollar as compared with that in pre-war times is an important cause of increased expenditures for schools. The cost of living in 1930 was 66 percent higher than it was in 1910-1914. For example, if a teacher received a salary of $1,000 during any year from 1910-1914 and $1,600 in 1930, the purchasing power of her salary for those 2 years would be exactly equal. Her dollar-and-cents salary in 1930 would be greater by 66 percent, but her real salary or purchasing power would be the same for the 2 years because the dollar in 1930 would purchase only as much as 58 cents would have bought in 1910-1914. The cost of school supplies was affected in the same manner.

A study of Table 3 shows that the cost of living is still high in spite of the drastic drop in farm and wholesale prices. Retail prices have been dropping recently but they are still much higher than they were in 1913. The United States Bureau of Labor Statistics

shows that the cost of living decreased 25 percent from June, 1920, to December, 1930. Approximately a fourth of that decline occurred in the single year 1930. The Bureau considers such items as rent and housefurnishing goods as well as food. According to its figures, even with the present decline exerting appreciable effect upon the cost of living, we still pay $1.60 for what a dollar could buy in 1913. A sane and sensible view of school costs must take these facts into consideration.

<table>
<thead>
<tr>
<th>Economic Element</th>
<th>1913</th>
<th>1930</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale price level</td>
<td>100</td>
<td>121</td>
</tr>
<tr>
<td>Cost of living</td>
<td>100</td>
<td>163</td>
</tr>
<tr>
<td>Retail food prices</td>
<td>100</td>
<td>146</td>
</tr>
<tr>
<td>Farm taxes</td>
<td>100</td>
<td>267</td>
</tr>
<tr>
<td>Farm prices</td>
<td>100</td>
<td>111</td>
</tr>
<tr>
<td>Per capita earnings, manufacturing labor</td>
<td>100</td>
<td>211</td>
</tr>
<tr>
<td>Purchasing value of dollar</td>
<td>100</td>
<td>58</td>
</tr>
</tbody>
</table>


Because of the shifting value of the dollar, salaries cannot be properly measured by the number of dollars of which they are composed. They are measured accurately only by the amount of food, clothing, shelter, the necessities and the luxuries of life for which the salary dollars can be exchanged.

Are Teachers’ Salaries Too High?

Teachers’ salaries account for about out of every four dollars of all costs of education. Are they too high compared with the salaries paid other workers?

In Colorado the average annual salary of teachers was $599 in 1913; $929 in 1920; and $1,450 in 1928. Due to the rapid loss in purchasing power of the dollar between 1913 and 1928, the 1928 average salary ($1,450) purchased the same as $850 bought in 1913. This amount ($850) is only 42 percent greater than $599, the average salary of teachers in 1913.

Colorado ranked fourteenth among the states as to average salary of teachers in 1913; sixteenth in 1920; and fourteenth in 1928. In 1928 the average salary of Colorado teachers was 106 percent of the average for the United States based on official reports of the United States Department of the Interior, Office of Education.

There is considerable criticism in some quarters concerning the law which requires school districts to pay teachers a minimum salary of $75 a month for the time schools are in session in Colorado. Seventy-five dollars a month seems like a large salary to a farmer who is selling wheat below a dollar a bushel but $75 today purchases

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no more food, clothing or shelter than did a salary of $45 a month during 1910-1914.

In 1913 a person could teach with an eighth grade education; in 1928 he must have been a high-school graduate and have done a half year of college work; in 1931 a full 2 years of college work above high-school grade is required. Such training costs money, but increases efficiency.

When earnings of teachers are compared with earnings of doctors, lawyers, merchants, bricklayers, plumbers, manufacturing labor and other labor, one is forced to the conclusion that teachers are not receiving excessive wages. But when teachers' earnings are compared with farmers' earnings one can see justice in some farmers' criticism that teachers' salaries are too high. A careful, unbiased study of the situation, however, leads one to believe that teachers are receiving only a fair return for their labor while farmers, on the other hand, are undoubtedly underpaid as a result of low incomes and high taxes. Our problem is one of improving farm incomes rather than one of lowering teachers' salaries.

A recent article, "Better Pay for Better Teaching," in the Utah Taxpayer has the following to say about teachers' salaries:

"Business men have learned that precipitate, hurried slashing of wages often proves a liability rather than a saving. The wise executive rewards merit. He knows that loyalty is an asset; that the man who loafs on the job and does no more than is absolutely required, is a demoralizing force in the institution. Often the best paid man is the best investment. The lowest paid man may be the most expensive.

"Much is now being said about teachers' salaries. It would probably appeal to some patrons in the community if horizontal cuts were made in the teachers' salaries, beginning with the superintendent, down through principals and teachers. But the question is: Will that in the long run prove the proper method to be in the interest of better schools at less cost?

"The inefficient teachers, whether in administration or in instruction, must be weeded out and rewards must be bestowed upon those who deserve them.

"An efficient school executive is in a position not only to raise educational standards but to do so on an economical basis. The superficial spend-thrift, theoretical superintendent who lacks all business training and who has no appreciation of the value of the dollar is a dear investment at any price.

"On the other hand, the superintendent who can build up a system that meets the requirements of modern youth and that also has due respect for the economic condition of the taxpayers, should receive substantial recognition.
"If savings are to be made in our school system, and it goes without saying that savings must be had—they can be made along lines of increased efficiency of the administrator and the teacher.

"The world today is demanding better teaching; and better teaching can come only from better teachers; and better teachers should be liberally rewarded. There can never be any justifiable complaint against the salary of the teacher who inspires, instructs and enthuses. From the most practical standpoint an attractive salary to the efficient school administrator or teacher is the most justifiable part of the budget.""3

Colorado People Demand More and Better Schools

The cost of education will continue to increase. In the first place the wealth of Colorado continually increases. It is reasonable to expect that as our state income increases, we will continue to expend as large or a greater percentage of it for education.

Each generation expects more education than the previous generation. Fathers and mothers, as we all know, want more and better education for their children. Education is a wealth producer as well as a wealth consumer. The best educational area consumes and produces the greatest amount of wealth.

The tremendous wealth of Colorado is due not only to natural resources, but also the will of the people and general level of intelligence. The standard of the American working man is the marvel of the world. There seems to be no desire to lower the standard, but, on the contrary, the tendency seems to be to increase it. Big and little business enterprises in Colorado no longer desire ignorant, unproductive workmen as employees. Without an educated public to work with, even the more brilliant and highly trained leaders are relatively helpless.

The important thing to note here is that the factors causing this increased demand for more and better education are factors over which school officials have little or no control. The people of Colorado are demanding and receiving more elaborate and expensive services from their school districts just as their own personal standards of living have been improved.

Can the State Afford Good Schools?

The people of Colorado want every child in the state to have an equal chance with other children of the nation, but can we afford it?

