

THE UNIVERSITY OF MINNESOTA

GRADUATE SCHOOL

Report  
of  
Committee on Thesis

The undersigned, acting as a Committee of the Graduate School, have read the accompanying thesis submitted by Ernest Walter Tieg for the degree of Master of Arts.

They approve it as a thesis meeting the requirements of the Graduate School of the University of Minnesota, and recommend that it be accepted in partial fulfillment of the requirements for the degree of Master of Arts.

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*May 24* 1918

THE UNIVERSITY OF MINNESOTA

GRADUATE SCHOOL

Report

of

Committee on Examination

This is to certify that we the undersigned, as a committee of the Graduate School, have given Ernest Walter Tiegs final oral examination for the degree of Master of Arts . We recommend that the degree of Master of Arts be conferred upon the candidate.

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A Study of Common School Support

in the State of New Jersey

A Thesis

Submitted to the Graduate Faculty

of the

University of Minnesota

by

Ernest Walter Tiegs

In partial fulfillment of the requirement

for the

degree of

Master of Arts

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A Study of Common School Support  
in the State of New Jersey

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A STUDY  
OF PUBLIC SCHOOL SUPPORT IN THE STATE OF NEW JERSEY

Chapter I - Introduction

THE  
PROBLEM

The problem of school support is from some points of view the most pressing in the educational situation now confronting the United States. An eminent authority asserts that the advance of a people in the arts of civilization tends to diminish the proportion of public expenditures that go for police, for courts, and for protection against various kinds of social disease, but on the other hand, tends to increase the proportion of public revenue devoted to education<sup>1</sup>.

The financial needs of our public school systems have long been growing faster than the revenues for supplying them. Burgess is one of many writers to point out that in 1920 it would be necessary to double the school budget of the year 1915 merely to furnish the same quantity and standards of education which existed then<sup>2</sup>. Yet, when we go back to the literature of the year 1915, we find evidence everywhere of the unsatisfactory situation then existing. From every state in the Union in the year 1915 came the assertion that teachers were underpaid and that the quality of teachers was constantly deteriorating. Some communities, it is true, have doubled their school budgets, but it is as yet unthinkable to the ordinary community that the wages paid to teachers in 1915 must now be multiplied by two. Although teachers wages constitute by far the largest single item of expenditure in our school

1. Adams, Science of Finance, pp. 57; 59; 70-73.
2. Burgess, Trends of School Costs, p. 117.



budgets, nevertheless, at the present time the building situation is equally serious. The situation was greatly aggravated by the late war which stopped building programs already far behind in many cases. The result has been the arrest of educational development and the creation of an abnormal situation. On the one hand we see hundreds of able men and women driven out of the teaching profession, - and on the other hand building facilities wholly inadequate to meet the increasing school population. Even now, after a lapse of more than two years, the menacing nature of our inability to supply the revenues absolutely necessary to maintain our schools is evidenced by the thousands upon thousands of teacherless schools, by the employment in thousands of others, of teachers whose qualifications are below those set by law, and by frantic attempts to find new sources of school revenue or to discover some method of drawing more heavily upon sources already existing. Word comes from state after state of bills, newly drawn or in the making, to be presented at the earliest possible moment to the next legislature -- bills designed to provide the vastly increased school revenues.

Of all the problems that are now demanding solution, that of school support seems to have received the least scientific study. As Sears has pointed out, we have no studies that have been devoted exclusively to a careful analytical treatment of the underlying principles of public school finance<sup>1</sup>. It is true that volumes dealing with certain phases of school finance have been written, but such as have appeared seem to have failed to exert any far-reaching influence upon the actual policies and methods of school

1. Sears, J.B. - The Literature and Problems of Public School Finance, Ed. Admin. and Super., Mar. '21: 135.

support, hence the present regrettable crisis in which our states, almost without exception, find themselves. The framing of our laws and the formulating of our policies and methods of school finance have been left in the hands of relatively untrained men. Even where an expert has been called in for consultation no great amount of improvement seems to have resulted - owing, in part at least, to the fact that any rational system of school finance could result only after making changes so revolutionary as to be distinctly unpopular with the majority of legislative committees. So formidable has the situation become that there are those who are now seriously questioning the ability of our democracy to support free public schools. And so, in spite of all that has been done or written up to the present time - to-day, in the third decade of the twentieth century, the people of the United States find the very existence of their systems of public schools threatened with collapse for lack of financial support -- and this at a moment when existing illiteracy and looming immigration warn us as never before of the national necessity for universal education.

No genuine nor long-lasting relief from the present situation can be secured until a thorough-going and scientific study has been made of our existing systems of school finance - their aims, principles, policies, results, merits and effects. The need of such study is imperative. Facts vital to those who desire to bring about sane, intelligent, and scientific relief lie buried in a confused maze of statutes, amendments, special legislation and financial reports. Existing sources of school revenue are varied, unstable, and unclassified. Not only are different terminology and different methods of keeping accounts employed by different states, but even within the same state different reports for the same year report different and conflicting data.

PURPOSE OF  
STUDY

The present study of public school finance in New Jersey was undertaken as the result of a desire to make some contribution toward the solution of this gigantic and all-important problem of school finance. In the pages which follow an attempt will be made to show: (1) The sources of revenue which the Commonwealth of New Jersey has provided for supporting her schools and how these sources are managed; (2) how the revenues derived therefrom are apportioned; (3) the merits and defects of the existing system of school finance; (4) what reforms are most necessary.

MATERIALS  
AND  
METHODS

The nature of our problem excludes experimentation. Our data must be drawn from documentary material such as general statutes, school codes, revenue, tax and land laws, reports of such state officials as the Commissioner of Education, Treasurer, Comptroller, and the reports of many semi-official as well as official bodies that have interested themselves in pertinent problems. The nature of our material determines our method, which must consequently be documentary and statistical, descriptive and tabular.

## Chapter II

## The Educational Situation

Aside from the problem of illiteracy there is little that is peculiar to New Jersey in the educational difficulties which she is facing today. While there are many unsolved problems, they are in general similar to those found in many other states. Table 1 which follows attempts to present a summary of the significant factors in the educational situation. It consists of three parts; first, a section showing some important conditions; second, certain items of school support; and the third, some of the results that have been achieved.

Table 1

Significant Factors in the Educational Situation of New Jersey

Items	Totals	Rank in Union
<u>1-Conditions<sup>a</sup></u>		
1-Total gross area in square miles <sup>1</sup>	8224	45
2-Total population <sup>2</sup> (1910) <sup>d</sup>	2,537,167 <sup>c</sup>	11 <sup>c</sup>
3-Density of population <sup>3</sup> (1910) <sup>d</sup>	337.7 <sup>c</sup>	3 <sup>e</sup>
4-Percent of population white <sup>4</sup> (1910) <sup>d</sup>	96.4	25
5-Percent of population negro <sup>4</sup> (1910) <sup>d</sup>	3.5	19
6-Percent of foreign born whites <sup>4</sup> (1910) <sup>d</sup>	25.9	7
7-Percent of homes in which both parents are native born <sup>5</sup> (1910) <sup>d</sup>	41.3	42
8-Percent of homes in which both parents are foreign born <sup>5</sup> (1910) <sup>d</sup>	50.4	8
9-Percent of population rural <sup>6</sup> (1910) <sup>d</sup>	24.8	44
10-Percent of population urban <sup>6</sup> (1910) <sup>d</sup>	75.2	6
11-School Population <sup>7</sup> (5-18) <sup>b</sup>	708525	16
12-Percent of population over 10 years of age which is illiterate <sup>8</sup> (1910) <sup>d</sup>	5.6	22.5
13-Estimated true value of all property of state <sup>9</sup>		
Total (1917-18)	\$5743032278	10
Taxable (1917-18)	5361917422	10

Table 1  
(Continued)

Items	Totals	Rank in Union
14-Annual Expenditure for Schools <sup>10</sup>	\$24791441	8
15-Per capita of average attendance for current expensell	\$58.51	12
16-Expenditure for public schools on each \$100 of estimated taxable wealth <sup>12</sup>	\$ 0.38	5
17-Percent which the total levy for schools is of total taxation for all purposes <sup>13</sup>	11.85	Last
<u>3-Results<sup>a</sup></u>		
18-Number of children of school age enrolled <sup>14</sup>	562319	15
19-Percent of children of school age enrolled <sup>15</sup>	76.1	24.5
20-Percent of enrollment in daily attendance <sup>16</sup>	75.4	20
21-Average length of school year in days <sup>17</sup>	185	4
22-Average annual salaries of all teachers <sup>18</sup>	911	6
(Including supervisors and principals)		
a. All data are for 1917-18 unless specified otherwise, and are taken from Federal reports. Although the Federal reports are far from accurate they are the only source available for inter-state comparisons.		
b. School population estimated by the Federal Commissioner, on the basis of 5-18 years. The legal school age for the State of New Jersey is 5-20 years.		
c. Total population in 1919 as given in the New Jersey Legislative Manual, p. 19, was 2844342, which would make the 1919 density 345.8 per square mile.		
d. No later data available.		
e. If the District of Columbia is taken into account, New Jersey ranks 4th in the density of population.		
1-13th U.S. Census, 1910, Population, p. 39, table 19.		
2-Ibid., p. 26, table 6.		
3-Ibid., p. 42, table 23.		
4-Ibid., p. 135, table 15.		
5-Ibid., p. 143, table 20.		
6-Ibid., p. 57, table 36.		
7-Ibid., p. 1109, table 17.		
8-Ibid., p. 1198, table		
9-Statistics of State School Systems, 1917-18, p. 153, table 60.		
10-Ibid., p. 145, table 55.		
11-Ibid., p. 148, table 57.		
12-Ibid., p. 153, table 60.		
13-Ibid., p. 150, table 58.		
14-Ibid., p. 99, table 25.		
15-Ibid., p. 8, Fig. 2.		
16-Ibid., p. 108, table 36.		
17-Ibid., p. 11, Fig. 4.		
18-Ibid., p. 114, table 39.		

COMPARISONS  
AND  
COMMENTS

Comparing items 1 and 13 in the above table, we see that while New Jersey is almost the smallest state in the union, there are only nine states that have a larger assessed valuation. There are fourteen states having more pupils than New Jersey (item 13) but only seven states (item 14) spend more money annually on their schools.

On the other hand, while only eleven spend (item 15) more per capita of average attendance for current expenses, twenty-three states (item 19) succeed in getting a larger per cent of the children of school age enrolled, and nineteen states succeed in getting a larger per cent of those enrolled to attend daily (item 20).

ILLITERACY

From table 1 it is evident that there is no negro problem, strictly speaking; in New Jersey since only 3.5 per cent of the population is black. Illiteracy, however, is rather serious. Only six states (item 6) have a larger per cent of foreign born whites. This is, of course, a natural condition when we consider that New Jersey is essentially an industrial state, and that situated at the very gates of Ellis Island, she attracts many newcomers. In only about forty per cent of the homes of New Jersey (item 7) are both parents born in America, while in slightly over fifty per cent of the homes (item 8) both parents are foreign born. Forty-one states have more homes in which both parents are native born (item 7), and only eight states (item 8) have more homes in which both parents are foreign born. Yet only twenty-one states (item 12) have a smaller per cent of illiteracy. A more comprehensive conception of the problem may be obtained from the following table:

Table 2 - Comparison of Illiteracy<sup>a</sup> in New Jersey and the United States as Shown by per cent illiterate in 1900 and 1910.

Population Groups	New Jersey		United States	
	Per cent of the group illiterate in the year 1900 and 1910		Per cent of the group illiterate in the year 1900 and 1910	
1-Native born white	1.7 <sup>d</sup>	.9 <sup>b</sup>	4.6 <sup>c</sup>	3.0 <sup>c</sup>
2-Foreign born white	14.1 <sup>d</sup>	14.7 <sup>b</sup>	12.9 <sup>c</sup>	12.7 <sup>c</sup>
3-Negro	17.2 <sup>d</sup>	9.9 <sup>b</sup>	44.5 <sup>c</sup>	30.4 <sup>c</sup>
4-Urban	5.8 <sup>e</sup>	5.8 <sup>b</sup>	5.7 <sup>f</sup>	5.0 <sup>f</sup>
5-Rural	5.9 <sup>e</sup>	5.0 <sup>b</sup>	12.9 <sup>f</sup>	9.0 <sup>f</sup>
6-Total population ten years old and older	5.9 <sup>b</sup>	5.6 <sup>b</sup>	10.7 <sup>c</sup>	7.7 <sup>c</sup>

- a. Unless otherwise specified, the term illiteracy refers to that part of the population ten years of age and older.
- b. New Jersey School Report, 1918, p. 68.
- c. 13 U.S. Census, 1910, p. 1187, table 4.
- d. Ibid., p. 1214, table 26.
- e. Ibid., p. 1233, table 31.
- f. Ibid., p. 1232, table 31.

