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GRAPEVINE

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A newsletter on state tax legislation; state appropriations for universities, colleges, and junior colleges; legislation affecting education at any level. There is no charge for GRAPEVINE, but recipients are asked to send timely newsnotes regarding pertinent events in their respective states.

IN THIS ISSUE

Statement of ownership and circulation of GRAPEVINE is on Page 400 (reverse hereof).

NEW YORK CITY. The Board of Regents of the University of the State of New York and State Board of Education (one board, and not to be confused with the Trustees of the State University of New York) early in January recommended that the Board of Education of the City of New York be given fiscal independence, including the power to levy taxes for school purposes.

This move is regarded as a means of rescuing the city school system from its hopeless entanglement in the vast municipal bureaucracy, and to forestall recurrence of the disgraceful breakdown which occurred in the early 1960's.

The Board of Regents scrutinized separately the New York City Board of Higher Education, which governs the City University (so named in 1961, and composed of four city colleges and three community-junior colleges).

The Regents recommended that the 21-member Board of Higher Education be reduced in size, and suggested that adoption of a compulsory retirement age would be a good initial step toward that end.

The Regents also urged that a uniform tuition fee of $400 a year be established for the city university, as was done in 1963 by the state university.

Currently tuition is free for full-time regular students at the four city colleges, but fees of $300 a year are charged at the three community-junior colleges.

Mayor Wagner, strongly backed by the members of the Board of Higher Education, many members of the college staffs, the alumni associations of the city colleges, and other educational and civic groups, has proposed in his fiscal message to Governor Rockefeller that fees be abolished at the community colleges, with the state and the city sharing the cost equally.

Thus the issue is drawn: free tuition in all units of the city university versus a uniform $400 tuition fee. Pressure from Albany has been brought for the latter since 1961, when a statute requiring free tuition in the city colleges was repealed; but this pressure has thus far been successfully resisted in New York City.

Mayor Wagner is said to have pointed out that compulsory retirement for age would immediately deprive the Board of Higher Education of five of its leading members; and the press has quoted him as saying:

"I am for the young in heart, regardless of calendar age. What the Regents want is a board that will be a little weak in the ears and won't be able to hear the united voices of the people, and a little blind to what the future of our civilization rests on -- the availability of education for all."

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UTAH. A 10-page leaflet on Coordinating Higher Education in Utah describes the nature and role of the Utah Coordinating Council of Higher Education, created in 1959:

"The Council conceives its role as advisory rather than administrative. Through its research and informational functions, it provides a unifying force in helping institutions analyze their common problems and work cooperatively toward resolving them."

This is markedly different from the outmoded (and apparently defunct) theory under which several states over a considerable period prior to 1950 took the drastic step of abolishing their institutional governing boards and placing the state colleges and universities under a single state board which undertook to operate them all as a consolidated bureaucracy.

In those states the single boards invested with concentrated coercive power are now being advised to avoid overemphasizing their purely administrative functions by decentralizing them to the institutions, and to cultivate institutional autonomy and esprit by cooperative, advisory, and other non-coercive means.

Harsh compulsion can easily be overdone in the management of higher education in the public interest.

Nearly all the statewide boards of higher education created in recent years, by whatever name or style, are advisory boards enjoined to conduct studies and make recommendations to the existing governing boards, the governor, and the legislature.

They have few or no powers of coercion over the governing boards of existing institutions. Instead their function is to carry on continuous surveys of the statewide scene, and use the facts as the basis for the encouragement of inter-institutional cooperation and better public support of higher education in the state as a whole.

BRITAIN AWAKENS

In recent months British newspapers and periodicals have been burgeoning with discussions of the necessity of expanding greatly the facilities for higher education in the United Kingdom.

The Committee of Inquiry into Higher Education in Britain headed by Lord Robbins has studied the subject for three years and produced a report recommending that the number of students accommodated should rise from 216,000 in 1962-63 to 580,000 by 1980-81.

This would involve increasing the present number of institutions (32) to 60, as well as enlargement of the existing ones. The Committee urges the establishment of six new universities (one of them in Scotland) and of more than 20 new institutions of higher education of other types. Colleges of advanced technology, teacher training colleges, and regional technical colleges would be upgraded to the status of degree-granting.

The main report, Higher Education, is available from Her Majesty's Stationery Office, London, England, at 15 shillings per copy. Supporting reports include The Demand for Places in Higher Education, 18s.; Teachers in Higher Education, 15s.; and Administrative, Financial and Economic Aspects of Higher Education, 12s.-6d.