In 1928 the income of Colorado is estimated to have been $876,306,200. Expenditures for public elementary and secondary schools

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3Utah Taxpayer, Official Organ, Utah Taxpayers Association, Vol. 9, No. 4, Salt Lake City, Utah, April, 1931.
in Colorado in 1928 were $24,865,072, exclusive of debt service; for public tax supported universities and colleges the state expends $3,990,632; making a total of $28,855,704 expended for all public schools in Colorado, or 3.29 percent of the total income of the entire population of the state. In the nation as a whole, the corresponding percentage was 2.74. That is to say, Colorado spends $3.29 out of each $100 of net income for education compared with $2.74 for the country as a whole. The inclusion of the southern states has a tendency to lower the average for the United States. A comparison of the eleven western states, however, shows that these states expended exactly the same percentage of their total net income for education as did Colorado, or 3.29 percent.\(^1\)

Colorado ranks among the highest group of states on the basis of economic ability to support education and is well above the average for the country as a whole.

**Average Wealth of Colorado Citizens High.**—Government figures show that the "per capita" wealth of Colorado was $3,418 in 1929. The average wealth of Coloradans is $411 more than the $2,977 wealth of the average American. The citizen of Colorado can draw some satisfaction out of knowing that on the average he is better off than fellows in other states.

The average annual income in 1928 per child of school age in Colorado was $3,232 or 11.6 percent above the country-wide average of $2,895. Colorado therefore has abundant resources upon which it can draw to support education.

In 1928 Colorado expended 29 million dollars for public education. During the same year the people of Colorado expended 25 million dollars for life insurance, 30 million dollars for building construction, 150 million for passenger automobiles, and 58 million dollars for certain luxuries.

In other words, for every $1.00 expended for public schools we spend 87 cents for life insurance, $1.05 in building construction, $5.22 for passenger automobiles, and $2.00 for cigarettes, tobacco, candy, chewing gum, theaters and similar items all of which indicate that it is not so much a question of ability to support good schools as it is a question of equalizing the cost of education and asking everyone to pay his fair share.

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Table 4.—Colorado’s Annual Bill for Public Schools, Life Insurance, Building Construction, Passenger Automobiles, and for Certain Luxuries, 1928.

<table>
<thead>
<tr>
<th>Item of expenditure</th>
<th>Amount</th>
<th>Comparative expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of public schools</td>
<td>$8,655,704</td>
<td>$1.00</td>
</tr>
<tr>
<td>Life insurance</td>
<td>35,164,572</td>
<td>.87</td>
</tr>
<tr>
<td>Building construction</td>
<td>30,439,000</td>
<td>1.05</td>
</tr>
<tr>
<td>Passenger automobiles</td>
<td>150,673,300</td>
<td>5.22</td>
</tr>
<tr>
<td>Certain luxuries</td>
<td>57,514,850</td>
<td>2.00</td>
</tr>
<tr>
<td>Tobacco</td>
<td>19,270,980</td>
<td>.67</td>
</tr>
<tr>
<td>Soft drinks, ice cream, candy, etc.</td>
<td>16,652,160</td>
<td>.58</td>
</tr>
<tr>
<td>Theaters, movies, etc.</td>
<td>9,745,110</td>
<td>.34</td>
</tr>
<tr>
<td>Jewelry, perfumes, cosmetics</td>
<td>7,449,660</td>
<td>.26</td>
</tr>
<tr>
<td>Sporting goods, toys, etc.</td>
<td>4,496,940</td>
<td>.15</td>
</tr>
</tbody>
</table>


Colorado Ranks High in Support of Schools.—Colorado ranked seventh among the 48 states in the amount of current expenditures per pupil for education in 1928. Colorado expended $122.31 per pupil attending compared with an average expenditure of $87.22 per pupil for the nation as a whole. The inclusion of the Southern states with expenditures for Alabama of $34.53, Georgia $30.38, Mississippi $37.02, and Tennessee $39.37 reduces the national average, so it is not comparable with Colorado and the Northern states.¹

Western states which are comparable with Colorado spent the following amounts for current educational expenditures: Arizona, $115.53; California, $130.97; Idaho, $97.57; Montana, $113.50; Utah, $76.92; Washington, $102.64; and Oregon, $100.08.

Colorado ranked sixteenth among the 48 states in the average value of school property per pupil enrolled and fourteenth in the average annual salaries paid to teachers, supervisors, and principals. The information in Table 5 compares Colorado’s place among the other states as to educational results.

In spite of the fact that Colorado ranks high in its support of education we still have much to do to improve educational conditions, especially in the rural sections of Colorado.

Table 5.—Where Colorado Stands Among the 48 States as to Education Results.²

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>Colorado</th>
<th>Rank among 48 states</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual cost of education per pupil attending—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For current expenses</td>
<td>$87.22</td>
<td>$122.31</td>
<td>7</td>
</tr>
<tr>
<td>For capital outlays</td>
<td>18.58</td>
<td>10.58</td>
<td>28</td>
</tr>
<tr>
<td>Average value of school property per pupil enrolled</td>
<td>$218.00</td>
<td>$250.00</td>
<td>16</td>
</tr>
<tr>
<td>Number of days schools were in session</td>
<td>171.5</td>
<td>178</td>
<td>16</td>
</tr>
<tr>
<td>Number attending daily for each 100 enrolled, 1928</td>
<td>81.8</td>
<td>78.3</td>
<td>35</td>
</tr>
<tr>
<td>Average annual salaries of all teachers, supervisors, and principals</td>
<td>$1,364</td>
<td>$1,450</td>
<td>14</td>
</tr>
<tr>
<td>Number of pupils per teacher</td>
<td>25</td>
<td>19</td>
<td>...</td>
</tr>
</tbody>
</table>

Colorado Still Has 1910 One-Room Schools

Altho the consolidated school movement has made notable headway during the past 10 years, it is very likely that a considerable percentage of rural children will attend one-room schools for some time to come because Colorado still has 1,910 one-room school buildings. In fact six out of every ten school buildings used in Colorado are one-room school buildings.

That means that there are 40,000 or 50,000 children in Colorado who are not getting a modern education. This is not a criticism of the earnest teachers in these schools but rather one against the system. No teacher can perfectly instruct from three to seven classes in one room.

There is a total of 3,183 schools in the state consisting of 167 consolidated schools, 1,910 one-room school houses, and only 1,106 buildings with more than one room.\(^1\)

Discussion to this point has dealt largely with the development of education in Colorado in order to give the reader a clear picture of the situation. The next step shows why the present system of

school taxation and financing of education is antiquated and unsatisfactory. An attempt will be made to point out why the present system places an unjust share of the burden of school costs upon the farmers and ranchmen in Colorado.

Weak Spots in the Present System of Financing Schools

In Colorado too large a part of the cost of schools is placed upon the local school districts and too small a portion is contributed by the state.