From Table 2 we see that while for the United States as a whole the total illiteracy decreased from 10.7 per cent to 7.7 per cent, in the state of New Jersey this decrease was but .3 of one per cent. In the case of the United States as a whole, every group in the table shows an improvement, but in the state of New Jersey illiteracy among foreign born whites (group 2) has actually increased from 14.1 to 14.7 per cent. Two considerations make these figures especially significant; first, among all other groups, illiteracy is greatest during the later years of life<sup>1</sup>, while among foreign born whites the peak of illiteracy rests at the most productive years; secondly, the nature of New Jersey's industries, her location, and the present exaggerated desire of Europeans generally to immigrate will naturally mean that this growth of illiteracy will be accelerated unless adequate measures are taken to avert it, either through education, or action on the part of the Federal government prohibiting immigration.

1. 13 U.S. Census 1910, p.1190, Table 12

### The Teacher Situation

The largest single item in any school budget is the SALARIES expenditure for teachers' salaries. Considering the United States as a whole, 68.9 per cent of all school revenues were spent for instruction in 1918<sup>1</sup>. During this same year the state of New Jersey spent 66.2 per cent of its revenues for this same purpose<sup>2</sup>. For the North Atlantic states, of which group New Jersey is a member, the per cent of total school revenue going for salaries of superintendents, principals, and teachers in 1918 slightly exceeded 70<sup>3</sup>. The greatest problem of school finance, therefore, is to find adequate revenue for salaries. Not salaries which attract mediocre talent poorly trained with an annual turnover of from twenty to forty per cent, but salaries which will make teaching an enviable and stable profession. Salaries may be expected to have an important effect upon the length of tenure, i.e., upon the stability of the profession, upon the type and extent of training which may be demanded, and as a result of the interaction of these two factors, upon the quality of teaching itself.

A reference to Table 1 will show that in the matter of salaries, New Jersey stands high<sup>4</sup>. All public schools considered, the average annual salary for 1917-18 was \$911.00. While only five states paid a higher average salary, seven states (item 14) spent more money annually for schools, and nine states (item 13) have a greater amount of taxable wealth.

How totally inadequate, however, were the salaries received by a large percentage of teachers during this same year when New Jersey stood near the top of the list for the whole United

1. Statistics of State School Systems, 1918, p. 131, table 49.
2. Ibid, 1918, p. 131, table 49.
3. Ibid, 1918, p. 131, table 49.
4. Ibid, 1918, p. 131, table 49.



States, is shown by Table 3 which follows:

Table 3 - Teachers' Annual Salaries in New Jersey  
1917-18<sup>a</sup>

Amount	Number of Teachers Receiving			Per cent of total
	Men	Women	Total	
Less than \$300	5	18	23	.15
\$300 - 499	18	445	463	2.8
500 - 799	119	6626	6745	41.9
800 -1099	231	4681	4912	30.5
1100 -1499	366	2303	2669	16.5
1500 -1999	400	318	718	4.3
2000 -2999	396	74	470	2.9
3000 and over	125	0	125	.75
<b>Totals</b>	<b>1660</b>	<b>14465</b>	<b>16125</b>	<b>100.</b>

a. Computed from data in New Jersey Report 1918, p. 45.

In spite of her position of leadership, New Jersey in 1917-18 had 486 teachers still getting less than \$500 and this in spite of the prevailing high prices; 7231 teachers received less than \$800, an amount totally inadequate to care for the bare necessities of life in some cases; 1313 or about 8 per cent received \$1500 or above.

And yet New Jersey was able to get trained teachers during the war. A glance at the following table will show the distribution from 1912 to 1918 inclusive:

Table 4 - Professional Preparation of New Teachers in  
New Jersey 1912-1918<sup>a</sup>

Items	1912	1914	1916	1918
1-Graduates of New Jersey State Normal Schools	293	498	683	825
Per cent	17	23	35	37
2-Graduates of City Training Schools of New Jersey	262	255	140	181
Per cent	15	12	7	8
3-Graduates of Colleges, Universities, and Technical Schools	355	448	482	505
Per cent	21	21	25	23
4-Graduates of Normal Schools Outside of New Jersey	575	617	369	428
Per cent	34	29	18	19
5-Less than Normal School, College, or University Training	242	293	308	292
Per cent	13	15	15	13

a. New Jersey School Report 1918, p. 35 (computed from data).

We see that during the seven years covered by the above table New Jersey has tended more and more to train the graduates of normal schools, and to depend less and less upon outside normal schools than formerly.

Graduates of higher institutions of learning are increasing in number, although relatively, there was a slight reaction in 1918. It is a very significant fact that the number of teachers with less than normal school, college, or university training reached its highest point in 1915<sup>1</sup>. After this date this number decreased, and the proportion of unqualified teachers was no larger in 1918 than in 1912, despite the universal teacher shortage of 1918. This was due, in part at least, to the salaries paid; not that New Jersey salaries were adequate, but because they were relatively so much better than in a great many other states.

From the evidence at hand we seem justified in asserting that the teaching profession in New Jersey is, on the whole, a stable one. A very few years ago the annual turnover in the teaching positions of a middle western state was reported at 30 per cent from the state superintendent's office. The following table gives conditions in New Jersey:

Table 5 - Teacher Supply in New Jersey<sup>a</sup>  
1912-18.

Items	1912	1914	1916	1918
1-Total number of teachers in day and evening schools	12652	14014	15571	17743
2-Total number of new teachers	1727	2111	1953	2231
3-Proportion of new to old	13.7%	15.1%	12.5%	12.6%

a. New Jersey School Report, 1918, p. 36.

From 1912 to 1918 the per cent of new to old teachers has remained at about 12 or 13. In other words, about one-eighth of the teachers were new each year during this period.

1. New Jersey School Report, 1918, p. 35.

## Chapter III

## The Sources of School Revenue and Their Management

From this preliminary survey of the general education situation we may turn to a more careful consideration of the problems enumerated at the outset of the present study. It will be recalled that the first of these concerned the sources of school revenue and the management of the same. Sources of school revenue in New Jersey may for convenience, be considered in four divisions, Federal, state, county, and local.

## Federal Aid

In 1918 New Jersey accepted the provision of SMITH, HUGHES GRANT the Act of Congress of February 23, 1917, better known as the Smith-Hughes Act<sup>1</sup>. This is the only Federal Aid which New Jersey receives for the support of public schools. Even this grant, moreover, is limited to the field of vocational education. Owing to the impossibility of obtaining later data, for purposes of comparison the scope of this study is limited to the year 1918, at which time New Jersey had received but one installment of this Federal aid as shown in the following table:

Table 6 - Federal Aid Received by New Jersey  
for 1918<sup>a</sup>

1-Agriculture	\$ 6382.69
2-Trades and Industries	22547.95
3-Teacher Training	13142.94
Total	\$42773.58

a. New Jersey School Report 1918, p. 146.

Since the matter of teacher training does not properly come within the scope of this study, we may disregard that item in the above table. New Jersey therefore received the remainder of the \$42,773.58, or \$28,930.64 for public school support. While the

1. New Jersey School Laws, 1918, p. 202, Sec. 412.

provisions of the Smith-Hughes Act require the state to spend an amount equal to that received from the Federal government, New Jersey's appropriations have been several times this amount. In 1918 there was an appropriation of \$40,000<sup>1</sup> from the state treasury and appropriations of \$78,048.81<sup>1</sup> and \$14,000 from the state railroad tax or a total of over \$132,000 as compared to a Federal aid of about \$42,773.58.

State Sources of School Revenue

The second general group of school revenues includes those provided by the state. New Jersey provides three classes of state school funds as follows: (1) Permanent Public School Funds including the surplus revenue funds and the permanent common school fund; (2) Appropriations, both from the state treasury and from the proceeds of the state railroad tax; and (3) Taxation, including both the state school tax and the state railroad tax.

Permanent Funds.

Of all state sources the surplus revenue fund is least important, its annual yield to the state schools being somewhat less than \$30,000. The history of this source is interesting. In 1837 the United States loaned the various states large amounts from an abnormally full treasury. New Jersey received \$764,670.60 as her share, and this she immediately divided among the counties of the state, directing them to loan their shares and pay the interest to the townships<sup>2</sup>. The counties appear to have<sup>2</sup> erected schoolhouses, paid debts, and otherwise exhausted the principals, but they continued to pay the interest to the townships. In 1867 a law was passed directing the counties to use the interest on this fund for the support of schools. Since

1. New Jersey School Report 1918, p. 146-7.  
2. Swift H.F. Public Permanent Common School Funds, p. 343-44.

that time approximately four-fifths of the interest has been used as directed. As Swift points out, what is nominally interest is really raised by taxation, and since the original principal has been practically exhausted, this source is more properly called an account or credit fund, rather than a permanent fund as it is usually considered. The total income from this source is about \$28,000.00 annually, the amount for 1918 being \$28,159.05, or approximately one-tenth of one per cent of New Jersey's total school revenue receipts 1918.

PERMANENT COMMON  
SCHOOL FUND

The second source of state aid is the permanent common school fund, which was established by an act of the legislature in 1817. All lands belonging to the state now or formerly under water, and the income from the sale or lease of these lands have been appropriated to the support of the public schools. The management of the permanent common school fund is intrusted to a board of "Trustees for the Support of Public Schools", consisting of the governor, attorney-general, secretary of state, state comptroller, state treasurer, and commissioner of education ex-officio<sup>1</sup>.

The securities in which this fund may be invested are carefully defined by law: -- bonds of school districts, cities, townships, counties, the state, and the United States; railroad and bank stocks; the principal of riparian leases; and the real estate held at cost value, and cash. It is impossible to state the acreage of value of unsold school lands because the law devotes to it "all that are now or were formerly under water"<sup>2</sup>.

Sec. VII, Art. 6 of the State Constitution provides that the principal of the fund shall be securely invested and remain a

1. New Jersey School Laws, 1918, p. 122, Sec. 239.
2. Swift F. E. Public Permanent Common School Funds, p. 342-44.

perpetual fund; that the income, except that considered expedient to increase the principal, shall be appropriated annually to the support of the "public free schools"; that the legislature may not borrow, appropriate, or use the fund or any portion for any purpose or under any pretense whatever.

The following table shows the condition of the fund for the dates indicated:

Table 7 - Permanent School Fund in New Jersey  
1913-18

Items	1913 <sup>a</sup>	1915 <sup>b</sup>	1918 <sup>c</sup>
1-Stocks and Bonds	4,918,770.00	5,320,845.00	6,111,645.00
2-Riparian leases	529,682.05	526,857.75	835,853.40
3-Bonds & Mortgages	232,059.96	212,289.00	163,159.00
4-Real Estate	19,438.44	19,438.44	19,438.44
5-Cash on hand	132,686.34	-----	147,067.43 <sup>d</sup>

- a. New Jersey Treasurer's Report 1913, p. 1193.
- b. Ibid., 1915, p. 82.
- c. Ibid., 1918, p. 32.
- d. New Jersey Comptroller's Report 1918, p. 106.

While the fund is growing as is evident from the above table, the amount provided to be appropriated from its earnings each year (\$200,000)<sup>1</sup> forms a very insignificant part of the large amount of money needed for the support of the New Jersey schools each year. The 1918 law provides that if the fund does not earn this amount, it shall be appropriated from the treasury and replaced when the fund shall have had an income sufficient to make this possible<sup>2</sup>.

#### Appropriations

State appropriations are made from revenues in the state treasury, "not otherwise appropriated", and from the state railroad tax. The latter appropriations will be discussed in connection

1. This amount was formerly \$250,000.  
2. New Jersey School Laws 1918, p. 125, Sec. 249.

with the state railroad tax itself. The total of the sums appropriated from the state treasury in 1918 was \$743,100, an increase of \$296,678 over that of the previous year. But \$300,000 of the total sum appropriated in 1918 was for the normal school at Glassboro, and so does not come within the scope of this study, which leaves a balance of \$443,100 as the unit appropriated for public schools.

The projects for which these appropriations were made and the amounts provided for each are shown in Table 8:

Table 8 - New Jersey State Appropriations for Schools  
1918<sup>a</sup>

Items	Amounts
1-Expenses of State Board of Education	\$ 2900
2-Expenses of State Board of Examiners	12000
3-State Aid for Manual Training	250000
4-Vocational Schools	40000
5-Teacher Training -Agricultural Supervision	13000
6-Teachers' Institutes	2000
7-Free School Libraries	7000
8-Teachers' Libraries	300
9-School Fund Expenses	3000
10-Expenses Teachers' Retirement Fund	12900
11-Reduction of State School Tax	100000
Total	\$ 443100

a. New Jersey School Report, 1918, p. 146.

#### Taxation

The item of \$100,000 in the above table for the

STATE SCHOOL  
TAX      reduction of the state school tax brings us to a consideration of the tax itself, which is the fourth source of state aid. By far the largest amount of state school revenue in New Jersey is derived from this source, the proceeds of the state school tax amounting to over \$7,000,000 in 1918. This tax is defined by law<sup>1</sup> as a sum which, when added to the above appropriation, will be equal to a tax of  $2\frac{3}{4}$  mills on each dollar of valuation of the taxable real and personal property in the state.

