

SCHOOL REVENUES IN LIEU OF HOMESTEAD EXEMPTION

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SCHOOL REVENUES IN LIEU OF HOMESTEAD EXEMPTION

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INTRODUCTION

In the preparation of this thesis it has been necessary to study every financial statement for each school district in the State and to gather other information from the State Superintendent's office, the Statistics and Research Division of the Oklahoma Tax Commission, the opinions of the Attorney General, and the decisions of the Supreme Court and the Oklahoma Court of Tax Review as compiled by the State Examiner and Inspector's office.

This is an extensive study and time forbids that every implication of Homestead Exemption as it affects the State can be studied. Therefore, in this thesis the writer has studied Homestead Exemption only as it affects school revenues from the ad valorem source.

CHAPTER I
AN INTRODUCTION

In this study of School Revenues in Lieu of Homestead Exemption, it is the desire and purpose of the writer to show just the status of school revenues and conditions of school finances in 1937 after the passage of the Homestead Exemption Law and not to show the workings of the law nor the net result affecting the other departments and functions of government. This is an entirely new study and is the first of its kind to be made in the study of the net worth of the Homestead Exemption Replacement Fund to the State.

To show the complete working of the Homestead Exemption Law and its net worth to the State it would be necessary to study other agencies and organizations of government which receive money from legislative appropriations in the form of replacement funds in lieu of the money lost through the decrease in valuation due to Homestead Exemption. Therefore, it does not come within the scope of this study and is therefore not considered.

This study limits and confines itself to Homestead Exemption only as it affects the ad valorem tax source of revenues for schools.

The years 1936 and 1937 were taken for study for the reason that year 1936 was the last year in which schools received ad valorem tax money on certified valuations before an exemption, and the year 1937 was the first year in which the Homestead Exemption would operate causing a lower ad valorem valuation, and as a result, a lesser amount of money from the ad valorem tax source.

Since the ad valorem tax, based on the valuation of real,

personal, and corporate property, was the only source of school revenue affected by Homestead Exemption, this study is directed toward this source and its comparison with the amount of money given the several districts of the State in the form of Homestead Exemption Replacement Fund.

The central theme of this thesis is the total amount of ad valorem tax money lost or gained in 1937 by an increase or decrease in valuation of taxable property from the year 1936 to the year 1937 and the amount of Homestead Exemption Replacement money received by the schools of the State in lieu of this change in valuation.

This is considered an important study and of interest to the school people of the State as well as the Legislature of the State for in this study will be found information which will be necessary as a foundation for subsequent legislation for the support of schools.

The data secured for this study has been taken from the financial statements or estimates for all the school districts as filed in the State Board of Equalization office. From these statements have come such items as valuation, levy voted by districts, levy allocated by Excise Board, total levy spread on tax Rolls, ad valorem tax appropriated, Homestead Exemption Replacement Fund received, and mandatory tax reduction items as found on these statements for the two years 1936 and 1937 included in this study.

H. D. F.

May 16, 1938

CHAPTER II

CONTROLS OF SCHOOL FUNDS

From year to year the amount of money appropriated for the public schools of Oklahoma has been increasing. It is natural therefore, for the state to assume protection of these funds and safeguard their usage by the passage of legislation restricting their uses, by the creation of departments of state and by the appointment of Boards to supervise the administration of the law and to make rules and regulations controlling the apportionment and distribution of the money appropriated.

Other agencies of control are found in the county, the school district board and in the power of the people themselves to vote and levy a tax on their own property.

In addition to offices of control and persons empowered with authority to administer the law as well as make rules and regulations of procedure, there is a system of bookkeeping and accounting and a required form for keeping all records. These forms are the required forms as prescribed by the State Examiner and Inspector's office. Such forms as the warrant, the claim, the purchase order, and the certificate of appropriation are form controls on the expenditure of school funds.

The state agencies of control surveyed in this study are:

1. The legislature
2. Constitution
3. State Board of Education
4. State Equalization Board
5. Courts (Oklahoma Court of Tax Review and Supreme Court)
6. Attorney-General or Bond Commissioners.
7. State Examiner and Inspector.

The County Officers and agencies of control are: 1. Excise Board, 2. County Assessor, 3. County Superintendent, 4. County Commissioners.

The agencies of control of the local district are: 1. People of the district, 2. local school district board.

The most effective school fund controls are the two sources of power in the framework of the government. The governmental agencies of the people are the origin of all control and are the sources from which all restrictions and prohibitions come, as well as the source of all permission and authority for the creation of commissions, departments, and agencies for the collection of funds and the disbursement of money and the administration of law by well regulated and definite legal procedure.

The Constitution of Oklahoma is within itself a control of funds as well as a source from which money may be derived by application of law permitting taxation for the purpose of raising revenue. All departments of state created, all commissions established, and all legislative acts are predicated upon the power granted to the State by the Constitution or by those powers not expressly prohibited by it.

Legislative enactments providing for revenue or laws passed restricting procedure in the form of control are only valued insofar as they are in keeping with the Constitution of the State of Oklahoma or are not in conflict therewith and therefore unconstitutional. The Constitution therefore is the origin of legislative power and authority as well as the source of all prohibition and restrictions on the enactments of the Legislature. In this way the Constitution is the

fundamental and primary control both on acts of men as well as on workings of law.

The second control in importance in school fund control is the agency of the State known as the Legislature. By statute or legal authority school funds are made possible and are clothed with restrictions and limitations. Thus it is from these two sources -- the Constitution and the Legislature -- that we receive our greatest number of controls. The Constitution may provide for an agency or department but delegate to the Legislature the right to empower the agency with whatever authority it may deem necessary and expedient, which vested authority must not be in conflict with the Constitution.

Two types of control used are legislative controls and administrative controls¹. In Legislative controls one finds the controls and limiting factors stipulated in the law as a definite, specific, and rigid provision which is uniform and not changed by ideas of individuals or by the option and arbitrary opinion of the officer. These specific controls found in statutory forms are inflexible only to the extent that some judicial body vested with proper jurisdiction has authority to determine them unconstitutional.

Administrative controls are those controls of men and not of law. These controls are variable, indefinite, and flexible. They are the interpretation of law as given by the ones vested with authority to make rules and regulations governing the administration and execution of certain legal provision. It is not, therefore, a question of legal right but an injection of opinion projected to the application of

1 Carr, State Control of Finance in Oklahoma, p. 7

legislative enactments called laws. J

There are too many legislative controls of school funds for one to undertake to enumerate and study in this thesis. ^{Paper} However, enough controls will be given and studied to establish the meaning and the point meant when the term legislative control is used. J

The makers of the Constitution breathed into that document the power to create specific counties and define their boundaries and provided for the procedure for creating and forming new counties.² By virtue of this authority vested in the Constitution, counties could be formed with varying size and shape, and with various types and amount of wealth. Therefore by implication the Constitution controlled wealth by application of the authority in the creation of the county which is the smallest sub-division of state government.

The Constitution provided for a system of free public schools including a system of "separate" schools for negro children³ and restricted the attendance to the schools to the respective races.

There must be a limit to the taxing power of a government or of a political sub-division thereof lest taxes should be levied to the extent of confiscation of property for inability to pay or from refusal to pay. With this thought of excessive taxation in mind the framers of the Constitution placed a prohibition upon such authority and limited the taxing power of school districts and other political sub-divisions of government. J

2 Oklahoma Constitution, Art. XVII

3 Oklahoma Constitution, Art. XVIII, Sec. 1, 2, 3

The maximum limit of ad valorem tax rate for school purposes is fifteen mills on the ad valorem valuation of property.⁴ The authority for allocation and distribution of the fifteen mills is vested in the Excise Board of the County.⁵ "Until such a time as the regular apportionment is otherwise provided for by the Legislature and such authority is as all inclusive as is the right of the Legislature to regularly apportion the same in the future."

The maximum limit for separate school purposes is two mills on the dollar of ad valorem valuation.⁶

It is quite necessary to finance building programs and permanent improvement through taxation. To keep the school district in a state of solvency and to be able to meet its obligations at their maturity the Constitution prohibits the floating of a bond in excess of five per cent of the value of the taxable property in the district at the time of the last assessment previous to incurring the indebtedness. School districts are also forbidden to incur current debts in excess of the current revenue available for the fiscal year.⁷ The intent of this restriction is to keep the school district on a cash basis and thereby make the warrants payable. In connection with this constitutional limitation relative to incurring current debts in excess of current revenue the Supreme Court⁸ held that: "Any liabilities in excess of the current revenues for the current year are void unless authorized by a popular vote and within the limits provided."

4 Oklahoma Constitution, Art. X, Sec. 9, (As amended in 1933)

5 Ibid.

6 Oklahoma Constitution, Art. X, Sec. 9 (As amended in 1933)

7 Oklahoma Constitution, Art. X, Sec. 26

8 Supreme Court Michael vs. City of Atoka, 76 Okla. 266 (1919)

The most abundant source of school revenue in the General Fund of the local district is the ad valorem tax appropriation. The two factors determining the amount of this money are the valuation of the ad valorem property and the tax rate levied.

Some uniform and equitable manner of property assessment at a fair value was needed to compute the value of property and to keep it from being assessed too far below its fair cash market value.

The Constitution provides for a uniform and fair assessment by stating that all property which may be taxed ad valorem shall be assessed for taxation at one hundred per cent of its fair cash value estimated at the price it will bring at a fair voluntary sale.⁹

One of the best ways of a long time financing program is to borrow money. Many Boards of Education build new houses on the long term payment plan. The procedure of financing such a building program is the floating of a bond. The bond issue and procedure as well as the forms are prescribed by the Attorney General of the state who is by virtue of his office ex-officio Bond Commissioner.¹⁰

He is required by law to supervise the procedure and give legal advice to the corporation issuing the bond. In order to safeguard the funds borrowed by the sale of bonds and to guarantee the payment of bonds at maturity the Constitution placed a restriction on the spending of money and prohibited delay in extension of time of payment. The constitutional provision covering bonds, judgments, and sinking fund accruals for retirement states that "all laws authorizing any

9 Oklahoma Constitution, Art. X, Sec. 8

10 O.S. 1931, Ch. 27, Art. V, Sec. 5413 - 14

local unit to borrow money shall specify the purpose for which the money is to be used and said money shall be used for no other purpose; that the sinking fund tax of a local unit shall be sufficient to provide for the retirement of outstanding judgments as well as bonds and all local bonds must be retired within twenty-five years".¹¹ The amount for which a district can bond itself shall not exceed five per cent of the valuation of the district as assessed for taxation in the previous year before incurring indebtedness.

The legislative controls are more numerous than the constitutional controls for the reason that power and authority are vested in the Legislature by the Constitution for making laws and any law passed by the Legislature for control and safeguard of funds is valid, effective, and binding insofar as its provisions are not in violation of constitutional right. This being true the Legislature has proceeded to pass many laws providing funds and safeguarding their uses by placing restrictions on them.

Some of these legislative controls in the form of laws are here mentioned to show possible examples and ways to establish the meaning of the subject under discussion.

The Legislature places a direct control on local indebtedness by providing that all local officials are required by law to sell bonds for a sum not less than par plus any accrued interest and failure to do so constitutes a misdemeanor punishable by further provisions of the law.¹²

11 Oklahoma Constitution, Art. X, Sec. 16, 26, 37

12 O. S. 1931, Sec. 5927 - 28

It is necessary in many instances for school district boards to refund debts. It may be a bond issue which has not been retired at maturity, or it may be judgments on non-payable warrants. Whatever the debt is to be refunded, the school district can under law refund the indebtedness by a funding bond of a serial type and the funding bond can bear no higher rate of interest than the bond or judgment refunded.¹³ "No debt can be refunded that has not been outstanding at least two years."¹⁴

In the Sinking Fund created for the retirement of debt services there occasionally is found a deficit. Many times the Sinking Fund rate has not been sufficient to raise the annual accrual necessary to retire the indebtedness at its maturity. Some time poor ad valorem tax collections do not produce sufficient revenue to meet the Sinking Fund obligation and it becomes necessary to make special effort and provision for retirement of the Sinking Fund deficit. This procedure is outlined by statutory requirement and means are provided for by all to meet the need of the Sinking Fund obligation. The Legislature placed a control on Sinking Fund deficit retirement by making it possible for the taxing body to levy an additional Sinking Fund tax to retire the deficit. "When tax levies have been made in three fiscal years for the payment of a valid judgment and said judgment remains unpaid the municipal corporation shall make an additional levy sufficient to pay the balance due on said judgment".¹⁵

During the years of 1932 and 1933 the ad valorem tax payer scarcely could pay his taxes. The inability to pay during these years of

13 S. L. 1935, Ch. 32, Art. VI

14 Carr, State Control of Local Finance in Oklahoma, p.

15 S. L. 1933, Ch. 27, Sec. 1

depression made many taxes delinquent which in turn made General Fund school warrants of less value. Instead of warrants being cashed at par, they were subjected to large discounts and were later forced into judgments for payment. Because of this high percentage of ad valorem tax delinquency which directly reduced the value of General Fund school district warrants, as well as other warrants, the Legislature attempted to solve the problem of "hot warrants" by authorizing County Excise Board to reserve not to exceed twenty per cent for delinquent tax reduction.¹⁶ This meant smaller General Fund appropriations because of larger reserves for delinquent taxes and as a result fewer warrants were issued but they had a higher market value. When the Excise Board has made this reserve delinquency and certified to the rates "the amount of reserve so determined shall not be subject to review".¹⁷

Many non-payable warrants were being held in 1934-1935 and in order to grant relief from this warrant situation and hasten the time for payment, there was enacted a law which provided that all non-payable warrants became due one year¹⁸ after the close of the fiscal year and compelled the school district to fund this obligation when it is evident it cannot be paid in the normal manner.¹⁹

As has been said, heretofore, ad valorem tax is the largest source of local school district revenue. Therefore, the greatest relief from the Legislature came through enactments affecting payment of taxes.