Counties and local school districts in Colorado have been putting up 97 percent of the cost of education while the state and federal governments have contributed only 3 percent. (See Table 6.)

Table 6.—Income from all Sources—Colorado State School System. 1927-1928.1

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>Amount</th>
<th>Percentage distribution total receipts from all sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal aid for vocational education</td>
<td>$42,000</td>
<td>.2</td>
</tr>
<tr>
<td>State:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from permanent funds and leases of school lands</td>
<td>790,759</td>
<td>3.1</td>
</tr>
<tr>
<td>Receipts from taxation and appropriation</td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td>County:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from taxation</td>
<td>5,053,361</td>
<td>19.8</td>
</tr>
<tr>
<td>Local:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from taxation</td>
<td>15,396,681</td>
<td>76.9</td>
</tr>
<tr>
<td>All other sources</td>
<td>4,320,536</td>
<td></td>
</tr>
<tr>
<td>Total revenue receipts</td>
<td>$25,622,727</td>
<td></td>
</tr>
</tbody>
</table>


![Image of scales with coins and text: School Taxes as Equalized(?) in Colorado]
To raise these funds the counties and school districts have been levying a higher and higher land tax every year, until now the burden has become almost unbearable. Thousands of farmers have lost their farms and other people their homes by reason of their inability to meet their tax payments. The large number of farm bankruptcies in Colorado support this conclusion. There were 220 bankruptcies among farmers in Colorado in 1925. In that year farm bankruptcies amounted to 32.1 percent of all cases in the state. There were fewer farm bankruptcies in 1930 than in 1925 but farmers, nevertheless, had 11.3 percent of all bankruptcies in the state.

Thirty-three percent of the number of farms changing ownership by various methods in Colorado in 1930 were forced sales brought about by low incomes and high taxes. Eleven percent, or one-ninth of all farm sales were sales on account of delinquent taxes.\(^1\)

**An Archaic System.**—Under the existing system of many small districts, which we have inherited from the horse and buggy age, the resources of poor districts are often strained to provide only a meager educational program, while rich districts are able to finance an elaborate program without increasing tax burdens seriously.

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\(^1\)Yearbook of Agriculture 1931. United States Department of Agriculture. p. 1027, 1028.

![Map of Colorado](http://example.com/map.jpg)

This map shows the diversity of Colorado's agricultural and industrial activities.
Some parts of the state are comparatively wealthy and others relatively poor. Many districts have considerable taxable railroad property and others have none, while a few districts are fortunate in having factories worth hundreds of thousands of dollars located within their borders. The effect is to throw into a single district taxable wealth far beyond its needs.

Counties are unequal in wealth and ability to finance their schools. Cheyenne County had $1,913 of taxable wealth per school child, while Park County had $21,850 per child in 1928. If Cheyenne County undertakes to raise the same amount of school funds as Park County, the tax rate would have to be eleven times as high. These conditions are due to the wide difference in the wealth-producing ability of various parts of the state.

The annual report of the State Tax Commission for 1929 shows that the highest average school levy for 1929 was in Rio Grande County, $25.62 per $100 assessed valuation, and the lowest was $5.75 in Park County. The average school levy was $14.94. Denver's was $13.95.

Very great inequalities in school taxation and in the educational opportunities of children have grown out of this situation, with bad consequence to the state as a whole.

The cause of these conditions is not to be found primarily in the lack of adequate school money. But more necessary than increased revenues is a complete reform in the organization of our school system, particularly the abolition of the present district system, and a complete reform in the methods of school support.
The General Property Tax as the Chief Means of Financing Education is a Failure.—The general property tax was the direct source of 80 percent of all school revenues in Colorado in 1928. Seventeen percent of the school revenue came from the sales of bond issues and a small amount of federal aid. Bond issues must be paid out of general taxation eventually, so direct and indirect property taxes really bear approximately 97 percent of the cost of education. Only 3 percent came from the permanent state school fund.

Despite the fact that the general property tax stands condemned today not only by every leading tax authority but by numerous state tax commissions consisting of men prominent in business and public affairs, the general property tax is the source of more than nine-tenths of all school funds in Colorado.

Some People Pay No School Taxes.—Agriculture is staggering under an unfair burden of taxation. In round figures farm people are paying 30 percent of their net incomes to the government in the form of taxes, while industry, commerce and people in general are paying but 8 percent of their net incomes in the form of taxes, including all federal taxes.

There is no chance for a farmer to hide his livestock or buildings under the bed.

If people paid taxes according to their ability to pay, less than $7 out of every $100 would be necessary to operate state and local governments, schools and roads. But some people pay no taxes, while others pay considerably more than 7 percent.
State and local, personal and business taxes paid by individuals filing federal income tax returns for 1927 averaged only $4.44 out of every $100 of net income, the Bureau of Internal Revenue reports show. Yet any attempt to equalize taxes in Colorado results in statements to the effect that an attempt is being made to "soak the rich."

A striking case of unfair taxation is that of two persons in Colorado, with a combined net income of $713,890 before deducting taxes for the year 1927, who paid only $155 in local and state taxes in this state, or about 2 cents out of every $100 of net income! Since these persons owned no real estate or personal property, except possibly an automobile apiece, they virtually escaped taxation in Colorado under our present tax system. They contributed, however, $86,030 to the federal government in income taxes.¹

Internal revenue figures show that persons receiving incomes of over $5,000 annually pay less than $5 of every $100 net income for state and local taxes in Colorado.

**Home Ownership Penalized.**—There are large classes of people in towns and cities who are bearing almost as great a burden of taxes as the farmers. Those who rent real estate are compelled to pay approximately 30 percent of the property income for taxes.

In the past a great portion of the income of the entire population in Colorado was derived from the ownership of property. It was then fair that taxation should be based on property, since every legitimate tax is directly or indirectly a levy on net income. Estimates of economists now indicate that a comparatively small percentage of our state income is derived from the ownership of real estate.

**Property Receives One-third of Income Yet Pays 85 Percent of Taxes.**—In Colorado it has been estimated that wages, salaries, interest and dividends comprised 59.57 percent or $522,015,603 of the current net income of the entire population of Colorado, based on studies made by the National Bureau of Economic Research. Only 40.43 percent of the total income, or $354,290,597, is derived from the ownership of tangible property and the personal industry of all farm and other owner-operators.²

If a fair allowance is made for the labor and management of owner-operators, the ownership of property does not produce more than one-third of the total income of the entire population of Colo-

rado. Yet the ownership of property is compelled to bear 85 percent or almost the entire cost of government.

**Real Wealth Not Touched by Taxation.**—Three-fourths of the total value of all estates appraised for Colorado inheritance taxes in 1929 consisted of stocks, bonds and other intangibles which practically escape state taxation under our present antiquated system.

Our studies of 509 estates appraised in 1929 show that these estates had a total property value of $31,685,781 distributed as follows: Real estate, 21.2 percent; chattels, 3.5 percent; intangible property, 75.3 percent.