The proceeds of this tax are apportioned among the

1. New Jersey School Laws, 1918, p. 126, Sec. 251.

various counties in proportion to their ratables<sup>1</sup>, after ten per cent has been deducted for a reserve fund. This reserve fund or ten per cent of the state school tax, is turned over to the state board of education, which apportions it among the counties, not according to the ratables as the other ninety per cent is apportioned, but according to the discretion of the board itself. This gives an opportunity for the equalization of burdens.

The fifth state source from which the schools  
STATE RAILROAD  
TAX derive aid, is the state railroad tax, which is one of the unique features of the state system of public school finance. Owing to its location, New Jersey is crossed by some of the most important railroad systems of the United States, and contains within its borders what are practically the New York City terminals. For this reason, taxation of railroad property early assumed a special importance in this state. Beginning at first with all railroads subject to special taxes as stated in their charters, they were next (1851)<sup>2</sup> made subject to the general property tax. The unsatisfactory results under this tax led to another change in 1873 when the tax was laid on the cost, equipment, and appendages under a state commissioner of railroad taxation<sup>3</sup>. This method was short lived, and three years later the cost system was abandoned in favor of the tax levied upon the true value of the railroad at the same rate as had been previously levied. The present method, in its essential features, was introduced in 1884, when property was

1. In this method of distribution, the counties having the largest assessed valuations get back the largest amounts of the proceeds of the tax. In other words, each county gets back at least 90% of what it contributed to the proceeds of the state school tax and may get back all of it.
2. Seligman, Essays in Taxation, p. 173-4.
3. Ibid., p. 173-4.



divided into four parts; namely, (1) the main stem, consisting of the right of way not to exceed one hundred feet in width and the stations, (2) the rest of the real estate used for operation, (3) personal property, and (4) the franchise itself. The part which particularly interests us is the first part, or main stem, on which a tax is levied at the average of the local rates and the proceeds of which, with the exception of one-half of one per cent, is used for public education.

But all of the remaining  $99\frac{1}{2}$  per cent does not go directly to the common schools. The state legislature proceeds to appropriate first, a large amount for the salaries of the state commissioner of education and his staff, and for certain of their expenses not provided out of the state treasury, physical training, vocational education, normal schools, etc. The remainder of the proceeds is then apportioned among the counties in proportion to the ratables as in the case of the state school tax. The total proceeds of the state railroad tax in 1918 were \$3,916,355.95. Of this amount the legislature appropriated \$938,831.63 for the purposes stated above, leaving a balance of \$2,977,524.32 to be distributed among the counties.

The following table contains a summary of the  
STATE SUMMARY  
amounts received from various state sources during  
the years 1913, 1915, and 1918, and the per cent of total state  
school revenue derived from each of the sources named.

Table 9 - Comparison of Amounts Derived from Various State Sources for the Support of Public Schools in New Jersey, 1913-18.

Sources	1913 <sup>a</sup>		1915 <sup>b</sup>		1918 <sup>c</sup>	
	Amount	%	Amount	%	Amount	%
1-Interest on Surplus Revenue	28,598.50	.129	27,819.73	.26	28,159.05	.24
2-Income of State School Fund	200,000.00	2.	250,000.00	2.46	250,000.00	2.10
3-Appropriations from State Treasury	697,617.46	6.96	402,574.57	3.71	443,100.00	3.75
4-State School Tax	5,838,522.72	58.45	6,517,216.90	61.55	7,314,863.53	61.12
5-Total Income of State Railroad Tax	3,238,098.29	32.30	3,390,158.53	32.02	3,916,355.95	32.79
Totals	10,002,836.97	100.00	10,587,769.73	100.00	11,952,478.53	100.00

a. New Jersey School Report, 1913, p. 36-38.

b. Ibid., 1915, p. 101-102.

c. Ibid., 1918, p. 146-47.

From the above table we see that the state sources of revenue are fairly constant. The per cent of school aid derived from interest on the surplus revenue will constantly become less. Since the laws of 1918<sup>1</sup> again reduced the amount to be apportioned from the permanent common school fund to \$200,000, the relative amount of income from this source will also decrease in importance. While the proportion from the state treasury was considerably less in 1915 than in 1913, there was a slight reaction in 1918. No opinion is expressed as to the future trend of legislative appropriations since the exigencies of the times and the success with which the needs of the public schools are presented determine legislative action.

The income from the state school tax and state railroad tax for schools should remain fairly constant. The former is largely assessed on real property, and the latter entirely so,

1. New Jersey School Laws, 1918, p. 125, Sec. 249.

hence assessed valuations upon which both are based should show a close relationship in their increase. It will be noted that practically 94 per cent of the state school revenue is raised by these two methods of taxation.

#### County Aid

New Jersey does not have a county school tax, permanent county funds, or any other regular source of county school aid except appropriations by the chosen board of freeholders<sup>1</sup>. These appropriations have never been very large, and form only an insignificant part of the total school revenue. For the year 1918 two county appropriations appear in connection with the office of county superintendent, the first of \$8,681.14<sup>2</sup> for expenses of county superintendents, and the second of \$15,344.00<sup>2</sup> for the salaries of county superintendents' clerks, making a total of \$24,025.14.

The law does provide<sup>3</sup> for additional county funds for school purposes but through the establishment and maintenance of county vocational schools. Funds for this purpose, however, are also appropriated by the board of chosen freeholders after having been passed upon by the county board of estimate.

#### District Aid

The largest single source of school aid in New Jersey as in most of our states is the district tax. For the year ending June 30, 1918, the amount so raised was \$15,854,093.11<sup>4</sup>. The school laws of New Jersey divide districts into three classes, namely (1) City districts, (2) Township, incorporated town or borough districts, and (3) Union-graded districts. Since the methods of

1. Also called county board of supervisors or county board, in other states.
2. New Jersey School Report, 1918, p. 148.
3. New Jersey School Laws, 1918, p. 199, Sec. 404.
4. New Jersey School Report, 1918, p. 147.

raising money for school purposes differ in these three classes, a separate consideration for each is desirable.

#### City Districts

A city board of education has three regular methods of obtaining money for school purposes. (1) By borrowing outright<sup>1</sup> on credit, (2) Through regular appropriations<sup>2</sup> (district taxes), or (3) by the issuing of bonds<sup>3</sup>. Besides this there are such irregular sources as insurance adjustments, sale of manual training and home economics products, old buildings, and the like.

If such a board obtains money on its credit it cannot  
LOANS borrow more than one-half the amount appropriated to it for the current year. It must execute and deliver promissory notes at interest not to exceed six per cent for the amount so borrowed.

In city districts the people do not vote  
APPROPRIATIONS directly on the amount of money to be raised for school purposes by taxation, hence the term "appropriations" instead of "district taxes". Every city district has a "Board of School Estimate"<sup>4</sup> consisting of two members of the board of education, two members of the city council or other body that has power to make appropriations of city money raised by taxation, and the Mayor or other chief executive officer. Each year the board of education prepares and delivers an itemized statement of its financial needs (current expenses, repairs, furnishings, etc.) as well as the amount apportioned to it by the county superintendent to each member of the board of School estimate. The latter body determines and fixes the amount necessary to be appropriated and after making two certificates of this amount, sends one to the board of education

1. New Jersey School Laws, 1918, p. 32, Sec. 66.
2. Ibid., 1918, p. 38, Sec. 88.
3. Ibid., 1918, p. 40, Sec. 89.
4. Ibid., 1918, p. 38, Sec. 86.

and the other to the common council or other body having power to make appropriations of money raised by taxes. The law clearly states that the latter body shall<sup>1</sup> appropriate the amount certified by the Board of School Estimate unless it exceeds three-fourths of one per cent of the taxable valuation of real and personal property in the district, when the amount exceeding this limit may be denied<sup>2</sup>. There is really no limit either in the rate or to the amount which the city council or other appropriating body may appropriate to be raised by taxation for school purposes. The state law sets aside as inoperative, any city charter limitation<sup>1</sup> which would operate to prevent this freedom in raising money for school purposes.

BONDS

In case a board of education wishes to raise money for the purchase of lands or erection, enlarging, repairing, or furnishing of buildings, it prepares a statement and sends it to the board of school estimate as in the case of estimates of current expense. This board determines the amount to be allowed, and makes two certificates setting forth this amount, sending one to the board of education and one to the common council or other appropriating body. The latter body may either appropriate the amount as for current expenses, and cause it to be raised by current taxation<sup>3</sup>; or it may appropriate and borrow the sum by issuing bonds in the corporate name of the city<sup>3</sup>, the same to be payable at a rate not to exceed six per cent<sup>3</sup>, commencing not more than two years<sup>4</sup> from their date of issue.

1. New Jersey School Laws, 1918, p. 39, Sec. 88.

2. There is one exception to this rule. The boards of education of school districts of all types simply indicate the amounts needed to build or keep in proper condition two outhouses, and the amount must be raised by taxation.

3. New Jersey School Laws, 1918, p. 40, Sec. 89.

4. Ibid., 1918, p. 41, Sec. 90.

Since provisions for the maturity and redemption of city district bonds are the same as those of the second type of district, the discussion will be reserved until the latter type is discussed.

Township, Town, and Borough Districts

DISTRICT TAX In township, town, and borough districts, the majority of legal voters present at any regular annual or special meeting may decide the amount to be raised by taxation for school purposes. The law sets no limit either in the rate of taxation or in the amount that may be raised. The purposes for which money may be raised, however, are as follows<sup>1</sup>: To purchase or take and condemn land for school purposes; to build, enlarge, repair, or furnish a schoolhouse, or to pay a debt incurred therefor; for industrial schools, for manual training; and for current expenses of schools, in which term are included principals', teachers', janitors' and medical inspectors' salaries, fuel, text-books, school supplies, flags, transportation and tuition of pupils, school libraries, compensation of district clerk, of custodian of school moneys, and of truant officers, truant schools, insurance, and incidental expenses of the schools.

BONDS Legal voters may at any regular annual meeting, or any special meeting called for that purpose, authorize the board of education of the district, by majority vote of those present, to issue bonds for purchasing or taking and condemning land for school purposes; or building, enlarging, altering, repairing, or improving existing buildings; or purchasing school furniture and other necessary equipment. These bonds must be issued in the corporate seal of the district and at a rate not to exceed six per cent, and in denominations of one hundred dollars or multiples thereof.

1. New Jersey School Laws, 1918, p. 65, Sec. 127.

Bonds are payable in annual installments beginning not less than two years after they are issued.

MATURITY OF BONDS The provisions relating to the maturity of all school bonds (except refunding bonds) are the same for city, and township, town, and borough districts. Such bonds shall mature within a period not to exceed the following number of years for the following classes of purposes<sup>1</sup>:

- A. Acquisition of construction of school-houses
  - 1. Of frame construction - 20 years
  - 2. Non-fireproof (some specifications not fireproof) - 30 years
  - 3. Fireproof - 40 years
- B. Acquiring land for school purposes - 40 years
- C. Additions to school houses
  - 1. Frame construction - 15 years
  - 2. Non-fireproof - 20 years
  - 3. Fireproof - 30 years
- D. Furnishings, equipment, apparatus - 10 years

Union Graded Districts

When two or more districts establish a union graded school the new school board created acts as a unit for the new school, but subject to the approval of the boards of education of each of the uniting districts, which boards are retained. Thus, after determining the amount necessary to be raised by district tax for the next year, the union graded board sends its budget to each school board of the uniting districts. These individual district boards in turn must get a majority vote of those present and voting at legal meetings of the individual districts. The same procedure

1. New Jersey School Laws, 1918, p. 69, Sec. 131.

holds in the case of issuance of bonds. The board of education of a union graded school thus acts as a sort of clearing house for the boards of the uniting districts.

School Tax Burdens

As is true everywhere else, the burden of taxation for school purposes does not weigh equally upon all in the state of New Jersey. Some districts raise with ease what others can provide only at a sacrifice. The following table shows the purposes for which \$15,854,093.11 was raised by local taxation in 1917-18.

Table 10 - Distribution of School Moneys Raised by Local Taxation in New Jersey in 1917-18.

1.	For Current Expenses.....	\$10,481,449.47
2.	" Manual Training.....	466,883.76
3.	" Vocational Schools.....	142,807.93
4.	" School Libraries.....	17,770.05
5.	" Evening Schools (Foreigners).....	4,259.12
6.	" Redemption of Bonds.....	648,378.48
7.	" Interest on Bonds.....	2,214,046.71
8.	" Payment of Notes.....	74,041.22
9.	" Payment of Interest on Notes.....	12,371.06
10.	" Sinking Fund.....	543,152.72
11.	" Purchase of Land.....	48,550.34
12.	" Building, enlarging, altering, leasing, equipping, etc. schoolhouses.....	1,193,461.16
13.	" Outhouses and toilets.....	6,921.09
		<u>\$ 15,854,093.11</u>

By far the largest and most important item is that of current expenses, \$10,481,449.47; next in size is the amount raised to pay interest on bonds, \$2,214,046.71; and third in importance is the \$1,193,461.16 expended for buildings and equipment. It would be as tedious as it is unnecessary to show the relative difficulty with which each county or district contributed its share to each of the thirteen items enumerated in table 10. It will be profitable, however, to analyze the situation in respect to the largest item, that of current expense.