16 S. L. 1933, Ch. 85, Sec. 1

17 Ibid.

18 S. L. 1935, Ch. 32, Art. VII

19 Carr, State Control of Local Finance in Okla. p.

Each time the ad valorem tax payment was affected it directly influenced school money and the warrant situation. One relief to the ad valorem tax payer was the passage of an act canceling the penalty and interest on 1932 and back taxes,²⁰ but interest was to be resumed at the rate of twelve per cent if such taxes remained unpaid after December 1935. To provide further time and grant more relief the Legislature in 1935 passed a law²¹ waiving the penalty and interest on property tax through the fiscal year 1934-35 if the taxes were paid by May 1, 1935.

Many school districts in the State offer transportation, receive and transport transferred students. This is made possible by legislative permission. The amount of money provided for payment of transferred students is set by statute. As a protection against abuse of the transfer fund, as well as safeguard and guarantee the transfer fee, the Legislature passed a law relative to transfers and transfer fees and provided that: "The governing body of any school district in the State is authorized to include in its financial statement or estimate a sum of anticipated receipts from transfer fees for such children transferred to the district based upon transfers actually authorized at and prior to July 1 of the current calendar year". The law sets out the procedure for determining the amount of transfer fees and makes it mandatory upon the part of the Excise Board "to include said sum as expected income in determining the district's revenue available for appropriation for the current year".²² Also in this relation the amount of money which

20 Carr, State Control of Local Finance in Okla. p.

21 S. L. 1935, Ch. 66, Art. XV, Sec. 15

22 S. L. 1937, Ch. 34, Art. VII, Sec. 1

can be credited to the General Fund of a "receiving" district as transfer fees is defined by law as being "the pro rata part based upon scholastic enumeration of public funds of said district shall be credited to the district where he attends school²³...."

The remainder of the transfer fee above the pro rata part to the receiving district from the transferring district "shall be paid by the State out of money provided for the Common School Equalization Fund provided that in no case shall the State pay transfer fees to any district in an amount sufficient to make the total in any one year for any pupil exceed ninety dollars for that year."

Several independent majority white school districts have separate schools or negro schools within their district boundary and as such they come under the administrative supervision of the Independent School Superintendent. Before 1937 the Superintendent of the Independent District devoted much of his time to administration and supervision of the "separate" school without any pay from this fund for his supervision of their educational program. A bill, which provided part of the Superintendent's salary from this source, states that "after the Board of Education of an Independent District has prepared the budget and the same shall have been published, the Excise Board shall levy a tax not to exceed two mills on the dollar on the valuation of the property in the County and from such sum raised the Superintendent shall receive a sum sufficient to pay a reasonable pro rata share of the cost of superintending, supervising, and administering the school and school system of the said Independent School District".²⁴ This makes it possible for the Superintendent of the

23 S. L. 1933, Ch. 13, Sec. 2, Sec. 6

24 S. L. 1937, Ch. 34, Art. XIII, Sec. 1

Independent School to receive part of his salary money from the Separate School Fund.

Some of the more direct controls of school funds by the Legislature have been the specific appropriations for definite purposes. In 1937 the Legislature appropriated State Aid for school buildings. Any district in the State meeting certain specific requirements as stated in the law shall be entitled to receive "not more than three thousand dollars and in no event a sum greater than twenty-five per cent of the cost of the building constructed under the provisions of this act".²⁵

In 1933 the Legislature controlled to a certain degree teachers' salaries by including in an act appropriating six hundred thousand dollars to supplement SPECIAL COMMON SCHOOLS EQUALIZATION FUND for the fiscal year ending 1933 a provision providing that "no teacher shall receive a salary of more than one hundred dollars per month to be paid from this fund."²⁶

By specific appropriation of school funds, controls and restrictions are put on them. In 1935 the Legislature passed a bill appropriating eight million two hundred thousand dollars for school purposes²⁷ and provided that five million four hundred thousand dollars should be designated as Primary Aid in which fund every school of the State participated if the necessary qualifying millage had been voted. The Primary Aid was to be used for teachers' salaries only. Two million eight hundred thousand dollars was designated as Secondary Aid and

25 S. L. 1937, Ch. 34, Art. XIV, Sec. 1,2,3

26 S. L. 1933, Ch. 103, Sec. 1

27 S. L. 1935, Ch. 34, Art. V, Sec. 1,2

was to be apportioned to only the "weak" schools which did not have sufficient revenue from their local source plus Primary Aid to maintain school for a "minimum program" as provided for in the bill. Secondary Aid could be used for any purpose for which General Fund money could be used provided contracted teachers' salaries had been paid. The restrictions stated in the act provided that "no School Board or Board of Education shall use any of the moneys apportioned to the district for any purpose other than that for which it was appropriated".²⁸

In 1937 the Legislature appropriated twelve million eight hundred thousand dollars for the support of the public schools in Oklahoma and specifically appropriated definite amounts of one million eight hundred thousand dollars to replace Homestead Exemption and the sum of five million two hundred thousand dollars as Primary Aid for teachers' salaries only and the additional sum of five million eight hundred thousand dollars for the purpose of paying salaries, maintenance, and operating costs of the school in the "minimum program" as defined in the provisions of the act.²⁹ By definite restriction upon specific appropriation, the Legislature places a strict control upon the funds provided for in this bill and to be administered by the State Superintendent in keeping with the rules and regulations of the State Board of Education.

28 S. L. 1935, Ch. 34, Art. V, Sec. 2

29 S. L. 1937, House Bill 6, Sec. 1, 2, 3, 4, 5

STATE BOARD OF EDUCATION

The State Board of Education is an agency created by a law passed and approved March 6, 1911. This Board was to consist of seven members including the State Superintendent of Public Instruction who shall be the president and six members appointed by the Governor with the advice and consent of the Senate for a period of six years.¹

At least two of the members of the Board of Education must be practical school men who shall have had at least four years of actual school work, two years of which must have been in the State of Oklahoma.

The State Board of Education is vested with power to make all necessary rules and regulations governing the apportioning of all funds to be administered by the State Superintendent in keeping with the rules and regulations of the State Board of Education.

School revenue bills, such as House Bill 212 and House Bill 6 which provide for Primary and Secondary Aid, as appropriated by the Legislature, carry the provision vesting the authority in the State Board of Education, to make all rules and regulations for the administration of the provisions of these acts.²

Since more than fifty per cent of the school revenues come from the state, this agency should have the authority for making the rules and regulations for the proper administration and apportioning of such funds. By virtue of this authority vested in this state agency, it serves as a check upon the funds appropriated by the legislature and

1 O. S. 1931, Ch. 34, Art. III, Sec. 1

2 S. L. 1935, Ch. 34, Art. V, Sec. IV, Sub-Sec. 4

controls the expenditure of such moneys as is in keeping with the provision of the law.

In order to avoid some criticism which has heretofore been given to the State Board of Education for the arbitrary manner exercised by the Board in the making of the provisions for the administration of the finance measures it was thought best by those who make the policies to include as much of the detail in the law as was possible and to take this obligation from the State Board of Education. In this manner much of the criticism has been eliminated by including in the bill itself, as a part of the law, the necessary provision governing, restricting, and defining the administrator of the bill.³ However, the State Board of Education is still authorized to make rules and regulations⁴ and prescribe the forms⁵ necessary for the administration of the funds.

A ruling of the State Board of Education in 1933 relative to the "reserve delinquency ratio" was to the effect that the reserve delinquency for delinquent tax must be uniform throughout the school districts and the county. In this manner if a reserve delinquency of ten per cent was held for county statements the same ratio could be held for school district statements and any difference in the ratios reserved between schools and counties was to be reduced from the amount of State Aid the district would receive in a sum equal to that of the ad valorem tax lost by the increase in the reserve delinquency above that

3 S. L. 1937, H. B. 6, Sec. IV

4 State Board Education Rules and Regulations Bulletin 145, p. 11, 1937

5 S. L. 1937, H. B. 6, Sec. VII

of the county.

The State Board of Education is an administrative control rather than a legislative control. Therefore, it is a governing body of men and not a government of law. In this sense, its administrative control is more variable and more flexible.

STATE EQUALIZATION BOARD

The State Equalization Board is an agency directly connected with the assessment of property and closely associated as an agency of control of school funds. This Board is a constitutional agency provided for by the Constitution and is composed of seven state officers -- Attorney General, Examiner and Inspector, President of State Board of Agriculture, who serves as ex-officio member, Governor, Auditor, Treasurer, and Secretary of State.

The duties of this Board are to adjust, equalize valuations of real and personal property and to assess all railroad and public service corporation property.¹

The State Board of Equalization is empowered by the legislature to begin its session on the third Monday of June of each year and to "equalize, correct, and adjust valuation by increasing or decreasing the aggregate assessed valuation of the property or any class thereof in any or all counties".²

1 Constitution of Okla., Art. X, Sec. 21

2 O. S. 1931, Sec. 12656

This State Equalization Board therefore becomes the tax assessor for all corporate property in the State and certifies the valuation of such property to the County Assessor of each county who adds the valuation of the corporate property to the assessment of the real and personal property made by him and certifies to the total amount of taxable property in the county by school districts. In this manner the State Equalization Board serves as a control of the school finance by reason of its authority to raise or lower valuation.

In 1931 the Legislature created a three-man tax commission appointed by the Governor with terms co-terminous with that of the governor and with the advisory power over the assessment of property. The final power rests in the State Board of Equalization for certifying to property valuations. These two departments have worked together in a study of equitable tax assessment valuations.

When the Oklahoma Tax Commission reports its findings on valuations of corporate property it certifies the valuation of the State Board of Equalization which takes final action and makes adjustments by increasing or decreasing the valuation then certifies this valuation to the County Assessor as the valuation of the corporate property.

"The State Board of Equalization follows the recommendation of the Oklahoma Tax Commission as to the value of the corporate property. This Board adopted a resolution in 1932 to follow the practice of following the recommendations of the Oklahoma Tax Commission notifying the corporations of the valuation placed on property by it and then require it to submit a written protest within ten days if the corporation has any objection. Then, and only then, would the State Board of Equalization permit an oral argument".³

In 1933 the State Board of Equalization adopted a resolution to the effect that it would not hear an oral protests of public service companies unless they had already appeared before the Oklahoma Tax Commission and made complaint to that Body at the time it was preparing its valuation of the property in question.

It is of interest to note that many corporations list their holdings at different assessment valuations for different purposes. By this, I mean that for the purpose of fixing rates a certain valuation will be given and for the purpose of assessment for tax payment a different valuation will be given. In 1931 the Tax Commission raised the railroad and public service valuation in Oklahoma sixty-five million dollars.⁴ A further study showed that certain property was certified to the Corporation Commission at a valuation of seventy million dollars while the same property certified to the State Board of Equalization for a different purpose was listed at a valuation of sixteen million dollars; another example shows corporate property certified to the Corporation Commission at a valuation of fifty-five million dollars and the same property certified to the State Board of Equalization at a valuation of eleven million dollars; a third example shows corporate property certified to the Corporation Commission at a valuation of sixteen million dollars was certified to the State Board of Equalization at a valuation of one million dollars.

It can readily be seen of what value the State Board of Equalization is to the source of school finance. Most of the money coming

4 Carr, State Controls of Local Finance in Oklahoma, p. 99

to the local districts comes from the ad valorem tax source and with the authority vested in the Oklahoma State Board of Equalization to raise or lower valuations of property is placed the power of control of the ad valorem tax source to schools.

THE OKLAHOMA COURT OF TAX REVIEW

The Oklahoma Court of Tax Review was established in 1928 by the adoption of initiative petition Number 100¹ which is known as State Question Number 152. This court is composed of three district judges appointed by the Governor from any judicial district in the State and without reference to party affiliation. The Oklahoma Court of Tax Review convenes each year at the capitol on the first Monday in October. "The Court continues to meet on the first Monday of each following month until all protests have been heard. The State Auditor acts as Clerk of the Court".²

The Oklahoma Court of Tax Review is a protesting court. It is before this court that anyone protesting a tax levy or an item of appropriation may appear and protest the action of the municipality and that of the Excise Board in approving the municipalities' financial statement. When the financial statements of a county have been received and filed by the State Auditor a filing date is given the statements and the County Clerk from the county sending the statements is notified

1 Directory of State of Okla. 1933, p. 131

2 O. S. 1931, Sec. 12307

of this filing date. From the date of filing, there runs a forty day period allowed by law known as a "protest period" during which time all protests must be filed. The protest so filed must set forth the contentions of the protestant. The Oklahoma Court of Tax Review sets a day for hearing the protests filed against the county statements after the forty day protest period has expired. The County Clerk, the Chairman of the County Excise Board, and the County Attorney who is the legal advisor for the county, attend the hearing as officials representing the county. The County Attorney appears before the Court to defend and justify the making of the statements and the action of the County Excise Board in approving the Estimate and in certifying to the tax levy.