These figures for just 1 year indicate that much of the real wealth of Colorado has not been touched by taxation. The growing tendency to invest huge sums in stocks, bonds, and other intangibles instead of real estate, which is to some extent due to the heavy taxes on property, is placing more and more wealth beyond the reach of present taxation.

The only way in which the state can satisfactorily tax such wealth is to change our old-fashioned state constitution to permit the taxation of the income from such investments.

Why penalize the farm home?

Altho intangibles are supposed to be taxed under present laws, the amount of intangibles on the tax books has shown no increase for 15 years! Our present system permits 95 percent of the wealth in stocks, bonds and other intangibles to escape or evade taxation. This simply means that where one pays nineteen escape.

\footnote{Annual Report of the Colorado Tax Commission.}
In Colorado no direct tax whatever is levied upon the larger portion of the total net income which is derived from wages, salaries, fees, and commissions, thus exempting the greater portion of the population from the payment of substantial taxes.

Shall we continue to let our unfair system of taxation ruin our agriculture, penalize the homeowner and check the natural development of the state to protect those best able to pay? Colorado is abundantly able to take care of all reasonable demands for education, highways, welfare institutions and other needs. Colorado has abundant tax resources to provide for all of its activities if everyone pays his just part of the cost of government.

Views of Agricultural Leaders on School Taxation

"Farmers are not 'beggars' or selfish when they ask for a readjustment in taxation," says Louis J. Tabor in the Master's address before the National Grange. "Cities receive both blood and money from the farm. Two hundred thousand young people go from the farms every year to the cities, taking with them vigorous bodies, habits of work and economy. The schooling of these young people costs the rural territory more than 100 million dollars per year, a gift to the cities. These young people stay in the cities and the inheritances from their parents come to the cities. This amounts to millions each year, another rural gift to the cities. It is estimated that in normal times farmers retire and take to the cities with them more than 150 million dollars each year. American farmers thus contribute more than 250 million dollars each year to the cities and receive no return for it, in taxation or support of rural communities. If agriculture is to survive at all, it must have relief from its crushing tax burden."

Governor Lowden on School Taxes.—The general property tax belongs to the days of the oxcart. This charge was again brought against Colorado, by Governor Frank O. Lowden of Illinois, in an address before the American Farm Bureau Federation in 1929.

"The only alternative to the general property tax which I know of is a tax upon income. In the complex civilization which we have evolved there is no other test of ability to pay so just and equitable as the income of the citizen."

Governor Lowden went on to point out the unfairness of the heavy school taxes now paid by most farming regions. He said: "The largest items in the farmer's tax bill are for schools and roads. The time honored method for supporting the one and building and maintaining the other has been by local taxation.

"Isn't it as essential to the welfare of the state that all the children within its borders should have a fitting education as it is to the people of the city that adequate schools should be furnished all their children, especially since the future increase of the population of the cities will be largely recruited from the country schools? If, to secure this, it is necessary for
the state to take upon itself a larger share of the cost of rural schools, isn't it in the interest of the state to assume this burden?"

These are views to which more and more of our leaders of thought in the United States are coming. Within a few years, every state that has outgrown the oxcart period in its political and economic thinking will abandon the property tax to a large extent and will extend aid to schools.

The Next Step—A Balanced Tax System for Colorado

The unfair burden of the general property tax, the need for increased public revenue due to increased population and the increased appreciation of the principles of sound taxation are some of the most important causes which have led to a search for new sources of revenue in Colorado.

Colorado needs a modern, balanced tax system in order that the government may operate efficiently without overburdening any one class of citizens.

Needed: A BALANCED TAX SYSTEM FOR COLORADO

A Property Tax on Tangible Property
B Graduated Income Tax on Persons
C Flat Income Tax on Business
D Special Taxes - Gas, Inheritance, Sales.
First, we should move as far and as fast as circumstances will permit in the direction of greater reliance upon income taxes. No argument has yet been made in favor of the general property tax in comparison with the income tax as the main basis of raising revenues.

The addition of the income tax to the tax system of Colorado is intended to reach a source of revenue which has escaped taxation, that is, the taxpayers possessing ability to pay but owning little or no property. This should relieve the doubts of property owners who fear that the addition of an income tax would result in a heavier burden to themselves.

A second major consideration, tho by no means equal in importance to the income tax in possibility, nor so desirable, is a tax on a selected, restricted class of sales. One sales tax which has met with approval in several of our states and in other countries is a tax on cigarettes and tobacco products which is capable of raising several hundred thousand dollars annually in Colorado.

**Most Farmers are Exempt from Income Tax.**—Under the graduated personal income tax as usually administered today, small incomes are totally exempt. Beginning with a low rate of taxation on the smallest incomes subject to a tax, the rate is gradually increased as the income increases. The graduated income tax is universally regarded as one of the fairest and soundest taxes in existence. It is the most defensible of all forms of taxation because it compels no one to pay who has not the means to pay. The per capita current income of the average farmer is relatively low, a substantial portion of the farmer’s income is received in home produce and other non-cash items which are consumed by farmers’ families and therefore never reported as income, and farming is usually carried on in small units as compared to manufacturing and commerce. As a result there are many small incomes most of which are under the personal exemption allowed.

**Income Tax Cannot be Shifted.**—The income tax is not easily shifted as many other tax devices are.¹ The researches of the National Industrial Conference Board based on an analysis of the sales, profits and capital investment of 4,644 large and successful corporations during the period from 1918 to 1925, indicate that in general the federal corporation income tax is not shifted to consumers, but remains upon the corporations as a reduction of their annual net profits.

How Income Taxes Are Used.—More than 50 nations and 23 American states now levy taxes on either individual or business incomes or both.

Seventeen states already have modernized their methods of taxing corporations and are now taxing business concerns on the basis of net income. These include such states as California, Massachusetts, Missouri, Montana, New York, North Carolina, Washington and Wisconsin.¹

States using income taxes as a source of school revenue are as follows:

Arkansas: Provides that $750,000 shall be devoted to the public school equalization fund.

Delaware: Income tax levied specifically for schools. Entire revenue devoted to state school fund.

Georgia: Proceeds are paid in to the state general fund from which school revenues are appropriated.

Massachusetts: State sets aside from proceeds whatever amount is required to meet claims of schools; remainder is returned to cities

and towns from which collected and may be used for schools. Over 32 millions were collected in 1928.

Mississippi: Proceeds paid into state general fund of which nearly one-half is appropriated for schools.

Missouri: One-third of all state revenue is devoted by law to schools.

New York: The state government distributed among counties over 79 million dollars for local school purposes in 1929. This money was obtained largely from the personal and corporation income taxes and was apportioned among the counties to relieve the local property tax burden.

North Carolina: Not levied as a school tax but adopted definitely as a device to provide school revenue. The equalizing fund now amounts to $6,500,000. The state has assumed the burden of education and has equalized school tax rates in 93 counties.