Table 11 - Valuations, Enrollment, and District School Taxes for Current Expenses for Each County of New Jersey in 1917-18

Counties	Total Net Valuation <sup>a</sup>	Pupils Enrolled <sup>b</sup> in Day Schools	Net Valuation Per Pupil Enrolled <sup>c</sup>	Dist. Tax Proceeds Per Pupil Enrolled <sup>d</sup>	Rate of School Tax <sup>e</sup> In Mills
Atlantic (97)	\$127,300,052	16,120	\$7897	\$14.77	18
Bergen (102)	202,414,937	44,394	4582	22.68	47
Burlington (106)	40,135,083	14,214	2822	16.40	58
Camden (109)	136,549,823	31,946	4275	18.99	44
Cape May (112)	39,048,045	4,874	8011	11.57	14
Cumberland (115)	31,467,516	12,498	2517	16.12	64
Essex (118)	717,046,848	117,448	6105	22.70	37
Gloucester (121)	38,545,792	9,895	3895	15.09	38
Hudson (124)	691,648,627	98,884	6994	17.03	24
Hunterdon (129)	23,259,631	6,402	3789	16.55	43
Mercer (130)	132,947,740	25,037	5310	16.88	31
Middlesex (133)	113,628,888	28,071	4047	19.50	48
Monmouth (139)	122,432,486	22,557	5427	16.20	29
Morris (142)	61,302,104	15,160	4043	21.02	51
Ocean (144)	24,105,850	4,904	4915	17.75	36
Passaic (148)	220,089,760	46,210	4762	14.95	31
Salem (151)	38,163,181	7,955	4797	14.29	29
Somerset (154)	40,003,788	9,315	4294	13.68	31
Sussex (159)	24,724,635	5,410	4570	19.04	42
Union (160)	206,976,830	32,282	6411	18.00	28
Warren (163)	32,617,252	8,249	3954	15.00	37
	\$ 3,064,408,868	561,825			

- a. New Jersey State Board of Taxes & Assessment--Fourth Annual Report--Figures after names of counties indicate page from which data was taken.
- b. New Jersey School Report, 1918, p. 266.
- c. Computed from enrollment and total net valuation.
- d. Computed from enrollment and proceeds from district taxes for each county given on page 204 of the New Jersey School Report for 1918.
- e. Computed from net valuation per pupil and proceeds of district tax per pupil.

In the above table, the first significant figures are those showing the net valuation per pupil enrolled in each county. The range is from \$2517 to \$8011 with a medium valuation of \$4582. Cape May County with a total enrollment of only 4874 pupils has a total valuation of \$39,048,045 upon which to levy school taxes, while Cumberland County must provide suitable educational facilities for the much larger enrollment of 12,498 pupils on the much smaller assessed valuation of \$31,467,516.

In considering the district tax proceeds per pupil

enrolled in each county we must remember that the figures given concern only the amounts raised for current expense. Furthermore, the interest on the surplus revenue, and the state school tax, are raised on the same valuations as the district school tax. Hence, while these figures may at first seem comparatively insignificant as school costs, they comprise only a part of the burden of taxation for school purposes actually borne by each county. In themselves, the relative sizes of the district tax proceeds per pupil mean little. These amounts are determined largely by the amounts the districts of each county are able to secure in the form of state aid. The actual range is from \$11.57 per pupil in Cape May County to \$22.70 per pupil in Essex County.

It is in the tax rate that the greatest evidence of inequality lies. The above table gives the rate in mills for the districts of each county for current expense. It will be noted from an inspection of this table that the highest tax rate is 64 mills, or about  $4\frac{1}{2}$  times that of the lowest rate, which is 14 mills. The median for this array of rates is 37 mills. It is significant to note that as the assessed valuation per pupil enrolled in each county decreases, the tendency is for the rate of the district school tax to increase; that the district having the lowest assessed valuation per pupil enrolled (Cumberland) has also the highest tax rate.

If we turn to the individual districts of any county we still find variation, but to a much smaller degree. The following table gives the districts of Cumberland County their net valuations, aggregate days' attendance of pupils for the preceding year, and total tax rate for all purposes.

Table 12 - Net Valuation, Aggregate Days' Attendance of Pupils, and Total Tax Rate for All Purposes, of the Districts of Cumberland County, New Jersey, 1917-18

Districts	Total Net Valuation <sup>a</sup>	Aggregate Days' Attendance of Pupils <sup>b</sup>	Total Tax Rate in Mills for All Purposes per \$100 Valuation <sup>d</sup>
Bridgeton	\$ 8,855,154	433,499	228
Commercial	857,137	62,918	319
Deerfield	1,700,050	78,521	234
Downe	507,019	31,293 $\frac{1}{2}$	347
Fairfield	606,950	33,092 $\frac{1}{2}$	306
Greenwich	591,547	24,693	263
Hopewell	1,364,481	58,083	252
Landis	3,038,988	477,537	356
Lawrence	854,370	45,214 $\frac{1}{2}$	250
Maurice River	780,922	45,955 $\frac{1}{2}$	288
Millville	7,612,525	427,294	301
Stow Creek	630,723	16,207	241
Vineland	3,055,823	-----c	399
	\$ 30,455,689		

- a. State Board of Taxes and Assessment, Fourth Annual Report, p. 114.
- b. New Jersey School Report, 1918, p. 285.
- c. School Report does not include this district.
- d. No published reports to which access may be had separate the tax rate for schools from the rate for all purposes within individual districts. Inasmuch as the rates available will also serve to show inequalities they are used. Taken from p. 116 of the Fourth Annual Report of the State Board of Taxes and Assessment.

A reference to the above table shows that Bridgeton, with a valuation of nearly \$9,000,000 cares for an aggregate days' attendance of 433,499 pupils together with all other expenditures, on a tax rate of \$2.28 per \$100 valuation. Landis, on the other hand, with a large school population, and a higher tax rate, is unable to provide as well relatively, because of its comparatively low valuation. Downe with an assessed valuation of \$507,019 has a school attendance almost double that of Stow Creek with a valuation of \$630,723. But even the higher tax rate of Downe cannot equalize the opportunities for education in the two districts.

#### Miscellaneous Aid

The report of the Commissioner of Education of New Jersey for the year 1918 contains still another group of items labeled

"Other Sources of Receipts" amounting in all to over \$900,000<sup>1</sup>. Tuition fees, interest on deposits, vocational schools, and accrued interest on bonds appear in this tabulation, giving an insight into the sources from which this revenue is derived.

Recapitulation of Sources of Aid

Before leaving the matter of sources of school revenue in New Jersey the following table is presented showing all revenue receipts for the year ending June 30, 1918, and the per cent of total revenue derived from each.

Table 13 - Total Sources of School Revenue in the State of New Jersey, 1917-18<sup>a</sup>

Sources	Federal	State	County	District
Permanent Funds		278,159.05		
Taxation		10,292,387.85	24,025.14	15,854,093.11
Appropriations	42,773.58	1,681,931.63 <sup>b</sup>		
Miscellaneous				923,082.44
Totals	42,773.58	12,252,478.53	24,025.14	16,777,175.55

- a. All items contained on pages 146-147, and 148 of New Jersey School Report, 1918.
- b. Containing \$300,000 for Normal School at Glossboro.

The most important single revenue is the district tax which furnishes over 54 per cent of the money spent for New Jersey's schools. The state school tax contribution of over 42 per cent is second in importance. Federal aid and the permanent school funds are relatively unimportant, while appropriations from the state treasury amount to but 2.55 per cent of the total revenue. By combining the per cent received from the state railroad tax, the state school tax, and the district tax, we find that over 93 per cent of the total school revenues are derived from taxation. Yet it will be recalled (table 1, item 17) that only 11.85 per cent of

1. New Jersey School Report, 1918, p. 148.

the total amount of money raised by taxation for all purposes is used for schools. This proportion of the total amount for all purposes raised by taxation was the lowest for any state in the union in 1918.

Chapter IV.

Apportionment of School Revenues.

GENERAL In considering the apportionment of school revenues in New Jersey it is well to note at the outset, that while the general course of state school moneys is from the state to the counties, and thence to the various districts within the counties, there are exceptions to this procedure. It is also important to note that while the state uses certain bases in distributing its moneys among the various counties, the counties themselves use very different bases in distributing moneys to their component districts. One additional point to be remembered is that New Jersey has no county school tax, or any county school fund, strictly speaking. Where the term "fund" is used in connection with the county, it merely designates the amount of the state school moneys and interest on the surplus revenue which the county superintendent of each county annually apportions among the districts of his county.

SURPLUS REVENUE As already stated, the original principal of the Surplus Revenue plus Revenue loaned the various counties in 1837 has been largely exhausted. The counties pay interest on this principal in recognition to their obligation to the state. This interest is raised by taxation within each county where it immediately becomes part of the fund which is annually apportioned by the county superintendent.

PERMANENT COMMON SCHOOL FUND The aid from the permanent common school fund is apportioned by the Commissioner of Education to the several counties in proportion to the aggregate number of days' attendance of all pupils attending the public schools during the preceding year. For the purposes of this calculation the

rules of the State Board of Education are very specific, and are as follows<sup>1</sup>:

1. For the purpose of apportionment a day shall consist of not less than four hours of actual school work, except that in kindergartens one continuous session of two and one-half hours may be considered a day. Night school sessions shall be reckoned as half days.

2. The mere presence of a pupil at roll call will not be considered as sufficient attendance to be a compliance with the intent of the law. A pupil must be present at least one hour during any forenoon, afternoon or evening session in order to be recorded present.

3. No attendance is to be marked in the register for the days during which the school shall be closed, but a report shall be made to the Commissioner of Education at the end of the year stating in detail the days on which the schools were closed and the reasons therefor. The attendance for days when the school shall have been closed for good cause will be computed by said Commissioner of Education, and all that the teacher is required to do is to note in the register each day the school shall be closed, the reasons why a session of the school was not held.

4. Whenever a dwelling shall be quarantined by order of the board of health, notice shall be sent to the Commissioner of Education of the date when the quarantine went into effect and the date when it was raised, with a certificate from the board of health stating the reasons for the quarantine. Children residing in the building quarantined, who shall be actually on roll in the school at the time the building shall be quarantined,

1. New Jersey School Laws, 1918, p. 289.

excepting children who are ill, shall be counted as present during the time the building shall be quarantined. The allowance for attendance lost by pupils quarantined will be added to the total attendance of the district by the Commissioner of Education at the end of the school year. The Commissioner of Education shall prepare and distribute blank forms for carrying this rule into effect, and the notice provided for in this rule shall be forwarded on said forms as soon as possible after said quarantine shall be raised.

5. When schools do not have regular half-day classes, the rainy day session may be length of the usual morning session.

Ninety per cent of the proceeds of the State SCHOOL TAX school tax, together with the state appropriation of not less than \$100,000 which is made by the legislature to reduce the tax, is apportioned annually by the state comptroller among the several counties in proportion to their amounts of taxable real and personal property. The remaining ten per cent of this tax, known as the reserve fund, is apportioned among the counties by the State Board of Education according to its discretion. Both of these portions of the school tax upon reaching the counties become a part of the fund already referred to.

Like the state school tax, the state railroad STATE RAILROAD TAX tax is also broken up in its apportionment. The law provides that the state comptroller shall annually withhold from the proceeds of this tax certain definite appropriations for specific school purposes made by the legislature. Since these appropriations are for specific objects and special aid, they will be treated in connection with appropriations from the state treasury.

APPROPRIATIONS FROM TREASURY AND STATE RAILROAD TAX All appropriations from the state treasury (except the \$100,000 to reduce the state school tax) and from the state railroad tax



that are used as state aid go directly from the state department of education to the local districts, instead of first going to the various counties as in the case of the apportionment of state school moneys discussed above. Certain requirements are set by the state in regard to courses of study, qualifications of teachers, expenditures of local districts, and the like, and the state apportions its aid as follows:

Table 14 - District Quotas of Special State Aid

Objects	Quotas
1. Manual Training	Not less than 250.00 Not more than 5,000.00
2. School Libraries - For Establishment	- Not more than 20.00
Annual Aid	- Not more than 10.00
3. County Teachers' Library	
For Establishment	- Not more than 100.00
Annual Aid	- Not more than 50.00
4. Each evening school for foreign born	- Not to exceed 5,000.00
5. Each industrial school	- Not to exceed 7,000.00
6. Each industrial school which has spent not less than \$100,000 of moneys not given it by the state in permanent improvements	- Not to exceed 10,000.00
7. Each vocational school	- Not to exceed 10,000.00

### Apportionment of State School Moneys

by County Superintendents.

We have seen above how the interest on the surplus revenue, the appropriation from the permanent common school fund, the proceeds from the state school tax, and a part of the proceeds of the state railroad tax, reach the various counties. We will next consider the methods by which these moneys are apportioned to the various districts within each county.