The "Protestant" is represented by his agent, usually an attorney, who presents evidence in law to show that irregularities have occurred in the making of the financial statements and that the Estimates have not been made in keeping with the law. The judges of the Court hear the arguments of the attorneys and listen to the legal authority as quoted in justifying the position of the maker of the statement and that of the "Protestant".

After the arguments have been heard and the legal authority cited, the Court gives its decision which will be a denial of the protest or a sustaining of the protest based on the facts as submitted and the law governing the case. The record of the written decision of the court is kept in what is called the Journal in which a record is made of the findings of the court and a record of the disposition of the protest. Whatever the court's decision is, the taxing body makes corrections in Estimates or financial statements to conform to the

order of the court unless an appeal from the decision is taken in which case the Estimates are unchanged and remain in statu quo until disposed of by the higher court. The Oklahoma Court of Tax Review has no regular place of meeting. Most of the time it meets in the Senate Chamber or in the House or Representatives when Legislature is not in session. The judges have equal ranking, and they select from their number one who is to be the presiding judge.

"Where there is no protest filed before this court within the forty day protest period, the court is powerless to order any change in the local government."³

COURT DECISIONS

A few court decisions affecting school revenues and the action of taxing officials and governing board is here given in order to show how court decisions affect school finance and control the revenues as well as governing bodies.

SUPREME COURT DECISIONS

The Supreme Court in Case Number 27516 handed down a decision of great importance to school revenues as it related to income tax collections which had been delinquent and were collected and impounded after the repeal of the Income Tax Law as the source from which the

³ Carr, State Control of Local Finance, p. 221

money was derived. In this case the Supreme Court decreed that the income tax which had been collected should be used to reduce the ad valorem levy and that before the counties could receive the benefit of the amounts it would be necessary that the Excise Board correct the tax levies and make reductions in the ad valorem tax and that the County Treasurer shall collect the taxes on the basis of the corrected levy as certified to by the Excise Board. In order that the Excise Board and the County Treasurers of the various counties might have authority to carry into effect the decision of the Supreme Court for the reduction of the tax levy, the Legislature passed a resolution stating: "Whereas the Supreme Court in Case Number 27516 ordered certain income tax revenues to be apportioned to the various County Treasurers and provided further that said sums of money shall not be available for distribution by the County Treasurer until said amounts have been deducted from the current ad valorem tax levy for school purposes. Provided that County Excise Boards shall correct tax levies and make reductions in ad valorem tax rates in the amount received, also the County Treasurer and County Assessor to make corrections and reductions and the County Treasurer to make refund of taxes".¹

In another case of the Supreme Court affecting the authority of the Excise Board to classify school districts for the purpose of allocation of the millage, the Supreme Court held, in the case of Lowden vs Stephens County Excise Board, that the Excise Board had authority to classify school districts for the purpose of allocating the millage.²

1 S. L. 1937, House Joint Res. 6

2 177 Oklahoma 33, May 5, 1936

This decision held that the allocation of the millage must be uniform in its application to the districts as classified.

A Supreme Court decision relative to the authority of the Excise Board to apportion the millage under Section 9, Article 10 of the Constitution as amended in 1933 was given to the effect that the Excise Board has authority given it by the Legislature and under the Constitution to apportion the millage and this authority is "as all inclusive as the right of the Legislature to regularly apportion the same in the future".³ (St. L. S. F. RR. Co. vs Tulsa County) This decision is an important decision in limiting and controlling school funds for the reason that the number of mills allocated by the Excise Board and the valuation of the property determine the amount of ad valorem tax to be made available for use in the local school district budget.

In the case of McDougal vs Broken Bow⁴ relative to the number of years for which bonds may be issued the Supreme Court held and its decision was: "That the retirement of bonds within twenty-five years does not prevent the issuance of bonds for a shorter term of years." This decision of the Supreme Court is important as affecting school revenue insofar as it affects the sinking fund by the issuance of bonds for a shorter length of time and would necessitate the making of fewer taxing periods with fewer years of annual accrual.

3 171 Oklahoma 180, (1935)

4 71 Oklahoma 231, (1929) (As taken from Carr, State Control, p. 30)

Many times Excise Boards have arbitrarily refused to approve certain appropriations holding to the belief that they might substitute their judgment for the judgment of the taxing body or local governing board and have failed to certify to certain levies necessary in making the appropriation. The Supreme Court held, in the case of Excise Board of Tulsa County vs State ex rel Board of Education of the City of Tulsa, that the Excise Board has no discretionary power to refuse to approve an appropriation where the local governing board has shown that the need for such an appropriation exists and that the necessary revenue is available.⁵ This decision taking this discretionary power from the Excise Board makes it possible for schools which have available revenues to make necessary appropriations irrespective of the belief of the Excise Board to the necessity of such an appropriation.

In some cases the Excise Boards have attempted to reduce teachers' salaries by reducing the appropriation and the levy which would make it impossible for a teacher to draw a certain contracted salary. The Supreme Court, in the case of Excise Board of Marshall County vs School District Number 34, gave the decision and the Court held that an Excise Board can only reduce a school levy as approved by the voters when the total appropriation requested does not require the full levy. Similarly, as to the number of teachers to be engaged by the Board, the Court held "that the question is for the determination of the school district and the Excise Board may not usurp that function of the school district by refusing to approve an estimate therefor or by refusing to fix a rate of tax levy where the same can be fixed within the constitutional and statutory limitation and within the amount fixed by

5 168 Oklahoma 216, (1934) (As taken from Carr, State Control, p.111)

a majority of the voters of a school district voting at an election held for that purpose."⁶

The Oklahoma Court of Tax Review has given several decisions affecting school revenues and the activities of the governing body. A few of these decisions will be given for the reason that they serve as limitations and controls of school revenues. The Oklahoma Court of Tax Review held in the case of a "Protestant" protesting that part of a superintendent's salary which came from the Separate School Fund to be invalid since it was their decision that the Estimate of pro rata superintending cost in "separate" school budget was in keeping with the law passed in 1937 by the Legislature providing for the superintendent of an independent district to receive part of his salary from the Separate School Fund. This decision was given in the case of C. R. I. and P. vs Pottawotomie County and was rendered November 5, 1937. From the holding of this Court in this case there is made possible part of the superintendent's salary from the Separate School Fund.⁷

Upon the passage of a new transfer law in 1933 providing for the receiving district to receive from the transferring district the pupil's pro rata part of the money a protest was filed by the Stranolind Pipe Line Company contesting the authority of a district to transfer its money from the transferring district. The decision of the Court is: "This Court refuses to hold unconstitutional Chapter 13 S. L., 1933 authorizing the transfer of pupils at the joint expense of residence

6 156 Oklahoma 261, (1932) (As taken from Carr, State Control, p)

7 Bulletin 37 - 7, Office of State Examiner and Inspector 1937

district and the State for the purpose of securing a high school education not available in the home district for the reason that the act is not clearly in contravention of any constitutional requirement".⁸

In keeping with this decision, it is possible for receiving districts to receive from transferring districts the transfer fees representing the pupil's pro rata part upon the per capita enumeration basis. This transfer fee is credited to the General Fund of the receiving district and in this way supports and increases the total amount of revenue available for appropriation. This decision was rendered November 8, 1937 in the case of Stranolind Pipe Line Company vs Tulsa County.

There has been much uncertainty as to the legal disposition of Federal Indian Tuition until a decision of the Oklahoma Court of Tax Review stated its proper placement in the Estimate. In most cases Federal Aid has been set up by the Excise Boards as a special fund and a separate series of warrants drawn against it. However, this decision requires that: "Half of the Federal Aid of Indian Tuition shall be estimated as 'County Apportionment' and other miscellaneous incomes where to finance the school budget where none has been so estimated." Protests sustained and Court's decision was that one-half of the Federal Indian Tuition must be estimated as County Apportionment and included in the exhibit for miscellaneous revenue. This decision was given in the case of Frisco vs Hughes County, December 2, 1937.⁹

⁸ Office of State Examiner and Inspector, Bulletin 37 - 7, (1937)

⁹ Ibid

A case coming before the Oklahoma Court of Tax Review wherein the Santa Fe Railroad Company was protesting some items of a Building Fund which were being used for purposes other than the building of a new building. The Constitution provides that a special Building Fund levy may be made only for the construction of new buildings and in this decision in the case above mentioned the Oklahoma Court of Tax Review held that: "This Court finds nothing in the provisions of Section 10, Article 10 of the Constitution authorizing the use of public funds levied thereunder to be used for any purpose other than for the construction of new buildings; and a protest against an attempt to use such funds to purchase furniture and / or equipment for such new buildings must be sustained". This decision denies a school board the right to use the money raised from a Building Fund for any purpose except for the erection of a new building. This decision was given in the case of Santa Fe vs Blaine County, December 10, 1937.¹⁰

STATE EXAMINER AND INSPECTOR

The office of State Examiner and Inspector is a constitutional agency and many of the duties of the office pertaining to the office are enumerated in the Constitution.¹ The State Examiner and Inspector must be an expert accountant and have three years' experience. He is

10 Office of State Examiner and Inspector, Bulletin 37 - 7, (1937)

1 Oklahoma Constitution, Art. VI, Sec. 19

in power to make and prescribe uniform accounting systems and to designate the type and kind of records used by county officers and other municipal officers including those of the school district.²

The Examiner and Inspector is authorized to examine the records of the County Treasurer at least two times a year. In 1933 the Legislature provided for a biennial audit of all county officials' books by the Examiner and Inspector and compelled the county to levy a special tax to provide funds for this purpose.³

All forms used by public officials are prescribed by the State Examiner and Inspector's office. In the making of the forms and in prescribing the budgetary practices and procedures the State Examiner and Inspector prepares the form in conformity with laws covering budgetary practices.

The control exercised by the State Examiner and Inspector's office is that of the auditing of all county officers budgets, independent school districts audits and the audits of school district records. In this respect this important office controls the revenues of schools by making them conform to his prescribed forms.

ATTORNEY GENERAL OR BOND COMMISSIONER

The Bond Commissioner Law passed in 1910 made the Attorney General ex-officio State Bond Commissioner. The duties of this officer are set

2 Oklahoma Constitution, Art. X, Sec. 30

3 S. L. 1933

forth by statute.¹ The Attorney General is the legal adviser for all state officers. He is an elected official and acts as the attorney for the State in all suits wherein the State is a party. It shall be the duty of the Bond Commissioner to prepare uniform forms and prescribe a method of procedure under the law of the State in all cases where it is desirable to issue public securities or bonds in any county, township, municipality, or political sub-division of the State. It shall be the further duty of the Bond Commissioner to examine into and pass upon any security so issued.

The Attorney General is included in this study and is listed as a control agency because of his legal influence and of his power to pass bond issues or to refuse the issuance of bonds. In this way his office acts as a state agent of control.

In performing his duties under the provisions of this section "the Attorney General is not confined to determination of whether or not the forms of procedures have been complied with but he may examine into all the facts and the conduct of the officers as to the good faith performance of their duties incident to such issue imposed upon them by law".² This decision was given in the case of the Board of Education vs Short in which a bond issue had been presented to the Attorney General for his passage and although the procedure was regular the Attorney General questioned the good faith performance of this Board and refused to approve the bond issue whereupon a suit was brought to force him to approve the bond issue and the Court held that

1 O. S. 1931, Ch. 27, Art. V, Sec. 5413 - 14

2 89 Oklahoma 2, 213, Pac. 857 (As taken from Carr, State Control, p.)

if he had cause or reason to believe that there was malpractice in the performance of the duty of the Board and if he questioned the purpose and motive of their action that the Attorney General was in his right in refusing to approve the bond issue.³

THE COUNTY EXCISE BOARD

The County Excise Board was created in 1931 by Legislative enactment. This Board is a three-man board appointed to act as a County Equalization Board. One member is appointed by the District Judge, another by the County Commissioners of the County, and the third member is appointed by the Oklahoma Tax Commission. "They are paid at the rate of six dollars per day, but the number of days for which they may receive pay is from thirty days to seventy days, depending on the assessed valuation of the County".¹

The Excise Board is vested with the authority of allocating the millage for school purposes. It has authority to examine the Estimate submitted to it by the school Boards and to "revise and correct any estimate certified to them".²

The Excise Board must appropriate in addition to the amount to meet current expense an additional amount required by law to meet the Sinking Fund need.^{3*}

³ Ed. Ed. vs Short, 89 Okla. 2, 213, Pac. 857

¹ Carr, State Control of Local Finance in Oklahoma, p. 108

² Ibid. p. 108

^{3*} S. L. 1935, Ch. 66, Art. XIII

Authority is vested in the Excise Board to approve and certify to the ad valorem valuation of the County and the School District. They may raise or lower valuation when in their judgment necessity requires it for equalization. The Excise Board determines the "reserve delinquency ratio". The Legislature gave authority to the Excise Board to determine the delinquency reserve not to exceed twenty per cent.⁴

Determination of the levy is made by the Excise Board who certifies the levy to be spread on the taxable property to the County Assessor who makes up the tax reports which are passed to the County Treasurer who collects taxes. "The personnel of the Excise Board consists of two hundred thirty-one members, one hundred six of whom lived in county seat towns, and one hundred twenty-five lived elsewhere; forty-four of the seventy-seven members appointed by the District Judge lived in county seat towns; thirty-four of those appointed by the County Commissioners, and twenty-eight of those appointed by the Tax Commissioner lived in county seat towns".⁵

The County Excise Board is a state agency of local character and personnel. These men acting for the County must be residents of the County and every member of the Board is required by law to be a property owner.⁶

Many times the Excise Board exceed their authority in attempting to reduce items of appropriation and to act arbitrarily in substituting their judgment for that of the municipality or school district when

4 S. L. 1933, Ch. 85, Sec. 1

5 Carr, State Control of Finance in Oklahoma, p. 124

6 Okla. Statues 1931, Sec. 12645

the appropriation comes within the revenues available. A court decision prohibiting the Excise Board from acting in the reduction of the items of appropriation in the case of the City of Ardmore vs the Excise Board of Carter County. The court held in this case that the Excise Board cannot reduce the appropriation of items they can only require and compel the taxing unit to reduce its total appropriation to fall within the total amount of revenue available but are without authority and are specifically forbidden to compel the taxing unit to reduce any particular item. The reduction of the appropriational items is strictly the duty of the officers of the taxing unit and not the duty of the Excise Board.⁷

The County Excise Board is considered in this study because of its authority to control ad valorem appropriations of school funds by adjusting the valuations and by the authority to allocate the millage. The County Equalization Board, which is known as the Excise Board, "shall hold sessions commencing on the fourth Monday in April and ending not later than the first Monday in June for the purpose of equalizing, correcting, and adjusting the assessment rolls in their respective counties of the State to conform to the fair cash value of the property assessed as defined by law. It shall be the duty of the said Board and they shall have the authority to equalize, correct, and adjust the assessed valuation of real and personal property by raising or lowering the valuation and to add omitted property".⁸

7 City of Ardmore vs Excise Board of Carter County, 155 Okla. 126

8 S. L. 1933, Ch. 115, Sec. 6

THE COUNTY ASSESSOR

The office of the County Assessor was created in the year 1911. The County Assessor is elected by a popular vote for a term of two years and is not limited by legislative prohibition on succeeding himself. The County Assessor is vested with the authority to appoint deputy assessors with the approval of the County Commissioners of the County. His office is at the county seat in the court house.