Tennessee: One-third of all state revenue is devoted by law to schools.

Wisconsin: Forty percent of the 18-million-dollar proceeds are retained by the state and used to provide special appropriations for schools and for the remission of general property taxes required by law to be levied for the university, normal schools, and common schools.

States in which proceeds of income taxes benefit schools thru appropriations from state general revenue are Connecticut, Georgia, Mississippi, South Carolina, North Dakota, Oklahoma, Utah, and Virginia.

Probable Yield of an Income Tax.—Dr. Jensen computed the probable yield of a personal income tax in Colorado by two different methods, using incomes reported for the federal income tax.¹ The yield computed by method No. 1 amounted to $3,847,373 while method No. 2 yielded a tax of $4,437,870.

<table>
<thead>
<tr>
<th>Sources of Revenue</th>
<th>Amount of New Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal income tax</td>
<td>$3,847,373</td>
</tr>
<tr>
<td>Business franchise tax</td>
<td>$1,800,000</td>
</tr>
<tr>
<td>Sales tax on tobacco products</td>
<td>$500,000</td>
</tr>
<tr>
<td>Total</td>
<td>$6,147,373</td>
</tr>
</tbody>
</table>

Dr. Jensen also states:

"The present annual corporation license tax is so small ($189,561 in 1928) as to bear no adequate relation whatever to the value of the corporation’s privilege of exercising their franchise. The total net income of all corpora-

tions in Colorado reporting net incomes to the federal government under the federal income tax amounts to about 60 million dollars annually. The states which have adopted business taxes measured by net income impose rates varying from 1 to 5 percent. If Colorado should impose a business franchise tax at the low rate of 3 percent upon net income of Colorado corporations, instead of the annual license tax now imposed, it might be expected to yield $1,800,000 annually."

Selective Sales Tax.—Dr. Jensen estimates that a sales tax on tobacco would raise approximately $500,000 based on a 15 percent tax on retail sales. In 1928 the expenditure for tobacco in Colorado is estimated to have been $19,270,980, according to the National Education Association, which based its estimates on the figures of the United States Treasury Department. If a 5 percent tax was placed on retail tobacco sales based on these estimates in Colorado a revenue of $963,549 would be obtained.

Distribution of Tax Funds

We have already pointed out that one of the most important problems in Colorado is the securing of new sources of revenue to relieve property taxes for educational purposes.

The next important problem is that of distribution of funds. Having raised a sum of money from new sources of revenue, the state must decide how and by whom it is to be spent.

Aside from state aid in some form or other, the property tax is practically the only source of revenue for units of local government. Obviously, local units of taxation, such as school districts, cities and counties, cannot effectively levy and collect income or sales taxes. If any of the proceeds from such sources of taxation are to be used to equalize the tax burden, the money must be collected for the local units by the state.

Since 50 percent of the tax burden is the result of school taxes, one of the best ways to relieve the burden is to lift part of the school tax on local property thru some system of state aid derived from sources other than real property. Other states have followed this method of relieving local property taxes with a great deal of success. New York, California, North Carolina, Missouri and Delaware are leaders in this movement to relieve the tax on real estate.

New York Attacks Farm Tax Problem.—In order to help farm people with their rural school tax in New York, Governor Roosevelt’s Agricultural Advisory Commission recommended, and the legislature passed in 1929, a new state aid rural tax law. The intent of this law was to increase greatly the financial support of the state to rural schools and to keep local taxes for schools down to a 4-mill levy on true or full valuation.
The law provided for $1,500 to be raised to maintain each 1-room school. Of this sum, the local district was required to raise a school tax of $4 per $100 of true valuation, and all of the remainder of the $1500 was to be paid by the state.

For the past 5 years New York has had a state aid equalization plan for school districts employing five or more teachers. Two years ago the equalization principle was extended to the districts employing two or four teachers. In 1929 New York state contributed $79,048,484 to the localities in state aid for public schools.¹

New York has not only relieved the farmer of most of his school tax but has also relieved him of all property tax for constructing and maintaining all county roads in the state.

North Carolina Shifts School Burden.—An editorial in The Country Gentleman for May says:

"Something that concerns the whole country has happened recently in North Carolina. The legislature committed that State to the maintenance of a state-wide six months' school term from other sources of revenue than the general property tax. The effect is to transfer that much of the load of school costs from the local community to the State as a whole. It is a step that many, observing the drift of things, have felt was bound to come somewhere. The States by means of regulation and requirements, have been exercising a steadily growing control over local communities in the conduct of their schools, roads and other institutions. And control carries with it the risk of having to assume responsibility. The demands upon local communities have all been made in the name of progress and improvement, and most of them were of that nature. But they cost a great deal of money. Property taxes, within this generation, have increased several hundred per cent in every State. Recent lean years in various farming sections have made it an acute question whether such tax levies are any longer supportable. In an announcement lately sent out by the president of the National Education Association, it is stated that 'A number of counties claim they are not able to open schools at all next year'. The natural recourse in such circumstances is to check the responsibility back to the State. It will be interesting to see how much local taxpayers will be saved by this shifting of the burden. For the cost must be apportioned somewhere. The State is put to the necessity of finding and exploiting new sources of tax revenue that can bear the load. That is not so easy, in the absence of any feasible means of taxing intangible wealth. Anyone discovering an escape-proof method of accomplishing that would meet with one of the heartiest welcomes on record."²

Colorado's State Aid Lowest in Nation.—The states of the Union differ fundamentally in the amounts, methods, and purposes of their contributions to education. Every state gives some financial aid, as a state, to local school units; but there the resemblance stops. Some

states, such as Colorado and Kansas, give a relatively small amount of money from state sources. Others, such as New York, North Carolina and Delaware, pay a large part of the cost of schools on a state basis. While the annual state appropriation for schools in Colorado is $20,000, which is less than that of any state in the Union, that of New York was over 79 million dollars in 1929. Again, Colorado state appropriations amount to less than one-tenth of 1 percent of the total cost of education, while Delaware as a state pays 86 percent of this cost.¹

<table>
<thead>
<tr>
<th>Source of revenue</th>
<th>Amount of revenue from taxation</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$ 20,000</td>
<td>1.0</td>
</tr>
<tr>
<td>County</td>
<td>5,053,381</td>
<td>24.7</td>
</tr>
<tr>
<td>Local school district</td>
<td>15,386,081</td>
<td>75.2</td>
</tr>
<tr>
<td>Total</td>
<td>$20,469,462</td>
<td>100.0</td>
</tr>
</tbody>
</table>


Between such extremes all the states of the Union are to be found. In the United States as a whole 16 percent of the total tax burden for education is borne by the states. If Colorado, as a state, had provided the average of all the states for the support of her public schools she would have provided in excess of $3,200,000 for such support.