To be published later are Students and Their Education (2 vols.) and Higher Education in Other Countries. Attuned to the times, the London School of Economics has launched a "Unit for Economical and Statistical Studies in Higher Education", with a 5-year grant of 60,000 pounds from the Nuffield Foundation. The University of Essex has a 3-year grant from the Gulbenkian Foundation of 30,000 pounds to establish a "centre for research into higher education."

NEW STATE TAX LAWS OF 1963

Each year's crop of new state legislative enactments accomplishes many revisions and modernizations of the fifty state revenue systems. Keeping them abreast of economic change is a continuous task. The forty-seven regular sessions of 1963, plus a few special sessions, produced an interesting quota of new tax statutes, of which only a small part can be sketched here.

Look successively at (1) state income taxes, (2) general sales taxes, (3) special sales taxes, such as those on gasoline and cigarettes, and (4) taxes on beverages, alcoholic or otherwise, and miscellaneous other types of state taxes.

State Income Taxes

The year was not a very successful one for income tax reform. Perhaps the most important advance was made in Wisconsin, where the rates were increased by three-tenths of one per cent in all brackets except the top, where the rate continues at ten per cent. Wisconsin also added a $2 filing fee for state income tax returns.

Missouri made minor revisions in the state income tax, and authorized major cities to levy an "earnings tax" at a rate not to exceed one-half of one per cent. Kansas placed a 5 per cent net income tax on banks, savings and loan associations, and credit unions.

Indiana's thirty-year-old gross income tax on individuals and unincorporated businesses was replaced, as of July 1, 1963, by an adjusted gross income tax at the rate of 2 per cent, with personal exemptions, and a tax credit of $6 a year for each taxpayer and each dependent, intended to compensate for the fact that purchases of food and drugs are covered by a new general retail sales tax of 2 per cent enacted at the same session and mentioned later herein. Another feature of the new tax act amounts to a 2 per cent tax on net earnings of business corporations.

Two notable income tax fiascos occurred: in Michigan and Oregon. In the late 1950's a bipartisan joint legislative study committee in Michigan recommended an income tax. Bills drawn to implement the plan were advocated by Governor Williams and his successor, but were repeatedly defeated. In 1963 Governor George Romney took office, and soon urged the legislature to conclude its regular session expeditiously in the spring and await his call for a special session in September for state tax reform. Meantime he studied Michigan's tax problems and held hearings on the matter, eventually proposing a program which included a personal income tax at the flat rate of two per cent, a $3\frac{1}{2}$ per cent corporation profits tax, and a $5\frac{1}{2}$ per cent tax on banks and financial institutions.

These measures would have produced new revenue of the order of two to three hundred million dollars a year, but the gains would have been largely lost on account of his proposed repeal of the business activities tax and the intangibles tax, and his urged exemption of groceries and prescription drugs from the Michigan sales tax of 4 per cent. He also hoped for reduction of local property taxes, and would have authorized local subdivisions to levy their own local income taxes at a rate not exceeding 1 per cent.

In the autumn special session the governor's entire program of tax revision failed of enactment, leaving him somewhat crestfallen, and the legislature went home after a few weeks of futile wrangling. The income tax was the principal bone of contention.

In Oregon changes in the state income tax laws which would have brought in $30 million a year of new revenue were subjected to a popular referendum in a special election October 15, 1963, and defeated by a wide margin. Thus the state income tax story for 1963 ended on a sour note.

General Sales Taxes

Activity in the field of general sales taxes occurred in at least a dozen states. It appeared in three principal forms: (1) enactment of a new retail sales tax, (2) upward revision of rates, and (3) broadening of the base by applying the tax to additional types of transactions, or by eliminating certain purchases previously exempt.

Indiana enacted a new 2 per cent general retail sales tax, with food and drug purchases not exempted, but permitting a flat tax credit of \$6 per personal exemption annually against the individual's adjusted gross income tax liability. Intended to be effective July 1, the sales tax was delayed by litigation brought by leaders of organized labor, but went into effect October 24 after a favorable decision of the Indiana supreme court.

Pennsylvania raised the rate to 5 per cent from 4 per cent. The 5 per cent rate is the highest of any state. Michigan and Washington have the 4 per cent rate. This year Alabama and Maine raised the rate to 4 per cent from 3 per cent. Missouri moved up to 3 per cent from 2 per cent. Utah raised to 3 per cent from 2½ per cent.

North Dakota raised the rate to 2¼ per cent, broadened the base somewhat, and provided that all sales tax receipts go into the general fund, thus abolishing the "allocation" or "earmarking" of general sales tax proceeds for specified purposes.