The County Assessor assesses all real property biennially in the odd number years beginning January 1. This property valuation is set by the Assessor and if not changed by the County Excise Board,¹ which is an Equalization Board, remains the same for the two years and can only be changed in the even years by the State Board of Equalization.

Personal property is assessed by the County Assessor every year. The County Assessor gives notice to the property owners that he will be at certain places on specified days after January 1 for the purpose of receiving assessments of their property. He then moves about the County meeting the property owners at the places and dates specified until February 15 after which time he remains in the office until March 1. After March 1, the Assessor declares those failing to make assessments to be delinquent and fines them one dollar penalty.² After which he places the property on the tax roll at the value which he deems fair and proper.

The County Assessor does not assess the property of the Public Service, railroads, and other corporations. This assessment is done

1 S. L. 1933, Ch. 15, Sec. 1

2 S. L. 1931, Sec. 3

by the State Board of Equalization which certifies valuation of all corporate property in the County by school districts on or before March 1.³

"Property owners are given an opportunity to place the valuation on their property, however, if the Assessor thinks the property has not been assessed at a fair and satisfactory valuation, he may place the property on the assessment rolls at a different valuation. If it becomes necessary for the Assessor to assess the property in the absence of willful and voluntary assessment on the part of the property owner he may do so and the County Equalization Board is forbidden to reduce the figure set by the Assessor".⁴

The County Assessor is required by law⁵ to deliver to the County Board of Equalization before the fourth Monday in April in each year a completed list of the assessed property. Within five days after the third Monday in June after he had received the valuation of all corporate property from the State Board of Equalization, he must file with the Excise Board a list of all the property valuations for the school districts and the County showing real, personal, and corporate property with the totals. It is upon this total valuation that the ad valorem tax levy is spread.

The County Assessor prepares the tax rolls after the Excise Board has determined and certified to the tax rates. He then places on the tax rolls the tax to be paid by each property owner and submits the

3 S. L. 1933, Ch. 15, Sec. 6

4 Carr, State Control of Finance in Oklahoma, p. 55

5 S. L. 1933, Ch. 115, Sec. 5

tax rolls to the County Treasurer on or before October 1 for the collection of taxes.⁶

"The work of the County Assessor in assessing property is the most important single factor in the work of property valuation".⁷ It is in the action of the County Assessor in assessing property that he exerts a direct influence on school revenues and acts as a control in the amount of school funds.

COUNTY SUPERINTENDENT

The County Superintendent is the state agency of the County which has directly in charge the administration of school affairs and the supervision of the school program. The office of County Superintendent was created in 1893.¹ The duties of the County Superintendent are prescribed by statute.

The office of County Superintendent is mentioned in this study because of its influence in determining the educational program and therefore influencing to a great extent the cause of the educational program in the County. The control of school funds by the County Superintendent is that of an administrative control. From this office comes the educational program that is to be sponsored by him in the County. The County Superintendent has the authority for the apportionment of County and State funds.² It is his duty to work with school officials

⁶ S. L. 1933, Ch. 115, Sec. 9, 12

⁷ Carr, State Control of Finance in Oklahoma, p. 63

¹ Bulletin 7, 1932. U.S. Dept. of Interior, Offices of Education

² O. S. Ch. 34, Art. V, Sec. 6765

with the Excise Board in administering the revenue laws and the rules of the State Board of Education governing school measures and school procedures.

It is through his influence to mold sentiment for the educational program and for the voting of extra millage for the support of schools that he acts as a control over school revenues.

The County Superintendent controls school revenues by reason of his power to annex or detach territory from a district as well as to organize and disorganize the districts. It is in this power that he controls revenues by reason of changes in district boundaries which include taxable property. When a territory has been annexed or detached, or a district disorganized, the County Superintendent prorates the indebtedness and the changed area carries with it its pro rata part of the indebtedness.³

The County Superintendent is also the Board of Education for the "separate" schools and has much to do in preparation of their school budget as well as controlling the expenditure of their money. He is the agent of the county for spending separate school money upon the approval of a claim and upon a warrant drawn by him and countersigned by the chairman of the County Commissioners.

3 S. L. 1933, Ch. 93, Sec. 7, 8

THE COUNTY COMMISSIONERS

The County Commissioners of the County, which by virtue of their authority makes them business manager of the County, act as a controlling agency of school funds as they have within their power the approval and the making of the County Financial Statement of which the separate school budget is a part.

The County Commissioners in submitting the Estimate for the County also submit the Estimate for the Separate Schools and in this manner lists the needs of the school and publish the amount of money necessary for the school program.

If this group is not friendly to negro education, they will set only the bare necessity as the estimated need for the school and as this exhibit might show only a small amount of money the Excise Board would be without authority to allocate more millage than is necessary to raise the necessary amount.

The law provides that the "separate" school levy shall not exceed two mills. If the need as shown by the financial statement of the "separate" school does not call for an expenditure equal to or greater than that raised by the two mills tax levy the County Commissioners will be denying to the "separate" schools that amount of money to which they are entitled under the law for "separate" schools.

The County Commissioners, therefore, in their attitude and action greatly control the amount of money going to the "separate" schools.

THE LOCAL SCHOOL BOARD

The local School Board, which is the recognized legal official for the people living in the school district, act as a control agency over the funds raised for school purposes in the school district. These officials are elected by popular vote at an annual election held each year on the last Tuesday of March. They are empowered with authority as a Board of Education to make and submit a school budget. Being so vested with this authority of determining the school program and the necessary expenditures for school, they control to a large extent the school revenue and the amount to be raised by the request as shown in their financial statement of needs.

THE PEOPLE OF THE DISTRICT

The people of the district vote upon and determine by their vote the number of mills to be levied for the school purposes. The election of the millage to be levied in the school district is voted on at the same time of the annual election of school district officers held on the last Tuesday of March each year.

At this meeting the Board of Education submits the proposed budget and the necessary expenditure for the ensuing year, estimating also the necessary tax levy required for raising this amount of money. A vote of the people then determines what the rate of levy shall be for the support of the school program. The law provides that school districts cannot vote a levy in excess of ten mills.

The Constitution provides for the voting of special levies such as

a Building Fund levy. This levy is voted by the people in the district and is used for the purpose of erection of a new building.

Because of the final control of the school levies being vested in the people of their district by popular vote to adopt the levy, the people serve as a direct check on the amount of money which can be raised from an ad valorem source in their district.

CHAPTER III

VALUATIONS - MILLS LEVIED - MILLS ALLOCATED

VALUATIONS

The valuation of the assessed property of the state varies by counties and even varies in certain sections of the state. There is also as great, if not a greater range in valuation of the several districts comprising the several counties.

In some sections of the state there are vast mineral resources in the form of coal, lead, zinc, oil, etc. These counties possess an abundant wealth. There are, however, within these same counties certain school districts which contain none of the minerals and are, therefore, very low in valuation. In fact a survey¹ shows that there are great pockets of wealth in Oklahoma. Many school districts possess superabundance while other districts just across the district boundary line adjacent to the wealthy district have extremely low valuations. Their only source is an area of almost worthless, worn out land.

The counties of southeastern Oklahoma are recognized as the poorest counties of the state. However, the counties of Adair, Cherokee, Delaware and McIntosh are in the same classification.

McCurtain County had a valuation in 1936-37 of \$7,119,793.00 and had a school population of 14,514 which gave a per child assessed valuation of \$491.00 which is the lowest per capita assessed valuation

1 Brooking's Institute Survey, 1935

of any county in the state.²

Cimarron County is not the wealthiest county by any means but its extremely small school population with its low valuation ranks it first in the per pupil assessed valuation.³ The per capita assessed valuation here is \$4,475.00.

The great pockets of wealth above referred to are in the districts of Oklahoma County, Tulsa County, Payne, Seminole and Osage Counties. However, because of such a varying degree of wealth by districts and for the reason that these counties have large dense population centers, the county per child enumeration assessed valuation is not as great as in some of the other counties.

The per child assessed valuation for the following counties are given. Oklahoma County \$2,473; Tulsa County \$2,570; Seminole \$1,324; Osage \$2,197.

The valuation of the property of the counties of the state, the school population for each county and the per child assessed valuation for the school year 1936-37 is shown in Table I on page 44. The range⁴ shown here for the seventy-seven counties is \$4,284.00 as shown by the difference from McCurtain county, the lowest, with a per child assessed valuation of \$491.00 to that of Cimarron County, the highest with a per capita child assessed valuation of \$4,775.00.

2 Sixteenth Biennial Report State Superintendent Oklahoma 1936

3 Ibid.

4 Ibid.

TABLE I. ASSESSED VALUATION PER CHILD ENUMERATED IN EACH OF THE 77 COUNTIES OF OKLAHOMA, JANUARY, 1936

County	Rank	Assessed Valuation 1936	Assessed Valuation per Child	County	Rank	Assessed Valuation 1936	Assessed Valuation per Child
State		\$1,221,659,918	\$1,627				
Adair	75	3,625,407	638	Lincoln	26	\$18,044,458	\$1,640
Alfalfa	5	15,271,458	3,510	Logan	18	16,511,277	2,220
Atoka	68	5,844,057	844	Love	56	4,120,277	1,109
Beaver	4	10,600,567	3,712	Major	21	8,450,967	2,100
Beckham	32	12,111,529	1,526	Marshall ...	57	4,514,098	1,068
Blaine	25	10,586,982	1,651	Mayes ,.....	53	7,314,934	1,147
Bryan	62	11,653,087	978	Murray	36	5,679,008	1,492
Caddo	61	15,943,568	994	Muskogee ...	29	33,579,889	1,583
Canadian	22	16,907,675	1,968	McClain	65	7,506,767	963
Carter	48	18,582,246	1,213	McCurtain ..	77	7,119,793	491
Cherokee	74	4,443,865	639	McIntosh ...	71	6,710,588	720
Choctaw	69	7,138,516	830	Noble	15	11,519,450	2,456
Cimarron	1	6,331,164	4,775	Nowata	35	7,271,855	1,441
Cleveland ...	31	12,036,007	1,547	Okfuskee ...	59	9,930,230	1,015
Coal	66	4,155,292	941	Oklahoma ...	14	143,213,705	2,473
Comanche	52	12,137,153	1,189	Okmulgee ...	43	23,778,411	1,272
Cotton	55	5,701,405	1,115	Osage	20	54,659,508	2,197
Craig	16	12,167,415	2,292	Ottawa	54	12,344,955	1,119
Creek	51	27,022,856	1,200	Pawnee	24	10,403,209	1,752
Custer	23	14,670,040	1,897	Payne	17	24,418,943	2,225
Delaware	72	4,115,411	702	Pittsburg ..	60	16,124,205	997
Dewey	34	5,909,679	1,447	Pontotoc ...	46	15,591,825	1,228
Ellis	7	8,097,480	2,955	Pottawatomie	42	24,789,308	1,275
Garfield	6	34,553,997	2,956	Pushmataha .	70	4,559,979	760
Garvin	50	13,564,947	1,201	Roger Mills	39	5,752,061	1,326
Grady	33	22,070,400	1,490	Rogers	23	11,433,539	1,622
Grant	2	17,922,596	4,502	Seminole ...	40	27,659,764	1,324
Greer	49	6,654,816	1,210	Sequoyah ...	76	4,726,540	616
Harmon	41	5,539,744	1,298	Stephens ...	58	12,069,586	1,057
Harper	19	5,044,068	2,203	Texas	3	15,663,638	4,422

TABLE I. (Continued) Assessed Valuation Per Child Enumerated In Each Of The 77 Counties Of Oklahoma, January, 1936

County	Rank	Assessed Valuation 1936	Assessed Valuation per Child	County	Rank	Assessed Valuation 1936	Assessed Valuation per Child
Haskell	73	\$ 4,406,423	\$ 696	Tillman ...	27	\$ 12,639,486	\$1,628
Hughes	65	9,719,506	942	Tulsa	13	132,539,111	2,570
Jackson	45	10,455,931	1,229	Wagoner ...	44	9,289,770	1,247
Jefferson ..	37	8,005,051	1,373	Washington	10	22,806,503	2,764
Johnston ...	47	6,301,979	1,219	Washita ...	38	11,530,501	1,335
Kay	11	38,660,949	2,750	Woods	9	13,220,220	2,838
Kingfisher .	12	13,298,256	2,614	Woodward ..	8	12,635,939	2,882
Kiowa	30	13,497,837	1,576				
Latimer	64	3,763,346	947				
LeFlore	67	13,527,810	859				

DIFFERENCE IN ASSESSED VALUATION

There has been a downward trend in assessed valuation of almost all classes of property from 1930 to 1937.¹

The Homestead Exemption Law accounted for a decrease in the ad valorem assessed valuation of the state in the amount of \$115,178,914.² The total reduction in assessed valuation of all property in the state is the large figure \$6,751,517.