**Education Largely a Function of the State**

There are certain other states that are frankly recognizing that education is a function of the state and see the necessity for a larger taxing unit. This means the spreading of taxes for school purposes over a larger geographical and population area. Since the close of the war, the following 10 states have increased the amount of money furnished from state funds for education: Arizona, California, Georgia, Iowa, Louisiana, Massachusetts, Texas, Utah, Washington and West Virginia.

The general character of the legislation creating these increases is shown by these examples: Arizona in 1921 increased the amount furnished by the state by 66 percent. In 1920 California, after a constitutional amendment, increased the state’s quota from $17.50 to $30 per pupil in the elementary schools, while for high-school pupils the increase was from $15 to $30 per pupil. In 1919 Georgia decided to devote 50 percent of all the money received by the state to the support of common schools. In 1919 Massachusetts passed a law which raised the state’s share of the cost of schools from 1.82 percent in 1915 to 11.3 percent in 1921. In New York the state furnished 9.3 percent of the support of schools in 1905; in 1918 it furnished 9.5 percent; in 1920, 12.1 percent; and in 1929, 21.0 percent.

In 1929 Pennsylvania enacted a law fixing minimum salaries for teachers. According to this law the state pays, in districts that meet the standards fixed by the state, the following percentages of the teachers' salaries; first-class districts, 25 percent; second-class and third-class districts, 35 percent; fourth-class districts, 50 percent. Washington, in 1920, increased the proportion of the cost of schools to be borne by the state from 18 to 25 percent.¹

These illustrations show very definitely the tendency in a number of states. Such action is to be taken as a frank recognition of the fact that education is largely a function of the state. Recently some attorneys in Colorado have held that the public schools are not a function of the state. Other attorneys, however, are of the opinion that the public schools are a part of the state system of education. If there is any doubt about it the constitution should be amended to permit the legislature to distribute a part of the proceeds of new sources of revenue to public schools in order to relieve the present tax burden on property.

Method of Distributing State Aid.—There exist in Colorado, communities that cannot support good modern-type educational programs even tho they levy excessive general property taxes in an attempt to do so. It is now rather generally agreed that the state is morally obligated to supply a reasonable educational opportunity to every child within its borders. In fact every state in the Union, including Colorado, now distributes state funds to the local school districts. The fact that the child happens to reside in a community with a low taxable property valuation is no excuse for depriving him of his reasonable minimum opportunity. This does not mean that all schools are to be reduced to one level of mediocrity, but it does mean that no school in the state shall fall below reasonable standards and that no community need bankrupt its taxpayers to provide such a school. This result is now being secured in a few of our most progressive state school systems by these two methods: (1) The use of a larger local unit (such as the county) for school administration and taxation, of which Utah is a good example, and (2) the application of the equalization principle in the distribution of state school funds similar to the plan used in New York, North

Carolina, Utah, Arkansas and other states. These two plans have given farmers and real estate owners more relief from burdensome school taxes than any other plans which have been tried.

Program of School Tax Equalization

The economic condition of Colorado is varied. Side by side with a thriving city, where property values are high and much wealth is accumulated, we may find a county consisting largely of small unprofitable farms or worn-out mining districts, where property valuations are low and most of the inhabitants are struggling for a livelihood. In the wealthy section, a reasonable tax levy will easily support good schools, adequate health work, and other desirable public services. In the poor district even meager provisions for education, health, and welfare can be paid for only with great difficulty, and at times with real personal sacrifice. Notice two facts about this situation. First, the citizens of both communities and their children are equally citizens of the state and are equally entitled to a good education, proper public health facilities, and welfare provisions. In the second place, the wealthy cities have, in many cases, drawn and continue to draw much of their wealth from the surrounding rural districts. Taking these two facts into consideration, progressive states distribute their state school funds in such a way as to equalize differences in ability to provide decent educational opportunities.

The actual working-out of a program of educational tax equalization is one which involves expert and technical assistance, and which is too complicated to relate in detail here. The essential elements of such a plan, however, will be briefly set forth.

The first step is to find out what a reasonable program of education will cost in terms of some convenient unit. In the case of schools in Colorado the cost per classroom unit of 28 pupils has been used as a unit. The estimated amount needed to support a minimum educational offering was found to be $1,000 per classroom unit of 28 pupils. A reasonable tax will easily produce more than this amount in some districts and counties and far less than $1,000 in others. It is the latter group of districts only which are affected by the proposed equalization program.¹ The wealthy districts, which

¹Report of Finance Committee. Apply to Colorado Education Association, 530 Commonwealth Building, Denver, Colo.
can easily raise the amount needed for the minimum educational offering by levying a reasonable tax, do not share in the equalization fund. The difference between $1,000 and the amount which each county and district can raise by a fixed school tax on the equalized value of property in the county is the amount which it will receive from the state equalization fund. This procedure guarantees a reasonable minimum educational opportunity to every child and at the same time leaves every community the option of going as far beyond this minimum as it wishes.

Certain individuals in Colorado who do not understand the proposed system of state aid claim that any state aid to local school districts will mean merely the opening up of an unlimited, overflowing "pork barrel" with the school districts of the state feeding at the trough.

The expenditure of the funds under the proposed system of state aid, however, is under the control of the State Superintendent of Public Instruction and the amount of state aid received by each district depends upon: (1) The number of pupils in daily attendance, and (2) the assessed valuation of all the property within the district. In other words, the exact amount each school district in each county of the state receives depends upon these two factors and is definitely under the control of the State Superintendent of Schools and not under the control of the local school board. Anyone with a reasonable amount of intelligence can calculate the amount of funds that can be received by any individual district—no more or no less can be received under this system.

Furthermore, the funds received from state aid can be used only for: Salary of the teacher, cost of supervision, fuel, light, textbooks, janitor service, and all other current costs of maintaining a classroom. Cost of buildings and equipment are not included.

This plan is a logical method for distributing the proceeds of income and other special taxes to localities now overburdened with taxes on real estate.

How the Equalization Plan Works

To show how an equalization plan might work out, the school districts in 5 counties have been selected in order to illustrate what would happen in actual practice.

Under the proposed plan the school district would levy a 3-mill county tax for the purpose of financing part of the cost of education. Table 9 presents certain statistics concerning these 5 school districts selected at random for purposes of illustration.
### Table 9.—Comparison of 5 Typical School Districts to Illustrate How Equalization Plan Will Work.