The New Jersey School Laws<sup>1</sup> provide that the county superintendents of schools shall annually apportion to the various districts in their respective counties the quotas due them of the regular state school moneys and interest on the surplus revenue.

1. New Jersey School Laws, 1918, p. 130, Sec. 256.

This apportionment is made by a two-fold method: first, by paying certain flat sums for salaries of school officers, for pupil transportation, and tuition; second, on the basis of aggregate days' attendance of pupils. Table 15 shows the objects for which districts may receive state quotas under the first method of distribution and the amounts of such quotas.

Table 15 - District Quotas of State Aid  
Under the First Method of Distribution.

Objects	Quotas
1. Supervising principal or city superintendent of schools	600.00
2. Teacher of defective children	500.00
3. Assistant superintendent or supervisor	400.00
4. Each high school teacher (four years' course of study)	400.00
5. Each high school teacher (three years' course of study)	300.00
6. Each teacher in ungraded school, kindergarten, primary or grammar department or high school department with course of study less than three years.	200.00
7. Temporary teachers employed not less than four months	80.00
8. Each evening school teacher	80.00
9. Each non-resident high school pupil	25.00
10. Each non-resident elementary pupil	5.00
11. Transportation - 75 per cent of the cost	
12. Each junior-senior high school teacher	315.00
13. Each Crippled, non-resident child	25.00

When these various sums have been paid districts, the balance of money is then apportioned among the districts in proportion to the total days' attendance for the previous year. In calculating days' attendance, night school sessions are counted as half days, and allowance is made for extraordinary circumstances such as closing schools for epidemics and destruction of schoolhouses by fire or otherwise, as enumerated in the rules for apportioning the permanent common school fund.

Chapter V

The Selection of Criteria for Judging the  
Merits and Defects of a State System  
of Public School Finance.

While the question of the merits and defects  
GENERAL  
CONSIDERATIONS of New Jersey's system of school finance has been  
raised, it is not the purpose of this study to give extended con-  
sideration to this particular aspect of our subject owing to the  
fact that criteria for this task are largely lacking. As the title  
of the present study would perhaps indicate, its purpose is to de-  
scribe the system of school support as it actually exists. At the  
same time, an examination of present conditions and practices as  
critical as is possible in the light of available standards, if it  
serves no other purpose, may at least stimulate greater effort to  
formulate and devise better methods of school finance.

The discovery and selection of criteria for determining  
the merits and defects of any system of school finance at the pres-  
ent time will involve difficulties and, at best, will not be en-  
tirely satisfactory. In fact, not until several extensive investi-  
gations have been made in this field and the results of many prac-  
tices carefully analyzed may we hope to formulate satisfactory  
standards and principles. In the meantime, we can but use such  
relatively crude standards as are at present available.

Criteria for judging school finance are of two types,  
hypothetical and pragmatic. Where conceptions seem self-evident,  
or where in spite of the lack of scientific data there appears  
sufficient justification, standards will be set up a priori. On  
the other hand there are criteria which have back of them the re-  
sults of actual experience as well as the support of authorities

in the field of finance.

The science of public finance is commonly presented in three natural divisions: 1 (1) Public Revenues, (2) Public Expenditures, and (3) Public Credit. Since public school finance is merely the application of this science to a particular field, our criteria for judging a system of public school finance will be formulated about the following considerations:

- A. Public School Revenues
  - I. State Support
  - II. Local Support
- B. Public School Expenditures
  - I. Responsibility
  - II. Methods
- C. Public School Credit
  - I. When employed
  - II. How employed
  - III. Limits of Indebtedness

A - PUBLIC SCHOOL REVENUE

Education has long ceased to be a merely local matter, and is now properly regarded by thinking people as indeed several state constitutions make it, one of the most important functions of the state. If this be admitted it follows that this function should be supported in part by state funds. Just what part of the responsibility the state should carry it is neither possible nor necessary to state at this point, although this question will be given some attention later. This principle is laid down: that education, being properly an important function of the state, should be supported, in large part, by the state.

The question naturally arises, especially where revenues are inadequate, Is the state utilizing all available sources? Not every individual possibility, but all sources that

SOURCES

1. Bodin, Jean - Les six livres de la republique; von Justi, J.H., Stattswirtschaft; Smith, Adam - Wealth of Nations; Adams, H.C. - Science of Finance.

can add any significant sum to the school moneys is meant.

Where states are essentially agricultural in character, the system of school finance is limited in its sources for funds, but where manufacturing and commerce are active the possibilities are greatly increased. So far as small, irregular, and uncertain sources such as fines, penalties, escheats and the like are concerned, their direct application to current school expenditures cannot be said to have any far-reaching or desirable result. The large array of sources may mislead people into thinking that they are paying a great deal for the support of their schools when in reality they are not. So little, in fact, may be realized from some of these sources that they hardly pay the cost of their collection, while again the unexpected addition of any considerable amount from these sources may encourage extravagance. It is better that they be assigned to some permanent fund which can be built up until a steady and rather definite income results.

Another question which we may fairly expect to leave answered is, What are the proper sources of revenue? Certainly no one would question taxation or appropriations, but what shall we say of a permanent school fund? Permanent funds have ceased to be of much account relatively, as revenue producers and for this reason their value might be questioned, but they are important because they give morale to school finance. The income from such funds has been distributed on the condition that districts make certain reports, raise the qualification of teachers, provide more adequate buildings and equipment, and in general, improve on the type of education that would otherwise be given. Such funds are a permanent monument to the belief of previous generations in public education. For this reason it seems desirable that all states should make provision not only for maintaining but also increasing

permanent funds.

The various sources of state revenue for schools deserve careful study. The fact that revenues are sufficient at any given time is not a sufficient guarantee for the future. A gradual change in industrial or political conditions may seriously endanger school support. At the present time many school systems are dependent largely upon a general property tax, of which the personal property portion, while not exceedingly large, is nevertheless vital. With the breaking down of the general property tax and the substitution of some other tax to reach personalty in the case of corporations some method must be found to safeguard school revenues other than raising the tax rate on real estate, an expedient which must always be discarded after a time. Growth in real estate valuations has never kept pace with the need for additional school revenues, and probably never will. Nor should we bemoan the fact, since the ownership of real estate once a fair index, has long ceased to be an adequate measure of ability to support public schools or any other public activity. Business organization is the keynote of modern industrial civilization. The earning powers, hence tax-paying powers of corporations, often bear little or no relation to the value of the real estate which they own or operate. The solution is plainly the support of public education, so far as the state is concerned, by taxes laid not on property, as such, but upon some more accurate test of ability. Indeed it is not out of place to suggest here that for most states, the proper line of future development in the matter of public finance is the raising of all state revenues, school moneys included, by some other means than the general property tax, leaving the entire proceeds of the latter, practically a real estate tax, to local communities.

Whether these state taxes should be assessed in the form of certain

corporation taxes, as general income tax, or in some other manner is not within the scope of this study to discuss. The important consideration is that state sources of school revenue, in order to be adequate, must be adjusted to the existing industrial conditions.

One of the marks of a good public revenue system  
AMOUNT  
OF REVENUE is that it must furnish sufficient revenue to satisfy the just needs of the state<sup>1</sup>. We can, therefore, safely assert that in any system of public school finance, a very important consideration is that sources of revenue must be adequate to meet the just needs of the public schools. To state definitely what these just needs are would be difficult, and would give rise to disagreement. They might differ as between states, and under varying conditions. Moreover, we are concerned first of all with the fulfillment of the educational ideals of the particular school system under consideration rather than in a practical exposition of the just needs of public schools generally. Some needs are so perfectly obvious, however, that they cannot be denied. Among such, are the following: Every future citizen has a right to a teacher properly qualified by personality, ability, and training (not less than a two year preparation beyond the high school) to give him the rudiments of a good common school education. This education should be received during the regular school day and continue thruout the entire school year, and in a class of not more than thirty pupils. Moreover, the class rooms in which instruction is given should be properly constructed and maintained, and due provision should be made for playground. These are some of the fundamental considerations which are suggested by the term "just needs". There are many others, desirable and just, which could be added.

1. Adams, H.C. - Science of Finance, p. 232.

In the discussion of sources of school revenue it was suggested that the state should contribute a large part. The question now confronting us, is, What part shall the state contribute?

A number of writers, among them Cubberley, have suggested that the state furnish one-third, but as Swift points out<sup>1</sup> "it would be just as sound a priori to suggest one-half or one-tenth". He (Swift) proceeds to show that by constitutional direction, our schools are distinctly state and not national or local institutions. In view of this fact, the state should, he says, assume whatever degree of control and support is necessary to equalize, as far as possible, educational opportunity. His final analysis places upon the state the share necessary to pay all costs of instruction, approximately 75 per cent, with a suggestion that it might be considerably more. Since in 1918 for the United States as a whole only 16.8 per cent of the school revenues were furnished by the states and since furthermore, this proportion was recently found to be decreasing<sup>2</sup>, it is essential that in a properly balanced and growing system of public school finance the proportion of revenue furnished by the state should not only be constant, but for some time to come, should be increasing.

Not less important than obtaining an adequate  
DISTRIBUTION amount of revenue is its proper apportionment. An  
OF REVENUE improper distribution may work to almost completely defeat the possible benefits of an adequate revenue, while a proper distribution of a limited revenue may succeed in furnishing fair educational opportunities for all.

1. Swift, F.H. Existing Inequalities in Education, American School Board Journal, May, 1920, p. 30.
2. Swift, F.H. Decreasing Importance of State Sources of Public School Revenue, (an unpublished study) p. 1-24.



A good system will distinguish between the problem of rural school support, where the number of pupils is not the controlling factor in school costs, and the city problem where the number of pupils is the most important consideration. A good system of distribution should have a well defined policy, so that state moneys which finally reach local districts promote the objects and activities which are educationally desirable.

Of the various bases of apportionment discussed by Cubberley in his "School Funds and Their Apportionment", there is a long list which we may at once dispose of because of their obvious defects; namely, (1) Taxes paid, (2) Wealth or assessed valuation, (3) Total population, (4) School Census, (5) Enrollment, (6) Average membership (Average number belonging), (7) Average daily attendance, (8) Aggregate attendance.

In the main, the above bases do not bear much of any relation to the needs and efforts of local communities. What may be termed an improved basis is that in which the teacher or district is recognized as the unit, and after a definite amount is apportioned in this manner, the remainder is distributed on a different basis.

The proper basis as viewed by Cubberley and concurred in by authorities generally is such a combination basis, in which moneys are distributed according to needs and efforts. The particular basis advocated was that of the number of teachers - actually-employed combined with aggregate attendance, together with certain special grants to necessitous communities.

The main principles for the distribution of these extra grants are as follows:

1. Aid should be granted only on formal application of districts giving full information concerning local conditions.
2. Local educational efforts as well as tax rate and wealth should help determine grants.
3. All grants should be regarded as temporary.

A last important consideration in connection with the distribution of school moneys, is that the state should use as good a method of distributing its money to counties, as the latter use in their distribution to districts. The desirability of the county tax unit for local purposes will be discussed in the section on local support. The advantages to counties of a proper state distribution of moneys are very similar to those that accrue to local districts under a county tax unit for local support. For the state not to use as good a method as counties do would be at least extremely inconsistent, but would furthermore serve to accentuate existing inequalities<sup>1</sup>.

#### Local Support

While a great share of the responsibility for providing more money for schools, as well as for a more equitable system of tapping present sources must necessarily fall upon the state, local government also has its part to play. When we come to examine into reasons for the variety, or lack of variety, of educational advantages offered by communities often adjacent to each other, we must conclude that something is wrong with our local system of support.

One of the devices used to improve local conditions is the utilization of a larger tax unit - the county. There always have been and always will continue to be differences in the

1. Much of this discussion on distribution is based upon Cubberley's School Funds and Their Apportionment.

abilities of local communities to raise money to support schools. With the small school districts utilized as the taxing unit, many inequalities make themselves evident. Many districts by extreme efforts, i.e. by levying a heavy tax, cannot provide satisfactory schools, while other districts with very little effort are able to provide educational luxuries. The larger taxing unit tends to overcome these inequalities by drawing revenue from all communities and creating from the same a fund to be distributed upon some equitable and equalizing basis among the constituent units.

#### The Local Budget

SEPARATE  
CONSIDERATION      The financial needs of schools should receive consideration separate from that given to other local activities. The need of revenues for education is fundamental; providing money for education should be looked upon as a gilt-edged, highly productive investment; the difference between this activity and the laying of sewers, building of bridges, or paving streets, necessary and worthy as these are, must be made plain to all; its segregation from the latter activities will tend to emphasize its fundamental and extreme importance.

Where a community has not risen to the conception just stated and considers education as only one of a number of equally important activities, the work of the schools must almost invariably suffer. Nothing is more discouraging under our democratic government than an intelligent school board, highly conscious of its duties and possibilities, hampered by the will of untrained and often ignorant representatives of the people. Not many communities have looked with favor upon the practice of giving to boards of education taxing power to raise necessary revenues, because the abuse of this power might itself lead to serious consequences. Just what the most satisfactory solution will be remains to be

worked out upon the experiences of those who have the faith to venture.