Real property constitutes 61.4% of the total property tax base for Oklahoma.³ Oklahoma County has the largest valuation. Tulsa county is next. The lowest county valuation is that of Adair county with a valuation of \$3,320,828. Two other counties have a valuation less than four million dollars. The valuation of Latimer county is \$3,503,108; that of Delaware county \$3,989,835. Seven other counties have a valuation of less than \$5,000,000. All of these are in eastern or southeastern Oklahoma.⁴

Table III on page 56 shows a wide variation of assessed valuation. Many counties had large increases in assessed valuation while others had a great decrease. "It will be observed that those counties losing the most valuation as a result of homestead tax exemption are those which have a high proportion of general property assessment to the total; those which suffer least from the one thousand dollar exemption of homesteads usually have a high proportion of public service corporation or personal property or both."⁵ Real property constitutes a greater percentage of the total in the counties in western Oklahoma and a

1 Bulletin No. 29, Okla. Tax Commission, Div. of Research & Statistics, Okla.

2 Ibid

3 Ibid

4 Ibid

5 Ibid

and a smaller percentage of the total in eastern Oklahoma.

"Wherever public service corporation assessments are relatively high, real estate assessments are relatively lower, and the effect of homestead exemption on the tax base is usually less".⁶

Some of the explanations for the increase or decrease in assessed valuations of the counties are given. In counties where there is much corporate or public service property, the assessed valuation changes because of the addition of physical equipment and replacement of all machinery or a decrease due to the discontinuance of certain plants and the removal of personal property, such as tanks,⁷ machinery, pipe lines, trucks, and other oil field equipment.

Most of the decrease in real property assessment has been due to the blanket reduction in assessment adopted by the State Board of Equalization several years ago and the continuance of the policy of reduction by county assessors during the years of depression.

However, one finds that many counties increased their assessed valuation of property above that given in the assessment for the year 1936. This may be accounted for in many cases by the County Equalization Board's increase in valuation to offset the loss sustained by homestead exemption and to provide revenue for constitutional state government. Other increases in assessed valuation may be due to discovery of oil in certain counties and the influx of much personal property which is assessed in a different county from that of the year 1936.

6 Sixteenth Biennial Report State Superintendent Oklahoma 1936

7 Ibid

TABLE II. ALLOCATION OF THE 15 MILLS TO THE COUNTY, CITIES AND TOWNS, AND SCHOOL DISTRICTS, IN 1935-36, 1936-37 AND 1937-38

County	County			Cities and Towns			School Districts		
	1935-36	1936-37	1937-38	1935-36	1936-37	1937-38	1935-36	1936-37	1937-38
Adair ...	8.5	9.5	12.0	1.5	1.5	1.5	5.0	4.0	1.5
Alfalfa .	5.9	5.25	7.25	4.1	4.75	3.75	5.0	5.0	4.0 ^a
Atoka ...	8.6	8.6	10.0	3.4	3.4	3.0	3.0	3.0	2.0
Beaver ..	6.333	5.5932	5.2803	3.667	4.4	4.5347	5.0	5.0	5.0
Beckham .	5.0	5.4105	7.5	5.0	4.75	2.5 ^b	5.0	4.75	5.0 ^c
Blaine ..	7.0	7.0	7.62	4.0	4.0	3.25	4.0	4.0	3.0
Bryan ...	7.0	7.0	7.882	3.0	3.0	2.118	5.0	5.0	5.0
Caddo ...	6.25	6.25	7.5	4.0	4.0	4.5	4.75	4.75	3.0
Canadian	5.5	6.0	6.5	4.5	4.5	(d)	5.0	4.5	(d)
Carter ..	6.75	6.2	7.6	3.0	.8	.1	5.25	8.0 ^e	7.3
Cherokee	10.0	8.933	11.45	-	-	-	5.0	5.0	3.55
Choctaw .	8.0	7.688	9.45	3.0	3.0	1.5	4.0	4.0	4.0
Cimarron	6.0	5.25	6.0	4.0	4.75	4.0	5.0	5.0	5.0
Cleveland	6.75	6.3991	8.0	3.25	3.6	2.0	5.0	5.0	5.0
Coal	7.5	7.0	9.15	4.5	4.6	3.8	3.0	3.0	1.8
Comanche	5.5	5.5	7.0	4.5	4.5	3.0	5.0	5.0	5.0
Cotton ..	7.585	6.7	8.9	2.415	3.0	1.1	5.0	5.3	5.0
Craig ...	5.5	5.0	5.75	4.75	5.5	4.4	4.75	4.5	4.75
Creek ...	5.0	5.0	5.4	5.5	5.0	5.5 ^f	5.0 ^g	5.0 ^g	4.1 ^h
Custer ..	7.0	6.0	7.5	4.0	4.5	4.25	4.0	4.5	3.25

^a Except districts having valuation under \$75,000, which receive 5.0 mills

^b Except cities having valuation over \$800,000, which receive 3.5 mills

^c Except districts having valuation over \$800,000, which receive 4.0 mills

^d El Reno and Yukon; cities, 4.25 mills each; school districts, 4.25 mills each.
"Motion was made to allow all other school districts 4 mills except those actually needing 5 mills are to receive 5 mills."

^e Except school districts having valuation of \$500,000 or more, which receive 5.25 mills

^f Cities, 5.5 mills; towns, .4 mill

^g Except independent school districts, which receive only 4.5 mills

^h Except dependent school districts, which receive 5.5 mills

TABLE II. (Continued) Allocation of the 15 Mills

County	County			Cities and Towns			School Districts		
	1935-36	1936-37	1937-38	1935-36	1936-37	1937-38	1935-36	1936-37	1937-38
Delaware ..	10.047	9.88	12.0	(i)	-	-	4.953	5.0	3.0
Dewey	7.25	7.0	8.75	2.787	3.0	2.25	5.0	5.0	4.0 ^j
Ellis	5.25	5.96	6.5	4.75	4.0	4.0	5.0	5.0	4.5
Garfield ..	4.0	4.0	4.5	6.0	6.0	6.0	5.0	5.0	4.5
Garvin	6.0	5.5	6.25	4.25	4.75	4.5	4.75	4.75	4.25
Grady	5.0	5.0	5.25	5.0	5.0	5.0	5.0	5.0	4.75
Grant	6.0	6.0	6.5	4.0	4.0	4.5	5.0	5.0	4.0
Greer	7.5	10.0	10.0	1.5	-	-	6.0	5.0	5.0
Harmon	10.0	9.0	10.0	-	1.0	-	5.0	5.0	5.0
Harper	6.5	6.5	7.5	3.5	3.5	3.5	5.0	5.0	4.0
Haskell ...	8.25	8.0	10.0	2.75	3.0	3.0	4.0	4.0	2.0
Hughes	8.0	7.5	8.0	2.0	2.5	2.0	5.0	5.0	5.0
Jackson ...	7.5	6.02	7.5	3.5	3.5	3.5	4.0	5.0	4.0
Jefferson .	8.75	8.75	9.06	1.25	1.25	.94	5.0	5.0	5.0
Johnston ..	7.5	7.6	8.0	2.5	2.4	2.4	5.0	5.0	4.6
Kay	4.0	4.0	4.0	6.0	6.0	6.0	5.0	5.0	5.0
Kingfisher	6.0	6.0	6.0	4.0	4.0	4.0	5.0	5.0	5.0
Kiowa	7.0	7.0	6.85	4.0	4.0	4.0	4.0	4.0	4.0
Latimer ...	8.0	7.912	10.0	2.0	2.0	2.0	5.0	5.0	3.0
LeFlore ...	5.0	5.4	7.0	5.0	5.0	4.5	5.0	4.6	3.5
Lincoln ...	8.5	7.971	8.5	2.75	3.0	2.75	3.75	4.0	3.75
Logan	5.4	5.4	5.35	5.8	5.8	5.85	3.8	3.8	3.8
Love	7.0	7.0	8.0	4.5 ^k	4.5	4.0	3.5 ^l	3.5 ^l	3.0 ^l
Major	6.0	6.0	8.0	4.0	4.0	2.0	5.0	5.0	5.0
Marshall ..	10.0	10.0	10.9298	-	-	-	5.0	5.0	4.0

ⁱ City of Grove, 1.34 mills; Grove school district correspondingly less

^j Except districts having valuation under \$160,000, which receive 6.25 mills

^k City of Marietta only.

^l Except school districts having valuation of \$500,000 or less, which receive 5.0 mills

TABLE II. (Continued) Allocation of the 15 Mills

County	County			Cities and Towns			School Districts		
	1935-36	1936-37	1937-38	1935-36	1936-37	1937-38	1935-36	1936-37	1937-38
Mayes	8.75	8.0	8.75	1.75	2.0	1.75	4.5	5.0	4.5
Murray ...	6.0	6.0	7.0	4.0	4.0	3.0	5.0	5.0	5.0
Muskogee ..	5.75	5.75	6.5	5.75	5.75	5.0	3.5	3.5	3.5
McClain ...	6.0	6.0	7.75	4.0	4.0	2.25	4.0	5.0	5.0
McCurtain .	8.0	8.0	8.25	2.0	2.0	2.75	5.0	5.0	4.0
McIntosh ..	6.5	7.0	7.5	3.5	3.0 ^m	2.5	5.0	5.0 ^m	5.0
Noble	6.0	6.0	6.0	4.0	4.0	4.0	5.0	5.0	5.0
Nowata	6.2	6.0	6.7	4.0	4.0	3.8	4.8	5.0	4.5
Okfuskee ..	7.0	7.5	8.5	3.0	2.5	2.5	5.0	5.0	4.0
Oklahoma ..	6.0	6.2	7.0	4.5	4.3	2.0	4.5	4.5 ⁿ	6.0
Okmulgee ..	5.0	5.25	5.75	5.0	5.0	4.75	5.0	4.75	4.5 ^o
Osage	6.0	6.0	6.5	4.0	4.0	3.5	5.0	5.0	5.0
Ottawa	7.0	7.167	8.5	4.0	3.233	2.5	4.0	4.6	4.0
Pawnee	6.25	7.0	7.0	4.0	3.0	3.0	4.75	5.0	5.0
Payne	8.0	6.054	7.0	1.5	2.5	2.5	5.5	5.5	5.5
Pittsburg .	5.0	5.5	5.8	6.0	5.9	5.9	4.0	3.6	3.5
Pontotoc ..	6.0	7.1337	7.8229	4.0	3.8663	3.1771	5.0	4.0	4.0
Pottawatomie	4.5	4.8	6.0	5.5	5.2	4.0	5.0	5.0	5.0
Pushmataha	9.0	9.0	9.7	4.0	(p)	3.3	2.0 ^q	5.0 ^p	2.0 ^q
Roger Mills	7.0	6.5	9.0	3.0	3.5	2.5	5.0	5.0	3.5
Rogers	7.0	7.0	8.0	3.0	3.0	2.0	5.0	5.0	5.0
Seminole ..	6.0	6.0	6.5	4.0	4.0	3.75	5.0	5.0	4.75
Sequoyah ..	3.0	10.9	2.0	-	.1	-	12.0	4.0	3.0
Stephens ..	6.0	6.0	6.5	4.0	4.0	3.5	5.0	5.0	5.0
Texas	5.0	5.0	4.5	6.5	6.5	7.0	3.5	3.5	3.5

^m Except Eufaula city - 4.5 mills; Eufaula school district - 3.5 mills

ⁿ Except rural school districts, which receive 3.8 mills

^o Except school districts having valuation of \$400,000 or less, which receive 5 mills

^p Except Antlers city -- 4.0 mills; Antlers school district -- 2.0 mills

^q Except dependent school districts, which receive 5.299 mills

TABLE II. (Continued) Allocation of the 15 Mills

County	County			Cities and Towns			School Districts		
	1935-36	1936-37	1937-38	1935-36	1936-37	1937-38	1935-36	1936-37	1937-38
Tillman ...	8.65	7.683	7.75	2.25	(r)	-	4.1	7.25 ^r	5.0
Tulsa	5.469	5.386	6.2	4.531 ^s	4.614 ^t	4.45 ^u	5.0 ^s	5.0 ^t	4.35 ^u
Wagoner ...	7.0	7.0	8.0	4.0	4.0	3.5	4.0	4.0	3.5
Washington	5.25	5.0	5.98	5.0	5.25	5.14	4.75	4.75	3.88
Washita ...	7.25	6.75	8.4	2.75	3.25	3.6	5.0	5.0	3.0
Woods	7.5	7.0	8.0	2.5	3.0	3.0	5.0	5.0	4.0
Woodward ..	5.0	5.0	5.5	5.0	5.0	5.0	5.0	5.0	4.5

^r Except cities of Tipton, Hollister, Davidson, which receive 2.25 mills; Tipton, Hollister and Davidson school districts receive 5.0 mills

^s Except city of Tulsa, 4.946 mills; Tulsa school district, 4.585. Dependent school districts, 6.0 mills

^t Except city of Tulsa, 4.392; Tulsa school district, 4.392 mills

^u Except dependent school districts -- 5.0 mills; cities with population of 50,000 and over -- 4.4 mills

There were approximately 20 counties which had an increase in assessed valuation in 1937. In general, however, the counties suffered a reduction in assessed valuation.⁸

MILLS ALLOCATED BY EXCISE BOARD

It is of interest to note the trend in the allocation of that part of the fifteen mills by the Excise Board to the school. There is a trend over a period of three years, 1936-37-38, to give schools a lesser millage than was here-to-fore given them for school support.¹ As state school support by appropriation has increased, the millage allocated by the Excise Board for school purposes has decreased. With the great help from the state it was not thought necessary by the Excise Board to give school as large a millage which would increase the amount of ad valorem tax appropriated in the general fund since this support could come from the State's cash appropriated for the schools.