<table>
<thead>
<tr>
<th>County and school district</th>
<th>Total classroom units based on number of children of school age (28 pupils equal 1 unit)</th>
<th>Income from local taxes based on—</th>
<th>State aid granted from equalization fund and permanent school fund to local district</th>
<th>Total amount required to obtain minimum education</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Assessed value of taxable property</td>
<td>District tax levy of two mills</td>
<td>County tax levy of three mills</td>
</tr>
<tr>
<td>Alamosa County—Mosca District 4.24</td>
<td>$284,000</td>
<td>$567</td>
<td>$206</td>
<td>$227</td>
</tr>
<tr>
<td>Weld County—Windsor District 36.51</td>
<td>139,000</td>
<td>277</td>
<td>487</td>
<td>236</td>
</tr>
<tr>
<td>Montrose County—Otishe District 9.14</td>
<td>176,000</td>
<td>271</td>
<td>251</td>
<td>478</td>
</tr>
<tr>
<td>Las Animas County—Kim District 11.28</td>
<td>19,000</td>
<td>38</td>
<td>302</td>
<td>659</td>
</tr>
<tr>
<td>Larimer County—Estes Park Dist. 7.12</td>
<td>404,000</td>
<td>808</td>
<td>135</td>
<td>57</td>
</tr>
</tbody>
</table>

Information from the Colorado Education Association, Denver, Colorado.

For example, Mosca consolidated district in Alamosa County had 4.24 classroom units on the basis of 28 pupils to a unit, and a tax valuation of $1,204,160 in 1927-1928. This amounts to $284,000 of taxable property per classroom unit. If a district tax of 2 mills were levied in Mosca consolidated school district it would yield $567 per classroom unit. If a county tax of 3 mills were levied in Alamosa County, it would yield $206 per classroom unit in the Mosca school district. Since $1000 per classroom unit is needed to operate the school according to the standards which the state might fix for all of its children, obviously Mosca Consolidated School District in Alamosa County will need some help from the state equalization fund in order to provide the minimum amount of education with a reasonable school tax on property.

The state will therefore contribute $227 per classroom unit to the Mosca Consolidated District, or a total of $966.48 for the district, if this district is to meet the minimum program without levying more than the tax which has been decided upon as reasonable, namely, 2 mills for the district and 3 mills for the county. Since there are many classroom units in Alamosa County the amount of state aid needed will be $33,196. Of course, any school district is free to levy more than a 3-mill tax if it wishes to provide schools of a higher standard than the state would require.

The same conclusion applies to Estes Park, Larimer County, except that Estes Park will need little help because the district and county taxes, a total of 5 mills, will provide for the minimum program with only a small amount of state aid.

To show how an equalization program might work out, the statistics for all counties in Colorado have been brought together in Table 10. Table 10 shows the amount of money which will go to the various counties of the state in the form of state aid for the support of public schools, provided equalization is attempted on the $1,000 per classroom level.
<table>
<thead>
<tr>
<th>Counties</th>
<th>Total State Aid each county will get on $1000 level for equalization of educational opportunity</th>
<th>Present State Apportionment (Supt's Report for 1927-28)</th>
<th>Actual amount of new state fund (2 minus 3)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adams</td>
<td>$31,356</td>
<td>$11,556</td>
<td>$19,800</td>
<td>34</td>
</tr>
<tr>
<td>Alamosa</td>
<td>33,196</td>
<td>5,572</td>
<td>27,624</td>
<td>27</td>
</tr>
<tr>
<td>Arapahoe</td>
<td>70,449</td>
<td>12,951</td>
<td>57,488</td>
<td>14</td>
</tr>
<tr>
<td>Archuleta</td>
<td>15,415</td>
<td>2,206</td>
<td>13,210</td>
<td>36</td>
</tr>
<tr>
<td>Baca</td>
<td>61,152</td>
<td>18,845</td>
<td>42,307</td>
<td>29</td>
</tr>
<tr>
<td>Bent</td>
<td>31,210</td>
<td>4,959</td>
<td>26,251</td>
<td>29</td>
</tr>
<tr>
<td>Boulder</td>
<td>82,945</td>
<td>21,553</td>
<td>61,392</td>
<td>11</td>
</tr>
<tr>
<td>Chaffee</td>
<td>25,321</td>
<td>4,319</td>
<td>21,002</td>
<td>30</td>
</tr>
<tr>
<td>Cheyenne</td>
<td>3,175</td>
<td>2,610</td>
<td>565</td>
<td>56</td>
</tr>
<tr>
<td>Clear Creek</td>
<td>1,446</td>
<td>1,152</td>
<td>294</td>
<td>57</td>
</tr>
<tr>
<td>Conejos</td>
<td>65,435</td>
<td>33,219</td>
<td>32,216</td>
<td>23</td>
</tr>
<tr>
<td>Costilla</td>
<td>14,375</td>
<td>3,966</td>
<td>10,409</td>
<td>40</td>
</tr>
<tr>
<td>Crowley</td>
<td>28,124</td>
<td>4,389</td>
<td>23,735</td>
<td>21</td>
</tr>
<tr>
<td>Custer</td>
<td>16,582</td>
<td>1,033</td>
<td>15,549</td>
<td>35</td>
</tr>
<tr>
<td>Delta</td>
<td>88,150</td>
<td>27,162</td>
<td>61,088</td>
<td>12</td>
</tr>
<tr>
<td>Denver</td>
<td>215,343</td>
<td>171,561</td>
<td>43,782</td>
<td>21</td>
</tr>
<tr>
<td>Dolores</td>
<td>10,570</td>
<td>3,066</td>
<td>7,504</td>
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<tr>
<td>Douglas</td>
<td>3,041</td>
<td>2,079</td>
<td>961</td>
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<tr>
<td>Eagle</td>
<td>13,925</td>
<td>1,731</td>
<td>12,194</td>
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<tr>
<td>Elbert</td>
<td>26,031</td>
<td>4,791</td>
<td>21,240</td>
<td>32</td>
</tr>
<tr>
<td>El Paso</td>
<td>32,961</td>
<td>26,260</td>
<td>6,701</td>
<td>44</td>
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<tr>
<td>Fremont</td>
<td>83,329</td>
<td>17,582</td>
<td>65,747</td>
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<tr>
<td>Garfield</td>
<td>43,133</td>
<td>6,376</td>
<td>36,757</td>
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<tr>
<td>Gilpin</td>
<td>11,388</td>
<td>2,686</td>
<td>8,702</td>
<td>25</td>
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<tr>
<td>Grand</td>
<td>5,607</td>
<td>1,234</td>
<td>4,373</td>
<td>47</td>
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<tr>
<td>Gunnison</td>
<td>4,406</td>
<td>3,510</td>
<td>896</td>
<td>53</td>
</tr>
<tr>
<td>Hinsdale</td>
<td>3,520</td>
<td>453</td>
<td>3,067</td>
<td>48</td>
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<tr>
<td>Huerfano</td>
<td>89,360</td>
<td>41,526</td>
<td>47,834</td>
<td>13</td>
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<tr>
<td>Jackson</td>
<td>800</td>
<td>637</td>
<td>163</td>
<td>61</td>
</tr>
<tr>
<td>Jefferson</td>
<td>69,834</td>
<td>11,660</td>
<td>58,174</td>
<td>13</td>
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<tr>
<td>Kiowa</td>
<td>3,065</td>
<td>2,442</td>
<td>623</td>
<td>55</td>
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<tr>
<td>Kit Carson</td>
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<td>6,650</td>
<td>27,376</td>
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</tr>
<tr>
<td>Lake</td>
<td>8,239</td>
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<td>4,687</td>
<td>45</td>
</tr>
<tr>
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<td>65,229</td>
<td>12,840</td>
<td>52,389</td>
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<td>Larimer</td>
<td>71,355</td>
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</tr>
<tr>
<td>Lab Animals</td>
<td>250,859</td>
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</tr>
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<td>Lincoln</td>
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<td>13,913</td>
<td>70,546</td>
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<tr>
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<td>121,655</td>
<td>27,554</td>
<td>94,071</td>
<td>5</td>
</tr>
<tr>
<td>Miners</td>
<td>1,103</td>
<td>749</td>
<td>1,354</td>
<td>54</td>
</tr>
<tr>
<td>Moffat</td>
<td>38,288</td>
<td>7,551</td>
<td>30,737</td>
<td>25</td>
</tr>
<tr>
<td>Montezuma</td>
<td>22,370</td>
<td>24,233</td>
<td>(-1,863)</td>
<td>63</td>
</tr>
<tr>
<td>Montrose</td>
<td>72,749</td>
<td>15,473</td>
<td>57,276</td>
<td>15</td>
</tr>
<tr>
<td>Mesa County</td>
<td>41,234</td>
<td>15,375</td>
<td>25,865</td>
<td>26</td>
</tr>
<tr>
<td>Otero</td>
<td>82,020</td>
<td>14,576</td>
<td>67,444</td>
<td>9</td>
</tr>
<tr>
<td>Ouray</td>
<td>1,552</td>
<td>1,077</td>
<td>475</td>
<td>53</td>
</tr>
<tr>
<td>Park</td>
<td>1,153</td>
<td>648</td>
<td>505</td>
<td>59</td>
</tr>
<tr>
<td>Phillips</td>
<td>12,537</td>
<td>3,813</td>
<td>8,724</td>
<td>41</td>
</tr>
<tr>
<td>Pitkin</td>
<td>5,506</td>
<td>1,269</td>
<td>4,237</td>
<td>46</td>
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<tr>
<td>Prowers</td>
<td>116,615</td>
<td>8,914</td>
<td>107,701</td>
<td>3</td>
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<tr>
<td>Pueblo</td>
<td>128,161</td>
<td>44,665</td>
<td>83,496</td>
<td>6</td>
</tr>
<tr>
<td>Rio Blanca</td>
<td>5,225</td>
<td>2,422</td>
<td>2,803</td>
<td>49</td>
</tr>
<tr>
<td>Rio Grande</td>
<td>30,067</td>
<td>6,890</td>
<td>23,177</td>
<td>22</td>
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<tr>
<td>Routt</td>
<td>62,557</td>
<td>5,963</td>
<td>56,594</td>
<td>15</td>
</tr>
<tr>
<td>Saguache</td>
<td>5,294</td>
<td>4,218</td>
<td>1,076</td>
<td>56</td>
</tr>
<tr>
<td>San Juan</td>
<td>712</td>
<td>507</td>
<td>205</td>
<td>62</td>
</tr>
<tr>
<td>San Miguel</td>
<td>14,494</td>
<td>2,232</td>
<td>12,262</td>
<td>27</td>
</tr>
<tr>
<td>Sedgwick</td>
<td>5,248</td>
<td>4,181</td>
<td>1,067</td>
<td>51</td>
</tr>
<tr>
<td>Summit</td>
<td>809</td>
<td>944</td>
<td>865</td>
<td>60</td>
</tr>
<tr>
<td>Teller</td>
<td>10,993</td>
<td>2,763</td>
<td>8,230</td>
<td>42</td>
</tr>
<tr>
<td>Washington</td>
<td>77,881</td>
<td>6,798</td>
<td>71,083</td>
<td>7</td>
</tr>
<tr>
<td>Weld</td>
<td>154,118</td>
<td>41,084</td>
<td>113,034</td>
<td>2</td>
</tr>
<tr>
<td>Yuma</td>
<td>115,363</td>
<td>9,871</td>
<td>105,492</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,372,578</strong></td>
<td><strong>$825,865</strong></td>
<td><strong>$2,546,723</strong></td>
<td></td>
</tr>
</tbody>
</table>