Certain facts and principles, however, seem self-evident:

PRINCIPILES

1. The present practice of making an educational program dependent upon the uncertainties of an annual election or the often ill-conceived actions of city councils is detrimental to the best interests of the schools and people alike, and some reform is necessary.

2. On the other hand, despite its importance, there should be limits to the outlays demanded for education, just as there are for other activities, and these limits should be so conceived and their effectiveness so safe-guarded that communities may feel safe if they are required to surrender some of their authority in matters of school support.

3. Giving boards of education restricted power to levy taxes for school support seems to meet the implications of the first two propositions. This can be done in a number of ways. Boston, Mass., for example, has a minimum and maximum tax rate, and within these limits, the board of education levies what it considers necessary<sup>1</sup>. In certain school districts of Wisconsin, if the electors fail to levy a sufficient tax, the board of education may do so. This practice is not fundamentally unsound. Many men with little business training or experience annually sit in our legislatures that levy millions of dollars in taxes. If this can be done here successfully, why cannot the high type of men, trained, of large interests, and successful, who are so often members of school boards, be

1. Ballow, F.W. Efficient Finance in City School Systems, Proc. NEA, 1918: 613.

trusted with such authority? Not only would this tend toward more adequate support for schools, but it would enable a wiser expenditure of the funds on hand, because the certainty of revenue would make possible a consistent program of education.

A plan whereby local boards of education could levy school taxes subject to the approval of some county or state board might also be worked out. In fact, if states are to accept and carry the responsibility in education which is clearly theirs and which so many of them have almost entirely neglected in the past, a plan in which the state department of education exercises large influence in local tax levies for schools must logically come. But regardless of the particular details of such a plan, local boards of education subject to certain legal restrictions or under the direction of some higher authority, should be granted such authority in local tax levies for schools as will insure a consistent educational program.

#### B. PUBLIC SCHOOL EXPENDITURES

The proper expenditure of school moneys is vital. It is difficult enough under the most propitious circumstances to secure adequate revenue, without having to overcome the evils created by an improper use of moneys already granted. For the sake of administrators as well as the public mind, a budget system with a uniform method of accounting should be adopted for state-wide use.

Responsibility for expenditure of school  
RESPONSIBILITY moneys should center in the superintendent of schools and his staff. The preparation of a budget is primarily an educational matter. Important as is school finance as such, its function is clearly and wholly subservient to the purpose for which the schools are organized, that of education. There is hardly an expenditure in which educational principles are not involved. The type

of teacher, of building, of classroom; the character and quantities of textbooks and supplies; and the equipment and decorations, are all primarily educational rather than business considerations.

The occasion for insistence upon the above principle is that of protecting the public schools from a dual type of organization where the business superintendent or manager has powers coordinate with those of the superintendent in charge of educational matters, or what is worse, this organization in theory and in practice, the educational department subservient, which may so easily result. It has truly been said that "he who holds the purse strings controls education". Applying this to local administration the educational superintendent, as the servant of the people and employee of the board of education should exercise this control. The reason for this will become more evident as the discussion proceeds.

ACCOUNTING  
SYSTEM      A comprehensive, though relatively simple system of accounts is essential to a system of public school finance both for local administration as well as for state reasons. So far as the state is concerned the system should be comprehensive enough to furnish all necessary financial information and yet simple enough so that it can be successfully used by relatively untrained men in small communities. It should, moreover, be uniform over the entire state in order that the accurate information concerning the public schools may be available for purposes of state administration. Locally a comprehensive and accurate system of accounting is essential to efficient budget making.

#### The Budget

PREPARATION      The budget should be prepared by the administration rather than by a committee of the school board or of a still further removed legislative or appropriating body, because in this way it is more likely to reflect the actual

educational needs. Close co-operation between the superintendent and such bodies is desirable and may be helpful but he, as executive, should be responsible. Moreover, many impractical ideas of laymen will thus be cut off without having to be dealt with and much time saved.

ESTIMATES

There should be definite rules for making estimates.

Probable receipts should be conservatively stated, while probable expenditures should be carefully estimated. As has already been stated, an accounting<sup>system</sup> giving all necessary details of past expenditures is essential to making relatively accurate estimates. Padding estimates has an extremely bad effect upon the facility with which future budgets may be passed. Adam's comment on Federal budgets<sup>1</sup> suggests the wisdom of small deficits rather than a surplus. Just who should be called upon to furnish estimates and how far the previous years' expenditures should be relied upon is a matter which depends very largely upon local conditions. The smaller the system the more direct may be the control of the superintendent in matters of detail. In the larger systems more and more dependence must be placed upon subordinates. And where a system is large enough to employ a separate business manager or finance superintendent or both, the superintendent in charge of education is still farther removed from control, but should never be displaced as chief executive. An institution with two heads cannot succeed generally. Even where the entire handling of estimates is done by some other department, it should still be subject to the approval of the superintendent in charge of educational matters, in order to clearly recognize his highest authority and to prevent friction.

1. Adams, H.C. Science of Finance.

FORM           The form of the budget is of importance. While it should be comprehensive, it must not seek to divide too minutely the revenue among the various activities to be carried on, else there is danger of embarrassment. Rather a few definite classifications convenient for study in which the relative need for revenue can be estimated with a fair degree of precision.

TEST OF BUDGET       In this immediate connection it may be asserted that the test of a budget, is not necessarily the total amount of money which it carries, but rather the relative amounts assigned to the various activities. No scheme of division that could be devised could be very generally applied. There are wide differences between different states as well as between contiguous districts within the same state. In the absence of scientific data justifying a definite division under any set of circumstances, we must resort to comparisons and a priori standards. The business for which public schools are maintained is accomplished largely through the personal service of teachers and supervisors. Other things being equal, the system which succeeds in putting the largest portion of its revenues in this item of the budget is best. For the United States as a whole, the percentage of total school revenues devoted to teachers' salaries in 1917-18 was 55.21, with a range of from 42.8 per cent to 89 per cent. The standard of average achievement is, on the whole, not conducive to progress. A better measure of local success is comparison with the highest achievement. It therefore seems reasonable to expect that at least 65% of the total school revenues should, under present conditions, be used for salaries. This is but one suggestion. A properly

1. Statistics of State School System 1918, p. 131, table 49.



balanced public school budget is itself a worthy object for extended research.

REVISION A budget usually needs revision after the first estimates are made. It is just as important from the standpoint of education, that this revision be made under the direction of the superintendent, as that the original estimates should be made under his supervision. It should not be contemplated within the provisions of any law or ordinance to take this power from the educational expert of a system of schools and place it in the hands of any non-educational or semi-educational body. If reductions must be made, the superintendent of schools is the one who properly should indicate where such may be done.

DISCREPANCIES The budget is seldom carried out exactly as estimated and passed. There must always be some provision for discrepancies. While in national budgets it has been suggested that small deficits are preferable to large surpluses, the ill effects of too much money in the school treasuries of a state need not concern us. The usual difficulty is a shortage. Without the use of credit, this may be met in three ways; namely, (1) A supplemental budget, (2) a deficiency appropriation, or (3) an administrative appropriation.

Of these three methods the first is the least desirable because it reopens the entire question of school support, taking the time of the appropriating body as well as of the school executives, who are thus interrupted in their proper work, and the effects of which may easily be reflected through the whole educational system.

While a deficiency appropriation is superior to a supplemental budget it might become the tool of politicians. It is possible for them in the pretended interests of economy to refuse

to appropriate what the school budget calls for (when this is popular in their wards) and then after they have been re-elected, to pass a deficiency appropriation for schools.

Administrative appropriations seem theoretically to be the most satisfactory. They may take three general forms; (1) A board of education may be given authority to exceed, within certain limits, the amounts appropriated for essential features of the educational program such as teachers' salaries, fuel, etc., (2) A board of education may be given authority to transfer funds from one appropriation to another. This is especially helpful where a necessary but unforeseen outlay occurs in one department and one or more of the other departments are being operated well within, or considerably below the estimates made. It is also possible to curtail the amount used in less essential types of work for use in activities valued more highly. While Adams condemns the practice of transferring credits in municipal finances generally<sup>1</sup>, the abuses urged against this device do not seem to justify denying its use to boards of education, (3) A third kind of administrative appropriation may take the form of an executive fund. It is generally conceded that increasing the responsibility of an executive and holding him to strict accountability will give the best results. The executive fund is in line with this doctrine. In the expenditure of any part or all of it, the assistance of appropriating body need not be sought. Furthermore, the board of education itself, except in an advisory capacity, need not concern itself. The authority is with the superintendent or other executive officer who must in the end give satisfactory evidence that the fund was properly expended.

1. Adams, H.C. Science of Finance, p. 189.

B. PUBLIC SCHOOL CREDIT

The matter of public school credit has until rather recently been a relatively unimportant phase of public school finance. Almost the only occasions for its use have been the building and equipping of school plants or the meeting of casual deficits. Even now except in crises, public school revenues and expenditures far exceed credit in their importance. However, with the present competing demands upon the public revenues, and the lack of proper attention to school finance in the past, it can truly be said that in some instances, we have reached a state of public school emergency financiering. This situation, if granted, justifies the use of public credit.

JUSTIFICATION

On the other hand, there has been a wide use of credit not justified because of its "emergency" nature. There are some who hold that under ordinary circumstances "bonding for public schools is unsound in principle and unjust in practice<sup>1</sup>". "Pay as you go, or don't go<sup>2</sup>" is the sentiment expressed by another. The motive back of this sentiment seems not to be any reflection upon the value or efficiency of public schools, but rather the fear that refunding and deferred principal payments, bad accounting, and the like, will shift an undue burden upon our posterity which will itself face new and difficult problems without the addition of this one.

An examination of current practice, however, seems to show an entirely different attitude on the part of school authorities and the public generally. Bonding is resorted to freely. San Francisco, Cal., and Atlanta, Ga., are both planning \$5,000,000

1. Sumner, Chas. Concerning School Bonds, Am. Sch. Bd. Jr. Jan. 1919: 23.
2. Anderson, W. H. School Bonds, Am. Sch. Bd. Jr. July 1919: 37.

issues of bonds; the citizens of Baltimore, Md., authorized a \$7,000,000 issue last November; Los Angeles, Cal., is spending a \$9,500,000 issue authorized last June; Detroit, Mich., has \$20,000,000 available from bonds issues and plans no retrenchment<sup>1</sup>.

In countless cities, conditions have become acute.

**BUILDINGS**

Building programs have been so delayed that congestion is becoming unreasonable. To raise by tax levy and to collect all that would be necessary under present conditions would be next to impossible. The burdens which are passed on to posterity are not without their compensations. The terms of these bonds may be graduated to the length of usefulness of the buildings erected, whose advantages, those who come after us may enjoy. There seems no good reason for not bonding, within certain limits, for buildings and equipment.

Nor should the use of credit be restricted entirely

**CASUAL**

**DEFICITS** to buildings and equipment. The financing of schools is a business enterprise. No business would wish to be restricted, in the use of credit, to outlays for buildings and equipment. When a bank runs short of funds it issues certificates of indebtedness. When an individual lacks funds he borrows (if his credit is good). The credit of the district, therefore, should be put at the disposal of the public schools but not to such an extent as will in any way endanger the financing of the next period.

Finally, there remains the question of the proper

**EMERGENCIES**

use of credit in an emergency, --an occasion that could not be anticipated. This is different from agreeing to a bond issue for buildings, or short time obligations to overcome casual deficits. These occasions are rare, it is true, but they are

1. Statistics from Minneapolis Journal, Sunday, Jan. 20, 1921.

nevertheless, possible. The embezzlement of funds, unexpected failure of a source, or the discovery of a shortage, the existence of which was unknown owing to a faulty system of accounts are within the range of possible experience of any district. Under the conditions, is it ever wise to bond for current expenses? The contention of those who think not is that it is contrary to sound business principles, and ordinarily we agree. Schools should be financed upon business principles. On the other hand, funds may be so necessary that not to obtain them will seriously interfere with the work of education, the most important business of the state. In such a situation the question is no longer one of good or bad business, but one which involves social and educational principles as well. From this point of view, it seems only reasonable to insist that while ordinarily all current expense and as much of the building problem as possible should be handled by tax levy, if the need is urgent, and all other sources unavailable, it is much better statesmanship to issue bonds for current expenses while adjusting the system of a school finance, than to seriously cripple or close the schools.

RETIREMENT OF  
OBLIGATIONS

The particular provisions for rates of interest, type of bonds, or terms for which bonds are to run must depend to a large extent upon conditions and circumstances attending the issue. So far as short or long maturities are concerned, each have their advantages. The former will need to be placed at higher rates, but will cost the district less, even though taxes may be higher for a short time. Longer maturities with lower tax rate and placed at a lower rate will still cost more in interest because of the length of time they run, and As far as the choice between serial and sinking fund bonds are concerned, experience has shown that their cost is not greatly different.