As an example of declining millage, take the Excise Board's allocation for Adair County. In the school year 1935-36 the Excise Board allocated for school purposes five mills²; in the school year 1936-37 four mills were allocated and in 1937-38 the year of the big sum of \$12,800,000 the Excise Board allocated only one and eight-tenth (1.8 mills) in 1937-38. In Haskell County the allocation dropped from

8 Ibid.

1 State Board of Education Statistical Circular No. 89, Feb. 23, 1938

2 Ibid.

four mills in 1935-36 to two mills in 1937-38. Pushmataha County has a classic example of increase from 1935-36 to 1936-37 and a great reduction from 1936-37 to the 1937-38. The allocation in this county was two mills in the first year, five mills in the second year and two mills in the third year mentioned.

From 1935-36 to 1936-37 there were thirteen of the seventy-seven counties which received an increase in millage allocated⁴. There were fifty-five of the counties which remained unchanged, and there were nine of the counties which suffered a reduction. From the school year 1936-37 to 1937-38 there were three counties which received an increase; there were twenty-nine counties which remained unchanged and there were forty-five counties which received reductions in the millage allocated. The county which received the greatest increase from 1935-36 to 1936-37 was Tillman County,⁵ with an increase of 3.15 mills. The next two counties in order were Pushmataha County with three mills and Carter County with 2.75 mills⁶

The County which received the greatest reduction in the same period was Sequoyah, with a reduction of from 12 mills to 4 mills. The county which received the greatest increase in millage allocation from 1936-37 to 1937-38 was Sequoyah with an increase from 4 mills to

3 Ibid.

4 Ibid.

5 Ibid.

6 Ibid.

13 mills. The county which received the greatest reduction in the period was Pushmataha County with a reduction of three mills, from five mills to two mills. The county with the next greatest millage reduction was Adair County with a 2.5 mill reduction from 4 mills to 1.5 mills.

The county which received the greatest increase in millage from 1935-36 to the year 1937-38 was Carter County, with an increase of 2.05 mills to 7.3 mills. The county which received the greatest reduction in millage allocated during the same period was Adair County, with 3.5 mills reduction, from 5 mills to 1.5 mills.⁷

The constitutional provision for a two mill "separate" school levy for "separate" schools cannot be changed by the Excise Board. Therefore, this levy remains constant and unchanged only to the extent that such items for tax reduction as provided for by law, are used to reduce the levy. A two mill levy or its equivalent must be levied for "separate" schools purposes.⁸

Table No. II on page 48 shows the action of Excise Boards during this period in their allocation of the millage to schools, county and cities and towns.

7 Ibid.

8. Oklahoma Constitution, Article 17

TABLE III. ASSESSED VALUATION BY COUNTIES FOR 1936 AND 1937

County	1936	1937	Difference	
			Increase	Decrease
<u>State Total ...</u>	<u>\$1,221,659,918</u>	<u>\$1,214,908,401</u>		\$6,751,517
Adair	3,625,407	3,320,828		304,579
Alfalfa	15,271,458	14,800,871		470,587
Atoka	5,644,057	5,277,137		366,920
Beaver	10,600,567	10,729,788	129,221	
Beckham	12,111,529	11,699,121		412,408
Blaine	10,586,982	10,668,787	81,805	
Brayn	11,653,087	10,490,835		1,162,252
Caddo	15,943,568	15,687,097		256,471
Canadian	16,907,673	17,060,795	153,122	
Carter	18,582,246	17,253,834		1,328,412
Cherokee	4,443,865	4,312,254		131,611
Choctaw	7,138,516	6,949,490		189,026
Cimarron	6,331,164	6,481,203	150,039	
Cleveland	12,036,007	12,147,011	111,004	
Coal	4,155,292	4,103,401		51,891
Comanche	12,187,153	12,166,267		20,886
Cotton	5,701,405	5,636,673		64,732
Craig	12,167,415	12,066,527		100,888
Creek	27,022,856	25,301,637		1,721,219
Custer	14,670,040	14,512,214		157,826
Delaware	4,115,411	3,989,835		125,576
Dewey	5,909,679	5,928,289	18,610	
Ellis	8,097,480	7,935,876		161,604
Garfield	34,553,997	34,784,486	230,489	
Garvin	13,564,947	13,343,199		221,748
Grady	22,070,400	21,737,869		332,531
Grant	17,922,596	17,671,729		250,867
Greer	6,654,816	6,562,602		92,214
Harmon	5,539,744	5,422,311		117,433
Harper	5,044,068	5,046,910	2,842	
Haskell	4,406,423	4,101,938		304,485
Hughes	9,719,506	9,588,124		131,382
Jackson	10,455,931	10,223,080		232,851
Jefferson	8,005,051	8,132,975	127,924	
Johnston	6,301,979	5,948,154		353,825

TABLE III. (Continued) Assessed Valuation by Counties for 1936 and 1937

County	1936	1937	Difference	
			Increase	Decrease
Kay	\$38,660,949	\$38,873,869	\$212,920	
Kingfisher ...	13,298,256	13,109,916		188,340
Kiowa	13,497,887	13,310,769		187,118
Latimer	3,763,346	3,503,108		260,238
LeFlore	13,527,810	12,836,986		690,824
Lincoln	18,004,458	17,126,140		878,318
Logan	16,511,277	16,530,232	18,955	
Love	4,120,277	4,153,000	32,723	
Major	8,450,967	8,320,558		130,409
Marshall	4,514,098	4,438,492		75,606
Mayes	7,314,994	7,402,185	87,191	
McClain	7,306,767	7,176,267		130,500
McCurtain ...	7,119,793	7,293,367	173,574	
McIntosh	6,710,588	6,920,299	209,711	
Murray	5,679,008	5,599,878		79,130
Muskogee	33,579,839	33,647,666	67,777	
Noble	11,319,450	11,250,049		69,401
Nowata	7,271,855	7,385,043	113,188	
Okfuskee	9,930,230	9,830,519		99,711
Oklahoma	143,213,705	148,709,338	5,495,633	
Okmulgee	23,778,411	23,049,288		729,123
Osage	34,659,508	34,013,311		646,197
Ottawa	12,344,955	12,310,145		34,810
Pawnee	10,403,209	9,776,924		626,285
Payne	24,418,943	22,529,285		1,889,658
Pittsburg ...	16,124,205	15,842,583		281,622
Pontotoc	15,591,323	17,072,519	1,480,696	
Pottawatomie	24,789,303	23,866,554		922,754
Pushmataha ..	4,559,979	4,793,917	233,938	
Roger Mills .	5,752,061	5,598,741		153,320
Rogers	11,438,539	11,296,434		142,105
Seminole	27,659,764	26,226,780		1,432,984
Sequoyah	4,726,540	4,620,503		106,037
Stephens	12,089,586	12,005,704		83,882
Texas	15,663,638	15,200,380		463,258

TABLE III. (Continued) Assessed Valuation by Counties for 1936 and 1937

County	1936	1937	Difference	
			Increase	Decrease
Tillman	12,639,486	12,592,033		47,453
Tulsa	132,539,111	137,238,302	4,699,191	
Wagoner	9,289,770	9,202,342		87,428
Washington ...	22,306,503	22,371,681		434,822
Washita	11,590,501	11,522,663		67,838
Woods	13,220,220	13,344,367	124,147	
Woodward	12,635,939	12,933,117	297,178	

MILLS VOTED BY DISTRICTS

All of the schools of the state are helped financially regardless of their need in keeping with the provisions of House Bill 6 and the regulation covering the apportionment of Primary Aid. The principal disqualifying reasons for participation in the Primary Aid is the failure of the school district to have levied 8 mills¹ on the assessed valuation of the property in their district or to have employed a teacher with a second or third grade² certificate which is not legally recognized in the apportionment of Primary Aid. Every school district, therefore, was required to vote an 8 mill levy in order that they could qualify for participation in the Primary Aid fund. This does not mean that actually an 8 mill tax levy must be spread on the tax roll on such property but the amount of money raised and appropriated in the General Fund must be a sum equal to that amount raised by an 8 mill levy.

A school district may have a surplus in some funds or may have some legal tax reduction items which they use for reducing the levy from that of the 8 mills voted. A surplus may be appropriated or may be used to reduce the levy. However, a surplus in Income Tax³ collection or Common School Relief Fund must be used for reduction of levy and not for appropriation for the reason that the law creating this

1 S. L. 1937, H. B. 6

2 Ibid.

3 State Supreme Court Case No. 27516; S. L. 1937 House Jt. Resolution 6

fund had for its purpose the reduction of the ad valorem tax levy.

Many of the schools of Oklahoma are not able to finance a Minimum Program as defined by law without additional aid from the state above the amount of Primary Aid apportioned to them and in addition to their local revenues.

This additional sum is called the Secondary Aid which is given only to districts which have levied and used the maximum levy of 10 mills⁴ or its equivalent. Whatever the cost of the Minimum Program, as defined by law and restricted by the State Board of Education's rules and regulations, the state will furnish the amount of money necessary to finance the program wherein the district, from its local source and its Primary Aid, is not able to operate the program.

Any school participating in the Secondary Aid Fund must levy the maximum of 10 mills.

The millage allocated by the Excise Board in addition to the 10 mills voted by the people is levied on the assessed valuation of the property in the school district and that amount of money raised from the millage allocated by the Excise Board is called the Local Initiative or Enrichment Fund which can be used without restriction by the State Board of Education. This money is generally used to increase salaries above the state aid salary schedule and to purchase additional equipment and transportation facilities in excess of the amount allowed from the maintenance fund at $6\frac{1}{2}$ ¢ per day for the gross days attended.⁵

With the reduced valuations in most of the counties it became

4 S. L. 1937 H. B. 6

5 Financial Statements 1937-38 State Board of Equalization Office

necessary this year for more school districts to levy the 10 mills and to qualify for Secondary Aid. They, therefore, became known as "weak schools" and were bound by the State Board of Education rules and regulations governing the apportionment of Secondary Aid.

TAX REDUCTION ITEMS

Tax reduction items are recognized by law as being of two kinds. These are the mandatory tax items and the discretionary items. The mandatory tax reduction items are those funds in which there has been a collection of money which had for its purpose relief from ad valorem taxation and the proceeds from this source must be used for the specific purpose of reducing the ad valorem tax levy. Any money collected or found to be a surplus in this fund must be a reductable item.

The discretionary or optional tax reduction items are those items or funds which are a free cash surplus and net unincumbered ad valorem tax in the process of collection and may be appropriated in addition to that amount raised by ad valorem tax.¹ If the law providing for this fund and the creation of the revenue did not have for its specific purpose the reduction of the tax levy, the money found to be a surplus may be disposed of by appropriation and increase the General Fund appropriation by the amount of the surplus.

The funds usually found to have exceeded expected collections,

1 171 Oklahoma 42, 1935

thereby causing a surplus, were the Protest Tax Refund, Common School Relief Fund² created by the Legislature in 1933 by the Sales Tax Law which provided the 300% of the receipts from this source should go into the Common School Relief Fund and the Income Tax³ created by the Legislature in 1933. These two laws had for their purpose the raising of money to reduce the ad valorem tax levy. Therefore, the Supreme Court held,⁴ in case number 25716, that it was mandatory upon the local taxing officials that they use the Income Tax to reduce the levy. The legislature passed a resolution putting into effect the decision of the Supreme Court.⁵

The Supreme Court has held,⁶ in affirming the decision of the Oklahoma Court of Tax Review, that any surplus in the Common School Relief Fund must be used to reduce the ad valorem tax levy for the reason that the law raising this money had for its purpose relief from the ad valorem tax and that the use of the money for any other purpose would be a diversion from the purpose for which it was originally intended and legally raised.