New Mexico increased by 50 per cent the rate of its gross receipts tax, which is largely a levy on sales of goods and services. Together with several other lesser revisions and extension of temporary increases in personal and corporate income tax rates, this is expected to produce \$25 million a year in additional revenue.

The coverage of existing sales taxes was extended in at least half a dozen states. Florida broadened the sales and use tax to bring in some \$63 million of additional revenue for the ensuing biennium. Tennessee extended it to cover purchases of utilities, laundry and dry-cleaning services, and personal property repairs. Arkansas extended the 3 per cent sales tax to include pin-ball machines, music machines, mechanical games and similar devices.

South Dakota broadened the sales tax to cover hotel and motel services, and purchases of beer and liquor. Vermont expanded the base of the 3 per cent tax on rooms and meals. Wisconsin extended the 3 per cent sales tax to several new categories. Texas removed several exemptions from the 2 per cent sales tax, one of the major exemptions thus removed being for articles of clothing costing less than \$10.

Special Sales Taxes on Motor Fuels and Cigarettes

One cent per gallon increases in gasoline taxes were enacted in a handful of states. The rise was to 6¢ from 5¢ in Arizona and Minnesota, to 8¢ from 7¢ in Tennessee, and to 7¢ from 6¢ in California, where truck weight fees were also increased by 19 per cent. The added revenue in California was projected as \$45 million in 1963-64 and \$75 million in 1964-65.

Boosts of one, two, three, or four cents a pack in cigerette taxes were made law in more than a dozen states. Some of these are exhibited in Table 65, which does not purport to be all-inclusive.

Table 65. Increases in cigarette taxes enacted in 1963 in fourteen states.

States	Old Rate	New Rate
(1)	(2)	(3)
Florida	5¢	8¢
Minnesota	7¢	8¢
New Jersey	7¢	8¢
Vermont	7¢	8¢
Wisconsin	6¢*	8¢*
Utah	4¢	8¢
Idaho	6¢	7¢
North Dakota	6¢	7¢
Tennessee	5¢	7¢
Connecticut	5¢	6¢
Nebraska	4¢	6¢
South Dakota	5¢	6¢
Iowa	4¢	5¢
Indiana	3¢	4¢

* Includes the regular cigarette tax for the general fund, plus a one-cent earmarked sales tax allocated to conservation.

In these fourteen states the average rate-rise was 1.6 cents, going upward from 5.3 cents to 6.9 cents.

Other Miscellaneous Taxes

Tobacco products, beverages (alcoholic), colored oleomargarine, racetrack betting, and the operation of public utilities all received attention from the revenue-raisers in one state or another. Utah placed a tax on 25 per cent on sales of tobacco products other than cigarettes. Florida raised beverage taxes to produce an additional $17 million for the biennium.

Nebraska also increased the beverage taxes. New Jersey raised the liquor tax by 30 cents per gallon. Wyoming boosted the tax on beer to 6 cents per gallon from 2 cents. Pennsylvania increased the rate on liquors by five per cent. New Mexico expects an additional $1 million a year from higher taxes on whiskey, wine, and beer, and occupational license fees on the liquor industry. Tennessee enacted a new $1\frac{1}{2}$ per cent tax on gross receipts from sales of bottled soft drinks.

Minnesota, where dairy farmers are numerous and militant, placed a 10 per cent tax on colored oleomargarine. Nebraska raised the levy on pari-mutuel betting to 3 per cent from 2 per cent. New Hampshire caused sensational headlines by authorizing the sale of sweepstakes tickets as a new source of revenue for the state. New Jersey levied a $12\frac{1}{2}$ per cent surtax on public utilities. Another act provided for six extra days of racing and an increase of one-half of one per cent in the state's share of pari-mutuel receipts.

The foregoing report is by no means complete. It mentions about 27 states. The Associated Press, summarizing a recent survey by the Tax Foundation, Inc., of New York, has indicated that 35 states enacted new tax measures in 1963; and that the estimated new revenue to accrue exceeds $1 billion a year.

There are two paramount reasons why the continuous improvement of state revenue systems is of great significance: (1) A tax structure does not automatically adjust itself to changing economic and social conditions; this requires constant exercise of legislative judgment, based on steadily renewed factual data; and (2) New needs for public education and other public services for a rapidly increasing population imperatively require that state revenue receipts be increased, and justice demands that revenue systems be adjusted to be as equitable as possible, as well as productive.