However, this general principle may be laid down: The conditions of each issue should be arranged so as to retire it as soon as possible, consistent with a proper financing of current needs. Continued refunding and long deferred payments on the principal should not be allowed. Above all, the term of bonds issued for any building or improvement should not extend beyond the life of the object financed by such issue.

LIMITATIONS  
AND  
RESERVATIONS

The limitation of public school indebtedness is the last consideration which will be discussed in connection with public school credit. While in some school districts the limits of indebtedness and purposes for which money may be borrowed are made very clear by law, in others this is not the case. In large independent districts which are coordinate with some unit of government such as a city, it often happens that the limit for bonded indebtedness is set for the city as a whole, and each department in need gets as large an allotment as is possible. It is not at all inconceivable that under this type of management, public schools might suffer after the legal limit had been reached. It seems only reasonable that some provision should be made for reserving a part of the borrowing power for the sole use of the public schools. The determination of this proportion would itself constitute an important problem to be solved on the basis of a careful and extended investigation of the needs of public schools as compared to other public needs.

Finally, as suggested in the introduction to this study, the proportion of the total income of the state devoted to public education should increase. Education is a developmental function of the state. It is an investment which earns large dividends, making a people able and willing to ever increase the proportion of their income that is devoted to this purpose. In proportion as

it is successful, it relieves the state from many other types of expenditure. A legitimate test of a system of public school finance, therefore, is that of providing the means for steadily increasing financial support as compared to other functions of the state. The criteria here sketched may be summarized as follows:

A. Public School Revenues.

I. State Support.

1. Education should be supported in large part by the state.
2. Sources.
  - (1) All relatively important sources should be utilized.
  - (2) Permanent funds should be maintained and increased.
  - (3) Sources should be adjusted to industrial conditions.
3. Amounts.
  - (1) Should be adequate to meet just needs of schools.
  - (2) Proportion of total state revenues devoted to education should be increasing.
4. Distribution.
  - (1) Should provide equality of educational opportunity.
  - (2) Should promote activities educationally desirable.
  - (3) Combination bases distributing money according to efforts and needs are most satisfactory.
  - (4) State should use as good a basis as county.

II. Local Support.

1. The county is the desirable tax unit for local purposes.
2. The Budget.
  - (1) Should receive consideration separate from other local needs for revenue.
  - (2) Boards of education should have some authority in the levying of school taxes.

B. Public School Expenditures.

I. Responsibility should center in Superintendent.

II. Method.

1. A comprehensive accounting system the first essential.
2. The Budget.
  - (1) Should be prepared by the administration.
  - (2) Definite rules should be used for making estimates.
  - (3) Should be comprehensive in form but not contain too many classifications.
  - (4) A good budget emphasizes expenditure for education, --salaries.
  - (5) Revision should be made under the authority of the superintendent.

- (6) Provision should be made to care for discrepancies between estimated and needed revenue by
- 1<sup>1</sup> Supplemental Budget.
  - 2<sup>1</sup> Deficiency Appropriation.
  - 3<sup>1</sup> Administrative Appropriation.

C. Public School Credit.

- I. When properly employed?
  1. Buildings and equipment.
  2. Casual deficits.
  3. Emergencies.
- II. When Retired?
  1. As soon as consistent with proper financing of current needs.
  2. Continued refunding and deferred repayment should be prohibited.
- III. Reservations and Limitations.
  1. In a well balanced system of public finance, an adequate portion of the borrowing power should be reserved for the public schools, but no limit other than that for general indebtedness should be placed on credit for public school purposes.



## Chapter VI

## Judging the New Jersey System

One who turns to the school code of New Jersey GENERAL CONSIDERATIONS for the first time cannot but be impressed with the breadth, the discrimination, and the completeness of its provisions. Few states have gone so far in seeking to realize, through legislation, the benefits of an efficient system of public schools. The more one examines into the spirit and intention of these school laws the more satisfied is he that the wise legislators who enacted the various parts of this school code into law not only asked, but accepted to a large degree, the advice of educational experts.

It would be pleasant and satisfying if we might drop our analysis here, relying upon the above statement to give a substantially correct account of New Jersey's excellent effort. However, it is one thing to be a leader in the procession, but another to have reached the goal. To say that the New Jersey system cannot be improved would be very erroneous. Indeed, this state would scorn such praise. That it cannot only be improved but that it has still some serious weaknesses from the point of view of public school finance, will become evident as our discussion proceeds.

## A - PUBLIC SCHOOL REVENUES

Over forty per cent of all money spent for education STATE SUPPORT in New Jersey is furnished by the state. Only three states<sup>1</sup> and the District of Columbia exceed New Jersey in the proportion of school revenues furnished through state sources. However, New Jersey's performance is still far from equal to her responsibility. She must travel far before she realizes the

1. Alabama, Kentucky, and Mississippi, Statistics of State School Systems, 1918, p. 122.

accomplishment of furnishing the 65% to 75% of school revenues which seem a state's reasonable share, and she must double her present contributions before she has reached the goal.

UTILIZATION  
OF SOURCES

New Jersey has to her credit a unique accomplishment in the annals of public school finance, that of taxing her railroads to finance public education. That her experiment has been a great success no one can deny. Her unique relation to so many important roads is not duplicated in any other state, however, so that her example is of comparatively little help to others. However, there are other types of business organization which may be substituted for railroads so that the lesson is nevertheless valuable. The recent excellent legislation in California is an example. This state depends largely upon corporation taxes to furnish its large quota for its public schools. So far as the New Jersey railroad tax for schools is levied on property, it must experience the inevitable limitations of any property tax, and expansion of the tax system in other directions must be contemplated. So far as this railroad tax for schools is upon the franchise, it has greater possibilities, but it does not obviate the necessity of development of the tax system for school support along other lines besides that of railroad taxation.

New Jersey does not use a large number of unimportant state sources of school revenue. Of the five which she does use two furnish 94% of the money she contributes to education.

PERMANENT  
FUNDS

Of her two permanent funds, the surplus revenue and the permanent common school fund, the latter, only, is capable of growth. From table 7 we learned that the increase of the principal of this fund was steady and substantial. However, it cannot hope, under present arrangements, to keep pace with the increase of school expenditures. Moreover, the part of the income

of this fund devoted to education is limited now to \$200,000 annually. If this fund is to retain its relative importance as a source of revenue, which is desirable, some new plan must be adopted for accelerating its growth.

RELIABILITY  
OF SOURCES

Over 78 per cent of all moneys raised for school purposes in New Jersey are obtained by levying on real estate and personal property. (See table 13). More than 61 per cent of all state school moneys are raised in this manner. (Table 9). Of a net taxable valuation of slightly more than \$3,000,000,000 nearly one-sixth is personal property<sup>1</sup>.

The state board of taxes and assessment may and does exercise a wholesome influence on the taxation of real estate, but can not influence the personal property tax. This tax is wrong in theory and unjust in practice and has earned the almost universal contempt of tax authorities. As early as 1905, a committee appointed by the state of New Jersey<sup>2</sup> reported that the value of personal property was then equal to that of real estate, but that only a small fraction of the former could be gotten upon the assessment rolls. In spite of the most stringent administration in Ohio, personal property valuations have not only failed to keep pace with actual values but have continually decreased and public sentiment approved the evasion of the law<sup>3</sup>.

The fact that a revenue of over \$3,000,000 is every year raised in New Jersey upon a source so questionable is one that should receive careful consideration. It is not reasonable to

1. New Jersey State Board of Taxes and Assessment, 4th Annual Report, p. 170.
2. Proceedings of National Tax Association, Vol. IV, Seligman's Committee of Five.
3. Ibid., Vol. IV, Seligman's Committee of Five.

assume that this state can escape the almost universal experience of other states with this tax. The redeeming feature of the situation is that New Jersey has already broken away from the general property tax in the taxation of railroads and has some of the necessary experience for continued development in this direction. But even in the taxation of railroads the question of increased valuations<sup>1</sup> may ultimately lead us into difficulty unless the need for school revenues ceases to increase faster than property valuations. But here again, New Jersey has the germ of the solution so far as her own difficulties are concerned, because she also levies on the value of the franchise, as such, for school purposes<sup>2</sup>. The chief defect (if we may call it such) of the state sources of support is that so large a share of school revenue is raised by a general property tax; the chief merit is that an important part is raised by a tax on railroads.

From the standpoint of average achievement New Jersey may be said to be doing very well in the amount of revenue it furnishes for its schools. While fourteen states have a larger school population, only eight (Table 1) spend more annually for schools.

On the other hand, twenty-three states succeed in getting a larger per cent of children of school age enrolled (Table 1) than New Jersey. Illiteracy is increasing among foreign born whites (Table 2). In 1917-18, while this state ranked sixth in the amount of average annual salary (Table 1), 486 teachers were still receiving less than \$500 annually (Table 3), and while the large

1. According to New Jersey's present plan, the physical valuation of the main stem is a vital factor in railroad taxation for schools.

2. New Jersey School Laws, 1918, p. 187, Sec. 378.

majority of New Jersey teachers are apparently well trained, over ten per cent still have qualifications recognized as inadequate. (Table 4). In view of the important effect which more money would have in improving the conditions enumerated, we are justified in asserting that New Jersey has need of more revenue for school purposes.

In 1912, New Jersey spent a smaller proportion  
STATE CONTRIBUTION for public schools of the total amount she raised by taxation for all purposes than any other state in the union. (Table 1). During this year she devoted 11.85 per cent of her total revenues to public education. By 1916 this proportion had been still further reduced<sup>1</sup>, and in 1918 was equal to slightly more than 9.3%. Thus we see that instead of increasing the proportion of her total revenues which she devotes to education, New Jersey is actually moving in the opposite direction.

From some points of view the methods of distributing state school revenues in New Jersey make for equalization of educational opportunities; in other respects the effects are the opposite. Without question the effect of the special types of aid (Table 14) given is to promote activities educationally desirable. But to say that the distribution of state moneys is made according to efforts and needs would be erroneous. The aid from the permanent common school fund is annually apportioned by the commissioner of education while ten per cent of the state school tax, designated as the reserve fund, is apportioned by the state board of education. As a matter of fact, in 1918 out of a total reserve fund of some \$780,000, only \$58,000 played any part in equalizing burdens. The six counties with the highest

1. Report of New Jersey State Board of Taxes and Assessment, 1916, p. 85.

valuations per pupil enrolled contributed this sum to the support of the three counties having the lowest valuation per pupil enrolled, but the sums so apportioned to the latter three counties did not in any instance reach \$2.00 per pupil enrolled<sup>1</sup>. Both may be apportioned according to efforts and needs. But these two amounts together (Reserve fund and Permanent Common School Fund) were only slightly in excess of \$1,000,000 in 1918<sup>2</sup>. On the other hand, the 90% of the state school tax and the railroad tax for schools apportioned on the basis of real and personal property valuations amounted to more than \$8,500,000<sup>2</sup>. This latter basis is about the poorest that could possibly be used; it amounts to nothing more than a state supervised local tax; its effect is not a distribution according to efforts and needs. On the contrary, it accentuates the inequalities already existing. If we take the data presented in the third and fifth columns of table 11, and range the counties in the order of net valuation per pupil enrolled, our result is as follows:

Table 16 - Array of counties of New Jersey According to Net Valuation per Pupil Enrolled together with Rate of School Tax in Mills

Counties	Net Valuation per Pupil Enrolled	Rate of School Tax in Mills
Cumberland	2517	64
Burlington	2822	58
Hunterdon	3789	43
Gloucester	3895	38
Warren	3954	37
Morris	4043	51
Middlesex	4047	48
Camden	4275	44
Somerset	4294	31
Sussex	4570	42
Bergen	4582	47
Passaic	4762	31
Salem	4797	29

(Continued on page 63)

1. New Jersey State Comptroller's Report, 1918, p. 110-11.
2. New Jersey School Report, 1918, p. 146.

Table 16  
(Continued)

Counties	Net Valuation per Pupil Enrolled	Rate of School Tax in Mills
Ocean	4915	36
Mercer	5310	31
Monmouth	5427	29
Essex	6105	37
Union	6411	28
Hudson	6994	24
Atlantic	7897	18
Cape May	8011	14

As has before been noted, the tax rate not only increases as the valuation per pupil enrolled becomes smaller but it increases at a rate faster than the rate with which the assessed valuation per pupil decreases. Cape May has an assessed valuation per pupil of \$8011 or 3.11 times that of Cumberland. Cumberland has a tax rate of over 4.5 times that of Cape May. While the assessed valuation per pupil of Sussex, \$6105, is 56 per cent of that of Cape May, the tax rate of the latter county is only 33 per cent of that of Sussex. Even Atlantic county, next to Cape May in the size of the net valuation per pupil enrolled, has a valuation for each pupil 98 per cent as large as that of Cape May. But the tax rate of this county is only 77 per cent that of Atlantic.