The decision of the Supreme Court relative to the surplus Income Tax collection came after most of the school districts' estimates had been filed with the State Equalization Board and passed on by the Oklahoma Court of Tax Review. Therefore, these districts could not take advantage of the mandatory tax reductions for the school year 1936-37 but did reduce the levy in the school year 1937-38 by the

2 Session Laws 1933, Ch. 196, Sec. a-c

3 Session Laws 1933, Ch. 195, Sec. 1

4 Op. Cit.

5 S. L. 1937 Jt. Res. 6

6 171 Oklahoma Reports, March -April 1935, Case No. 25,873

respective amount which the school districts of the county received.

Those district which last year made the reduction in rate after the decision shared in like manner in the money created by House Bill 6 as did those districts which this year made the mandatory reduction in the ad valorem tax levy⁷ as provided for by the legislature and in keeping with the Supreme Court decision.

⁷ Conversation with F. A. Ramsey, Director of Finance, State Department of Education.

TABLE IV
AD VALOREM TAX APPROPRIATED
1936-1937

County		County	
State	\$12,392,433.04		
Adair	33,807.31	Lincoln	146,167.27
Alfalfa	127,985.56	Logan	145,992.58
Atoka	51,110.10	Love	56,853.59
Beaver	92,961.33	Major	70,613.35
Beckham	168,220.78	Marshall	57,252.51
Blaine	106,071.95	Mayes	70,532.44
Bryan	152,106.26	Murray	75,317.84
Caddo	182,243.09	Muskogee	386,692.97
Canadian ...	166,417.97	McClain	94,672.68
Carter	301,409.84	McCurtain	105,529.75
Cherokee ...	39,762.25	McIntosh	88,048.99
Choctaw	94,529.91	Noble	84,985.27
Cimarron ...	56,901.41	Nowata	83,587.70
Cleveland ..	68,143.50	Okfuskee	130,970.36
Coal	50,950.78	Oklahoma	841,910.71
Comanche ...	146,526.21	Okmulgee	317,744.45
Cotton	73,391.26	Osage	431,945.44
Craig	82,296.83	Ottawa	135,704.64
Creek	351,970.29	Pawnee	109,051.76
Custer	156,626.14	Payne	248,868.68
Delaware ...	43,753.59	Pittsburg	209,841.04
Dewey	77,855.01	Pontotoc	175,148.29
Ellis	88,408.31	Pottawatomie .	318,175.71
Garfield ...	363,567.06	Pushmataha ...	64,220.37
Garvin	171,349.53	Roger Mills ..	75,571.80
Grady	282,465.22	Rogers	120,636.12
Grant	139,000.39	Seminole	339,439.04
Greer	99,888.65	Sequoyah	43,587.51
Harmon	72,103.80	Stephens	160,668.37
Harper	59,492.77	Texas	144,868.40

TABLE IV. AD VALOREM TAX APPROPRIATED 1936-1937 (continued)

County		County	
Haskell	\$ 57,832.23	Tillman	\$154,305.43
Hughes	124,977.34	Tulsa	873,594.10
Jackson	146,091.76	Wagoner	80,951.64
Jefferson ...	98,990.06	Washington ..	288,199.08
Johnston	92,580.06	Washita	134,963.56
Kay	456,414.84	Woods	109,170.24
Kingfisher ..	123,595.58	Woodward	108,796.51
Kiowa	156,616.11		
Latimer	45,418.11		
LeFlore	177,850.56		

AD VALOREM TAX APPROPRIATED 1936-37

The total ad valorem tax appropriated for the school year 1936-37 was \$12,392,433.04. This figure represents the tax appropriated on the assessed valuation before the reduction the following year due to homestead exemption.

As has been stated previously many school districts used the tax reduction items this year to reduce the levy. This reduction in levy reduced the amount of ad valorem tax appropriated. During this year, however, before House Bill 6 was passed replacing funds lost by homestead exemption and before the large appropriation was available to schools, the Excise Boards allocated a larger millage to school purposes than the following year.

It is evident, therefore, that some of the ad valorem tax loss sustained by the reduction of millage was also compensated by the millage allocated in 1936-37 above that given the schools in 1937-38.

With a decrease of \$6,751,517.00 in valuation for the state and with the greatly reduced millage allocated to the schools by the Excise Boards it is obvious that the 1936-37 ad valorem tax appropriated will greatly exceed the amount appropriated in the year 1937-38 from the same source.

Table IV on page 63 shows the ad valorem tax appropriation by counties for the year 1936-37.

CHAPTER IV

GENERAL FUND AND AD VALOREM SOURCE

In school finance there are two general classifications of funds which are recognized by law. This classification is the General Fund and the Sinking Fund. There are also several special funds one of which is the Building Fund.

The General Fund has for its purpose the financing of the local budget for the current year and is not generally used to finance anything but current operating costs. It is not often used to finance the erection of new buildings. The General Fund is that amount of money raised from ad valorem tax source and from all other legal miscellaneous sources which is appropriated for the purpose of current operating cost. This fund is raised each year by the levying of an ad valorem tax and by the appropriation of all other revenues apportioned to this fund. It is not a continuous fund made possible by a tax levy which operates from year to year at the same rate and without levying by the taxing authority. In this manner it is in contrast with the Sinking Fund for retirement of bonded indebtedness, judgments and funding bond issued which requires a stipulated rate spread continuously on the assessed valuation until the annual accrual is sufficient to retire the Sinking Fund obligations at the maturity of the bonds or at the due date of the judgments.

The General Fund is derived from several sources. The chief

source and the one from which most of the General Fund revenues is derived is the ad valorem tax levy, which cannot exceed 10 mills¹ on the dollar valuation in addition to that millage allocated to the General Fund of the school by the Excise Board which is vested with authority to allocate the 15 mills to the various sub-divisions of county government².

The Excise Board may give to the schools any part of the 15 mills which in their judgment is necessary and which is a fair and equitable distribution of the millage. In most cases Excise Boards have given 5 mills³ to school purposes and most of the districts having voted 10 mills at the annual school elections have 15 mills for the General Fund revenue purpose.⁴

STATE APPORTIONMENT

Another source of revenue for the General Fund is the state apportionment which is the revenue derived from the sale of school lands and the earnings on the investment of the School Land Commission as provided for in the constitution⁵.

This fund is apportioned monthly to the county on the basis of school enumeration and is given to every county in the state to be apportioned by the county superintendent to every school district in

1 O.S.1931, C 66, Art. 24, Sec. 12675

2 Oklahoma Constitution, Art. X, Sec. 9

3 School District Financial Statement 1937-38, St. Board Equalization
Office)

4 Ibid

5 Oklahoma Constitution, Article XI, Sec. 3

the county on the basis of the school district per capita enumeration.⁶

The Beverage Tax Law passed in 1933 placed the revenue derived from the tax on 3.2% beer and the sale of licenses in the General Fund to be apportioned quarterly to the several counties⁷ of the state and to each district of the county on the per capita enumeration basis. Ninety-five percent of the total amount raised from this source was credited to the school fund and was used in the miscellaneous revenue exhibit to be appropriated in the General Fund.

GROSS PRODUCTION TAX

The Gross Production tax as enacted in 1935 by the legislature in House Bill 87 levied a tax of five percent on the gross value of the production of petroleum or other crude or mineral oils. There was also levied a tax equal to three-fourths of one percent on the gross value of asphalt, ores bearing lead, zinc, copper, gold and silver. One tenth of the amount of the revenue raised from these sources is credited to the school fund of the county in which it is raised and is distributed and apportioned to the various school districts in the county on a per capita student attendance basis as shown for the last previous school year and is used for the maintenance of common schools⁸. The county and school districts which do not produce oil and the minerals named above are not taxed, produce none of the revenue and, therefore, cannot share in the fund.

⁶ Oklahoma Statutes 1931, Ch. 27, Art. X, Sec. 5461

⁷ S.L. 1933, Ch. 153, Sec. 10

⁸ School Laws of Oklahoma, Sec. 600, Page 170

TRANSFER FUND

The transfer fees and tuition are also a part of the General Fund. The amount of transfer fees credited to the receiving district is equal to the amount that the transferred students pro rata part bears to the total appropriated.

Indian Tuition is not a part of the General Fund. It is paid by the Federal Government and is set up by the School Board in a supplemental appropriation of Federal Aid and is appropriated by the Excise Board for whatever purpose requested by the Governing Board, in most cases for teacher's salary for the reason that the State Department of Education takes credit for this amount in figuring the district's total income and makes deductions in the Secondary Aid in the amount equivalent to the amount of Indian Tuition.

The transfer fees from a transferring district to a receiving district is the "pro rata part, based upon scholastic enumeration, of public funds of said district ----- and shall be credited to the district where he attends school⁹. The pro rata part of the money for the transferring district to the receiving district is credited to the General Fund and is appropriated by the Excise Board to the credit of the General Fund and becomes a part of the total which is certified to by the Excise Board in the certificate of appropriations.

COUNTY APPORTIONMENT

The county apportionment is a source of revenue for the school district General Fund. It is composed of money raised from fines ¹⁰ and from certain mortgage taxes and license taxes. This fund is apportioned to the school districts by the county superintendent upon a per capita enumeration basis and is credited to the district in the miscellaneous revenue exhibit from which it is carried forward and appropriated by the Excise Board as part of the total General Fund appropriation for the district.

10 O.S. 1931, Ch. 34, Art. 8, Sec. 6822

CHAPTER V

LEGISLATIVE VITALIZATION OF HOMESTEAD EXEMPTION

As a means of lessening the tax burden on the ad valorem tax payer and small home owner an agitation for tax relief was begun by William Cullen Bryant, an Oklahoma City Attorney, and former member of Oklahoma Teachers staff at Durant who sponsored State Question Number 201 known as the Initiative Petition Number 138.¹ It was through his efforts and through the interest of those supporting him and interested in his measure that the necessary signatures were received to the Initiative Petition Number 138 to provide for an election on the question of Homestead Exemption.

The gist of the Initiative Petition which is known as State Question Number 201 is: "A proposed constitutional amendment to the Constitution of Oklahoma providing that all homesteads within said state may be exempted from ad valorem taxation by the Legislature excepting all assessments, levies, encumbrances, and control obligations made previous to such an act of the Legislature and providing that such act of the Legislature shall remain in force a period of not less than twenty years in which time the amount of Homestead Exemption may be increased but diminished".

Shall the proposed amendment be adopted? The vote on this question was one hundred eighty-five thousand fifty-eight for the amendment and ninety-one thousand one hundred eighty-nine against it.

1 Directory of State of Oklahoma 1937, p. 139

The necessary vote to carry the amendment was one hundred fifty thousand one hundred thirteen. Thus it can plainly be seen that the measure received more than the necessary number of votes to carry the measure and upon verification of the signatures to the petition the Governor was authorized to call a special election to vote upon the question of adopting the proposed constitutional amendment granting Homestead Exemption. The election was held September 24, 1935 and the vote for the amendment was as has been stated above which was a sufficient number to have adopted the amendment to the Constitution.

It then became the duty of the Legislature by proper legislative action to vitalize the Homestead Exemption Amendment to the Constitution in an Extraordinary Session of the Sixteenth Oklahoma Legislature convening November 24, 1936 and adjourning January 4, 1937²; a bill known as "H.B. No. 3" was introduced and passed January 8, 1937 of the regular session providing for the vitalization of Homestead Exemption Amendment to the Constitution and providing the legal procedure for the exempting homesteads from ad valorem taxation. The provisions of H.B. No. 3 defined homesteads and class them as "rural homesteads" and "urban homesteads". "A "rural homestead" should consist of no more than one hundred sixty acres of land and the improvements thereon; it shall include any homestead located outside a city or town or platted sub-division or addition."

"An "urban homestead" was defined as any homestead located within any platted sub-division or addition ...; provided further

2 S.L. 1936-1937, Ch. 66, Art. I, Sec 1

that in no case shall any "urban homestead" exceed in area one acre. The amount of money valuation in assessment exempted on each type of homestead was not to exceed one thousand dollars of the assessed valuation".³

As a result of the amendment to the Constitution permitting homestead exemption and with the vitalization of this amendment by the Legislature the ad valorem assessments were reduced and the ad valorem tax source for school revenue was greatly affected and reduced. It was necessary therefore to replace the school revenue from the ad valorem tax source lost by homestead exemption by the enactment of the school appropriation bill known as H.B. 6, Session Laws, 1937, appropriated twelve million eight hundred thousand dollars⁴ for school purposes. Of this total amount one million eight hundred thousand dollars⁵ was specifically appropriated for school revenue as a replacement for the money lost through the homestead exemption allowed in the Homestead Exemption Amendment. This fund is known as the Homestead Exemption Replacement Fund and any unexpended balance in this fund shall revert to the Primary Aid Fund for the current year.

The State Board of Education is vested with the authority to apportion⁶ the funds and make rules and regulations covering the administration of such funds. There is appropriated five million

3 S.L. 1936-1937, Ch. 66, Art. I, Sec. 2

4 Ibid., H.B. 6, Sec. 1

5 Ibid., Sec. 4

6 Ibid., Sec. 4, Sub-Sec. 2

two hundred thousand dollars for Primary Aid and five million eight hundred thousand dollars for Secondary Aid.

The qualifying restrictions for declaring districts eligible to participate in these funds as well as the amounts of money to be received from such fund is stated in the bill. The Primary Aid which a district may receive under the provisions of this bill is based on the qualification of the teacher considering years of teaching experience and the number of college hours or kind of degree held and upon the number of "needy teachers" as determined by the average daily attendance. ⁷

"Maintenance⁸ for the operation of schools for the current fiscal year will be allowed at the rate of six and one-half cents per day per pupil in attendance during the next preceding year or a sum not less than one hundred fifty dollars per teacher per year".