Note: In Montezuma County the new allowance will be $1,863 less than at present.

*Finance Committee, Colorado Educational Association.*
Weld County, for example, would get from all state sources under the $1,000 schedule, $154,118 (column 2). It got from the public school income a fund which is virtually the only state aid that is available under present conditions, $41,084 (column 3). The difference between these two figures gives $113,034 (column 4) which is the new revenue she would get from the state to help her school districts to pay for the state’s minimum education program of $1,000 per classroom unit.

Locally, of course, this program would be supported by a 2-mill district tax, and a 3-mill county tax, a total of 5 mills. The income from these local sources plus $154,118 would enable Weld County to maintain the state’s minimum educational program.

In short, it would mean that Weld County would be able to reduce real estate taxes to the extent of $154,118 if she cared to, which would mean a saving of several dollars tax on every farm. This $154,118 would come from the incomes of persons who pay little or no tax at present in Colorado because of our present antiquated system of taxation which permits them to escape their fair share of the tax burden. Other counties would benefit in a similar manner. (See table 10)

**Funds Must Come from Sources Other than Real Estate**

It is clear that if the state of Colorado is to provide state aid for the purpose of equalizing school taxes, that the funds so used must come from other sources than the property tax if it is to relieve the unfair tax burdens.

It has been estimated that about $2,200,000 of state funds annually will be required for this equalization of educational costs on the $1,000 level.

Dr. Jens P. Jensen in his Survey of the Colorado tax system1 says:

"It is obvious from a study of new sources of revenue that the possible revenue would be adequate to finance an equalization program on a level somewhat higher than the $1,000 level. If these sources were pressed for all the revenue they could safely be made to yield, it might be possible not only to finance an equalization program on a minimum level of $1,000 but also to dispense with the state property tax. Such an arrangement would be advantageous, for it would establish an automatic check on state costs by dispensing with the property tax, thus giving general relief to the extent of a three or four mill reduction in the aggregate property tax rate; it would also give much needed relief to those districts whose school levies are now

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unreasonably high and threatening to go higher; and, what is perhaps equally important, it would tend to equalize educational facilities in the state, by leveling them upward where they are now inadequate.

"The extent and the importance of the relief may be seen from the following example: Several districts levy in excess of 30 mills. By the equalization program on the minimum level of $1,000, the reasonably necessary minimum of education could be financed by a county levy of three mills and a district levy of two mills, five mills in all. Such excess over the $1,000 minimum, as they felt they could afford, they would finance by local levies."