The effect of this method of apportioning state school moneys among the various counties of New Jersey appears not only to fail to act as an equalizing factor, but as evidenced from its effects upon the local tax rates, appears actually to accentuate existing inequalities.

The basis used by the various county superintendents in apportioning state money among the various districts, on the other hand, are of the most satisfactory type. The combination of teachers actually employed with aggregate attendance is recognized as probably the best method yet devised.

### Local Support

**TAX UNIT** New Jersey still uses the school district as the unit of local support. This prevents an equalization of local burdens. With the county the tax unit for local support the ill effect of the state method of apportionment could be mitigated.

**THE BUDGET** School needs receive consideration separate from other needs for revenue. In city districts a special board (Board of School Estimate) determines the amount to be raised while in other districts the legal voters decide. However, the legal limit to what may be raised by boards of school estimate (three-fourths of one mill of assessed valuation of real and personal property) without seeking the concurrence of the city councils would seem entirely inadequate.

Boards of education have actual tax levying power to provide toilet facilities only; within narrow limits the boards of school estimate provide funds; but in a time of high costs a large share of the responsibility for providing local support in city districts is one step further removed and devolves upon city councils.

### B - PUBLIC SCHOOL EXPENDITURES

**RESPONSIBILITY** Neither the New Jersey school laws nor the rules of the state department of education distinguish between the authority of a superintendent of schools as opposed to that of a business manager or finance superintendent in their relation to the budget. Responsibility is simply placed upon the board of education for submitting its budget in city districts<sup>1</sup> and upon the legal voters in other districts<sup>2</sup>. However,

1. New Jersey School Laws, 1918, p. 38, Sec. 87.

2. Ibid., p. 64, Sec. 127.



the school law does clearly create a division of authority between superintendent and business manager<sup>1</sup>. The latter is elected by the board of education and removable by such board. He furthermore reports monthly to such board and not to the superintendent. He has charge of the erection, repair, and up-keep of all buildings and may order repairs not to exceed \$100 each month without consulting anyone. Subject to the approval of the board of education, he may condemn any work, or reject any materials or supplies which in his judgment are not right.

ACCOUNTING  
SYSTEM

In the matter of an accounting system, the first essential to effective budgeting, New Jersey has done excellently. In 1913 she created the office of Inspector of Accounts who devised a "uniform and simple" system of bookkeeping for the entire state. Accordingly, the number of accounts carried on the books of school boards is nine: current expense; manual training; evening schools for foreign born; vocational schools; school libraries and apparatus; redemption and interest on bonds; repair, refurnishing, and leasing of buildings; purchase of land, erecting, enlarging, remodeling, furnishing and equipping buildings. Each of these accounts have certain definite items. All payments of school moneys are made by school warrants on the back of which is a distribution scheme which must be filled out in order that such payments may be charged to the proper accounts. It is unnecessary to say that besides the great local advantages incident to such a simple and definite system, the state department has an intelligent basis upon which to work and has been unable to cut down the number of special reports formerly required of districts<sup>2</sup>.

1. New Jersey School Laws, 1918, p. 36-7, Sec. 83-85.
2. Am. Sch. Bd. Jr., Feb. 1914; 23.

## BUDGET

The form of the budget has been largely determined by the accounting system adopted. With an accurate statement of expenditures for each item for a number of years past and an acquaintance with conditions which would influence needed expenditures in the near future fairly accurate estimates are possible. The law does not mention the transfer of funds from one appropriation to another but concerns itself only with the total amount of revenue needed. The estimated money needs of the schools are prepared by the administration but the responsibility for revision is not definitely fixed. Boards of school estimate in city districts may refuse to allow all that is asked. Since the latter boards concern themselves, according to law, with the total amount requested only, the effect is to put the responsibility for revision upon the boards of education according to the recommendation of superintendents.

As we have seen in another connection (Table 1) salaries in New Jersey are among the highest in the United States. So far as the proportion of total school revenues spent for instruction is concerned, however, this state does not measure up to even average achievement<sup>1</sup>. The state itself has adopted a salary schedule for practically all educational positions<sup>2</sup>. While it is a "minimum" schedule only, the minima are so low in some cases as to be entirely inadequate. For instance, the minimum fixed for teachers in primary, grammar, and kindergarten departments with two years of experience is only \$456.00 per year, and at the end of twelve years, they reach a minimum of only \$888.00<sup>2</sup>. Men in high schools start

1. Statistics of State School Systems, 1918, p. 131.

2. New Jersey School Laws, 1918, p. 160-64, Sec. 313.

at a minimum of \$1500 and women at a minimum of \$700. The fact that the average annual salary in New Jersey is one of the highest in the United States may not mean at all that it has analagous purchasing power as compared to salaries in other states; the fact that New Jersey does not reach even the average achievement in the proportion of total school revenues devoted to instruction would justify the assertion that the average budget does not stress sufficiently, expenditures for education. New Jersey makes no provision of any kind for meeting discrepancies between estimated and actual needs, except by borrowing. This, however, properly belongs to the province of credit, and will be discussed in the next section, Public School Credit.

#### C - PUBLIC SCHOOL CREDIT

WHEN EMPLOYED The school code of New Jersey is very definite on the use of credit to finance education. The legitimate occasions, rates of interest, maturities, and provisions for redemption of bonds, as well as the conditions and limitations of obtaining loans on promissory notes have been discussed in the treatment of district aid to public schools. New Jersey takes the attitude of current practice, definitely allows districts to borrow for building projects and to meet casual deficits.

EMERGENCIES Emergencies, as such, are not mentioned in the school code. An emergency in financing education, however, would consist in an urgent need of money for buildings, salaries, or some other purpose and these are already provided for in existing laws on school credit.

It is significant to note, however, that in the general statutes, New Jersey makes definite provision in this direction. While there are provisions for borrowing ~~and~~ <sup>on</sup> various types of both notes and bonds under ordinary conditions, the law definitely

establishes a distinct type of emergency paper called "Emergency Notes" and "Emergency Bonds"<sup>1</sup> with conditions of redemption different from other instruments of credit. With the machinery thus created, and people thinking in these terms in financing other activities it would seem that the psychological effect should be to make the financing of emergencies in education easier than would otherwise be the case.

RETIREMENT  
OF OBLIGATIONS

No criticism can be urged against the New Jersey system of public school credit from the point of view of uncertainty. Every type of building project for which bonds may be issued is minutely described and the maturity for each type definitely stated<sup>2</sup>. No continued refunding or long deferred principal payments are possible. Moreover, the establishment of sinking fund commissions has been made obligatory<sup>3</sup> and all calculations of such commissions in regard to the retirement of obligations are carefully checked by a state department.

It would seem, however, that New Jersey does not make obligatory the retirement of her bonds as soon as is consistent or desirable. For instance, in the case of a fireproof structure which allows forty years for retirement, it is plain that at the tenth or fifteenth year such structure cannot give the service enjoyed by those who first occupied it, and that at the twenty-fifth or thirtieth year some school buildings are almost as much a liability as an asset. Again, to take the matter of equipment, furnishings, and apparatus, the long period of ten years is allowed for maturity of bonds issued for these purposes. Many kinds of

1. Chapt. 242 P.L. 1917 as amended by Chapt. 243 P.L. 1918.
2. New Jersey School Laws, 1918, p. 69, Sec. 131.
3. Chapt. 212, P.L. 1917, as amended by Chapt. 243 P.L. 1918.

equipment and apparatus must be replaced every three to five years, and it would seem that ten years is entirely too liberal.

It is desirable that the term of years allowed for maturity of bonds be shortened for another reason. Where the bonding limit is reached and obligations are spread over such a long term of years, the borrowing power is practically destroyed. This may lead to serious difficulty. By pursuing a vigorous repayment policy, however, the possibilities of more successfully meeting an emergency are conserved.

LIMITATIONS  
AND  
RESERVATIONS

New Jersey reserves a definite portion of the borrowing power of city districts for the sole use of the public schools. A debt equal to three per cent of the taxable valuation of the real and personal property of cities may be incurred for public schools without the consent of the governing bodies of such cities<sup>1</sup>. With the consent of such governing bodies the debt may be enlarged to equal five per cent<sup>1</sup> of the assessed valuation of all real and personal property. Districts other than those co-terminous with city boundaries, have neither these reservations nor any restriction mentioned in the school code. They are simply required to make an annual report on their outstanding debt to the commissioner of municipal accounts.

The borrowing power of cities for purposes other than the support of public schools is practically limited to seven per cent<sup>2</sup>. While the calculations determining this limit are by no means simple, the schools have practically five-twelfths of the borrowing power for their sole use. This, it would seem, is a generous provision and should meet all of the public schools. However, the law

1. New Jersey School Laws, 1918, p. 44, Sec. 95.  
2. Chapt. 252, P.L. 1916 - as amended by Chapt. 240 P.L. 1917, Sec. 12.

as it stands has one, at least, questionable provision from the point of view of public school finance. While virtually five-twelfths of the borrowing power is reserved for school purposes, the law also definitely provides that the amount of unredeemed school bonds shall not at any one time exceed five per cent of the assessed valuation of real and personal property of the district<sup>1</sup>.

There are reasons why this limit should be removed. In the first place no district is very apt to unduly burden itself by voting school facilities much beyond what are actually needed and desirable. Moreover, after a period of disorganization and vaulting prices such as we have just experienced, when building programs have been so much delayed, the freedom allowed in the use of public school credit might be insufficient to meet most urgent needs when building was resumed. While New Jersey is to be commended for her general limitation of all indebtedness, and for her reservation of a definite portion of this for the use of the public schools, it would seem that the supreme importance of education in a democracy justifies insistence upon the principle that no legal maximum should be established in the use of public school credit other than that for general indebtedness.

1. New Jersey School Laws, 1918, p. 44, Sec. 95.

## Chapter VII

### Needed Reforms.

"We ought not to be over-anxious to encourage innovation, in cases of doubtful improvement, for an old system must ever have two advantages over a new one: it is established, and it is understood." --- Colton: Lacon.

In the preceding chapter the thought that real progress is made slowly has been kept in mind. The corrective measures and reforms that have been considered have been chosen because of their possibilities of practical and successful application as well as their desirability.

It is not expected, however, that the validity of all criteria advocated will be accepted. Neither is it certain that all the desirable results anticipated from every suggested change would follow. But while some of the suggested reforms may not receive universal approbation because of the advanced position taken, there should not be grounds for extreme disagreement. Our measurements of achievement in public school finance are still too crude to admit of more than general treatment. The following suggestions for the improvement of the New Jersey system of public school finance are offered in the belief that they are reasonable and practical, and that they can be successfully incorporated and administered.

#### A - PUBLIC SCHOOL REVENUES

We have seen <sup>that</sup> New Jersey needs more revenue. The percentage of enrollment and percentage of average daily attendance should be materially increased. The salaries of a large per cent of the teachers must be increased considerably to make them adequate. Moreover, a large number of teachers without proper qualifications are still employed.

Theoretically, the state of New Jersey does not spend a large enough portion of its total revenues for public education, and this proportion is decreasing. A large portion of the revenue now furnished is levied upon a questionable source.

This situation may be relieved in two ways. This state should actually increase its revenues by increasing its taxes on corporations, including railroads, and by such other methods as it cares to utilize; it may and should, theoretically, apportion a larger portion of its total revenues to the support of education than at present.

In the matter of distribution the state should adopt substantially the same method in apportioning the state school tax and state railroad tax among the counties, as is used within the counties to apportion the state moneys to the various districts.

The county should be adopted as the unit of local LOCAL SUPPORT support in order to equalize some of the inequalities obtaining as between districts. To increase local support and improve the efficiency of local expenditures, some larger measure of taxing power should be given to boards of education.

#### B - PUBLIC SCHOOL EXPENDITURES

The law should more definitely fix the responsibility for the preparation of the budget. Moreover, the creation of another office (business manager), with authority greater than that of the superintendent in matters of vital educational concern is to be condemned. Where necessity demands, a business manager should by all means be employed. But besides the administrative advisability of a single head, the work of a business manager should be guided in the light of its educational implications and relations. The fields of education are ever becoming more specialized. The superintendent is becoming more of an expert. He is the logical



choice to harmonize the educational needs and fiscal possibilities.

While the borrowing power should always be available, it is desirable that some plan other than borrowing should be worked out to meet casual deficits. A reasonable public school reserve account may well exemplify the fundamental principles of thrift which are stressed in all schools. It is better psychology to levy a slight tax for a reserve which is the common fund of all and draw upon it as necessary, than to need to ask a levy for money already spent. The latter is paying for something that we didn't know we got.

#### C - PUBLIC SCHOOL CREDIT

As has just been suggested, it should not be necessary to use credit to overcome casual deficits. An ordinary use of credit should consist in borrowing to finance building projects or others involving large amounts that could not easily or conveniently be raised by current taxation.

The term of years allowed for the retirement of bonds should be materially reduced, both as to buildings, and equipment, furnishings, and apparatus.

The legal maximum of borrowing power for public school purposes should be removed so that districts may use as large a portion of their credit for the benefit of the public schools as they see fit.

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