The amount of Secondary Aid which a district may receive from this fund will be determined by the State Department of Education in keeping with rules and regulations of the State Board of Education which pledges sufficient funds in addition to local revenues and Primary Aid to operate a "Minimum Program" as defined in the law.

Transportation costs were provided for in this bill and will be allowed on the basis of density where the average number of legally transferred and transported pupils per square mile were in conformity with the provisions of the act.⁹ No transfer fee under this act will

7 S.L. 1936-1937, H.B. No. 6, Sec. 4, Sub-Sec. III, Sub-sec. 1, 2, 3

8 Ibid., Sec. 4, Sub-sec. IV, Sub-sec. 2

9 Ibid., Sec. 4, Sub-sec. IV, Sub-sec. 3

be paid to exceed forty-five dollars per year for each elementary pupil and seventy-five dollars per year for each high school pupil.

The amount of homestead exemption varies in the various counties. In some of the counties of southeastern Oklahoma the one thousand dollar exemption on homesteads exempted a greater percentage of the taxable property in these counties. The amount of homestead exemption allowed by the counties is given in Table No. V

The total amount of homestead exemption allowed for the State is the sum of \$115,178,914.00.

The Homestead Exemption Replacement Fund which cannot exceed more than one million eight hundred thousand dollars for the State is allocated to the counties to replace the loss by homestead exemption. The amount of Homestead Exemption Replacement Fund varies by counties because of the wealth of the counties and the percentage of the homesteads or valuations thereof. The total amount of Homestead Exemption Replacement Fund money as allocated by counties is shown by Table No. V on page 76.

HOMESTEAD ALLOWABLE

The amount of homestead exemption allowed varies in the several counties for the reason that the number of homesteads vary and the difference in the value of the homesteads is great.

The law provides for an exemption of one thousand dollars on each homestead. In the southeastern part of the state as well as in

TABLE V. HOMESTEAD EXEMPTION BY COUNTIES 1937-38

County	Exemption Valuation	County	Exemption Valuation	County	Exemption Valuation
State	\$115,178,914	Grady	\$2,582,605	Noble	\$ 984,893
Adair	501,772	Grant	1,537,103	Nowata	814,364
Alfalfa ...	1,282,554	Greer	895,190	Okfuskee ..	767,425
Atoka	289,355	Harmon	632,545	Oklahoma ..	13,855,016
Beaver	992,997	Harper	498,016	Okmulgee ..	2,090,234
Beckham ...	1,499,440	Haskell ...	469,841	Osage	1,171,756
Blaine	1,377,820	Hughes	962,018	Ottawa	1,207,529
Bryan	999,467	Jackson ...	1,314,280	Pawnee	966,728
Caddo	2,195,746	Jefferson .	630,563	Payne	2,132,482
Canadian ..	1,996,011	Johnston ..	334,098	Pittsburg .	1,745,982
Carter	1,691,871	Kay	3,009,350	Pontotoc ..	1,966,675
Cherokee ..	676,963	Kingfisher	1,589,833	Pottawatomie	2,675,773
Choctaw ...	576,283	Kiowa	1,366,060	Pushmataha	332,784
Cimarron ..	336,630	Latimer ...	269,304	Roger Mills	866,920
Cleveland .	1,681,787	LeFlore ...	1,083,105	Rogers	968,695
Coal	284,243	Lincoln ...	1,664,423	Seminole ..	1,195,240
Comanche ..	1,701,630	Logan	1,841,543	Sequoyah ..	310,111
Cotton	618,647	Love	388,911	Stephens ..	1,514,920
Craig	1,044,271	Major	1,078,512	Texas	931,527
Creek	1,701,802	Marshall ..	303,155	Tillman ...	1,389,564
Custer	1,653,645	Mayes	841,744	Tulsa	10,531,065
Delaware ..	624,342	Murray	665,871	Wagoner ...	668,494
Dewey	870,131	Muskogee ..	3,293,146	Washington	1,889,802
Ellis	792,300	McClain ...	864,125	Washita ...	1,842,461
Garfield ..	3,631,642	McCurtain .	673,331	Woods	1,247,589
Garvin	1,433,265	McIntosh ..	555,415	Woodward ..	1,282,184

other sections most of the homes are assessed at a value much less than the thousand dollars exemption allowed. For this reason the percent of reduction in assessed valuation from a small percentage to that of an exceedingly large percentage. The average percentage reduction in ad valorem valuations for the state is 9.48 percent¹. The state total exemption allowed was \$115,178,914. The \$1000.00 exemption of homesteads caused the greatest percent of reduction in the tax base of Washita County. The valuation of this county was reduced \$1,842,461. Osage County shows the least affected by homestead exemption. The assessed valuation of this county was reduced only \$1,171,756 or 3.44 percent.² This slight change is accounted for by the fact that most of Osage County's property valuation is made up of public service corporation property and by the further fact that most of the homesteads consist of grazing lands much larger than the 160 acres allowed for exemption. For this reason most of the homesteads remained on the tax roll.

The smaller the homestead and the less the valuation of it, the nearer the \$1000.00 exemption approximates one hundred per cent or complete exemption.

In Delaware county the \$1,000.00 exemption meant a 99.17 percent exemption of all homesteads. In twelve counties, mostly in the eastern or southeastern part of the state, the percentage of complete homestead exemption was over 90 percent.

The largest number of homesteads was reported in Oklahoma county³.

1 Bulletin 29, p. 27 Oklahoma Tax Commission, Division of Research

2 Ibid

3 Ibid

Tulsa county was next to Oklahoma county in the number of homesteads. Atoka and Cimmaron counties were the lowest number of homesteads benefiting from the exemption.

HOMESTEAD EXEMPTION REPLACEMENT FUND

The Homestead Exemption Replacement Fund of \$1,800,000 was provided for by House Bill 6 of the Sixteenth Session of the Legislature.⁴ This money is to be allocated to every district in the state on the basis of its homestead exemption loss and the net tax levied spread on the property of the district for the preceeding year.⁵ Each district's amount of replacement fund must be considered by itself since every district had its own tax levy which might not be equal to that of any other district when tax substitutes were used to reduce the levy.

To determine the amount of homestead exemption money a district may receive, the following procedure is followed. Example: School District (A) votes a ten mill levy. The Excise Board allocates five mills to the district. The total tax levy is fifteen mills, provided no tax substitutes are required to be used for the reduction of the levy. District (A) has a sum of money equal to the amount of money raised on the assessed valuation by a three mill levy. This amount of money is required by law to reduce the levy which makes a net

4 Op. Cit.

5 Conversation with F.A. Ramsey, Division of Finance, State Department of Education, Oklahoma City, Oklahoma.

levy of twelve mills on the assessed valuation of the said district. District (A) has an assessed ad valorem valuation reduction in the amount of \$2,000 caused by homestead exemption.

District (A) will receive from the state from the Homestead Exemption Replacement Fund to replace its loss an amount equal to that amount raised by levying the net tax levy (12 mills) on the lost valuation (\$2,000) which is \$24.00 which is the amount that School District (A) will have apportioned to it from the Homestead Exemption Replacement Fund. Table VI on page 80 shows the amount of Homestead Exemption Replacement Fund allocated each county in the state.

In some districts where there was no ad valorem tax levy caused by the reduction of the levy by tax substitutes, the school did not participate in the Homestead Exemption Replacement Fund. The amount of money which a district may receive from this source varies from year to year as the valuation varies and as the net levy changes.

The law provides that any surplus balance left in the Homestead Exemption Replacement Fund reverts to the Primary Aid Fund and is apportioned to the school district as Primary Aid⁶ and used only for the purpose of teacher's salary as specified by statute.

6 Op. Cit.

TABLE VI. HOMESTEAD EXEMPTION REPLACEMENT 1937-38

County	Replacement Fund	County	Replacement Fund	County	Replacement Fund
State	\$1,347,151	Grady	\$ 31,420	Noble	\$ 7,976
Adair	4,868	Grant	13,904	Nowata ...	9,571
Alfalfa ..	10,963	Greer	12,173	Okfuskee .	8,810
Atoka	2,472	Harmon	7,019	Oklahoma .	189,994
Beaver ...	8,683	Harper	5,437	Okmulgee .	27,452
Beckham ..	18,107	Haskell ...	4,638	Osage	13,455
Blaine ...	12,948	Hughes	10,744	Ottawa ...	11,407
Bryan	11,655	Jackson ...	16,246	Pawnee ...	11,231
Caddo	24,664	Jefferson .	6,935	Payne	26,125
Canadian .	21,516	Johnston ..	4,487	Pittsburg	21,440
Carter ...	24,400	Kay	36,533	Pontotoc .	16,402
Cherokee .	4,184	Kingfisher	18,052	Pottawatomie	28,784
Choctaw ..	6,874	Kiowa	16,679	Pushmataha	2,918
Cimarron .	3,814	Latimer ...	3,059	Roger Mills	10,019
Cleveland	15,757	LeFlore ...	16,081	Rogers	9,683
Coal	3,033	Lincoln ...	14,979	Seminole ..	14,146
Comanche .	20,215	Logan	19,802	Sequoyah ..	3,314
Cotton ...	7,072	Love	4,489	Stephens ..	17,299
Craig	8,298	Major	8,492	Texas	8,699
Creek	21,768	Marshall ..	3,206	Tillman ...	17,081
Custer ...	15,548	Mayes	7,831	Tulsa	156,084
Delaware .	4,567	Murray	7,868	Wagoner ...	5,691
Dewey	10,681	Muskogee ..	39,326	Washington	23,631
Ellis	8,487	McClain ...	10,585	Washita ...	19,785
Garfield .	40,480	McCurtain .	7,132	Woods	13,346
Garvin ...	16,074	McIntosh ..	6,238	Woodward ..	12,324

CHAPTER VI

SUMMARY AND CONCLUSIONS

HOMESTEAD EXEMPTION REPLACEMENT FUND

The total amount of the Homestead Exemption Replacement Fund is \$1,800,000.¹ Of this amount the schools of the state received \$1,347,151.00² to replace the loss of revenue from the ad valorem source caused by homestead exemption during the first year of the operation of the Homestead Exemption Law. There was a balance of \$452,849.00 which reverted to the Primary Aid fund to be used for the purposes for which Primary Aid money may be used as defined by statute.

It is quite probable that the year 1938-39 will require more Homestead Exemption Replacement money as the trend to home ownership increases the number of homes to be exempted and as more homes will be placed on the exemption rolls.

With a great probability of higher tax rates next year because of no tax reduction items more exemption money will be required since the amount received by a district is based on the net tax levy.

COMPARISON OF AD VALOREM TAX APPROPRIATED AND
HOMESTEAD EXEMPTION REPLACEMENT FUND

The total amount of ad valorem tax appropriated for the year

1 Op. Cit.

2 Records of Appropriation State Superintendent's Office

1936-37 was \$12,392,433.04¹. This figure represents a sum large than the amount of ad valorem tax appropriated in the year 1937-38 due to homestead exemption, the reduction in valuation and a decrease in the millage allocated to the schools by the Excise Boards.

In a study² now in progress but not complete, relative to ad valorem tax appropriations for 1937-38 the counties thus far studied have been consistent in the loss or decrease in ad valorem tax appropriated for the amount appropriated last year.

For study and comparison we may use 1936-37 ad valorem tax for we are sure that the money from the same source will be less this year. Therefore, on the basis of the loss in tax appropriated each county for 1937-38 (for the counties thus far studied) we know that the loss from this source will exceed the amount of \$1,800,000.00 which is the total allowed for the Homestead Exemption Replacement Fund.³ The difference between the total loss from ad valorem tax appropriated 1937-38 and the Homestead Exemption Replacement Fund is the amount which is a direct loss to school revenue. This difference cannot be replaced.

This year the state used \$1,347,151.00 to replace loss by homestead exemption.⁴ With increased homestead exemption next year and with the loss sustained by a reduction in ad valorem tax appropriations this year, it is evident that something must be done - either

1 School District Estimates 1936-37, State Board of Equalization Office

2 Conversation by Marshall Gregory, Director of Research, Dept. of Edu.

3 Op. Cit.

4 Op. Cit.

increase the amount of Homestead Exemption Replacement Fund or guarantee to the schools five mills by legislative enactment - or the state school system will have suffered a distinct loss by the passage of the Homestead Exemption Act appropriating only \$1,800,000 to replace the loss.

CONCLUSION

Homestead exemption narrows the tax base (assessed valuation) from which comes the greatest amount of school revenue. Further reductions in assessed valuation are inevitable due to the trend of increased home ownership stimulated by the effects of exemption and by the increased number of home owners who for one reason or another failed to take advantage of homestead exemption.

Necessity for better assessment with fairer assessments is needed if we are to have sufficient revenue for schools as well as to get all the property on the tax rolls at a valuation representing more nearly the true valuation. The ad valorem tax law must operate with greater efficiency.

The amount of State Aid returned to local governments has increased as the apparent ability of local sub-divisions to support themselves has declined.

More money must come from valuation of property having a value which is subject to certain other taxes in lieu of ad valorem tax.

More school support must come from the state from taxes in lieu of ad valorem tax.

The Homestead Exemption Replacement Fund will have to be increased if it replaces all the loss incurred by increased home ownership during the life of the Homestead Exemption law.

Excise Boards allocate fewer mills to the schools as the state increases its support of them.

There is a tendency of the County Equalization Board to raise property assessment to offset the loss sustained by homestead exemption.

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