GRANTS-IN-AID

REPORT OF THE
VIRGINIA ADVISORY LEGISLATIVE COUNCIL
to
THE GOVERNOR
and
THE GENERAL ASSEMBLY OF VIRGINIA

COMMONWEALTH OF VIRGINIA
Department of Purchases and Supply
RICHMOND
1966

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REPORT OF THE

VIRGINIA ADVISORY LEGISLATIVE COUNCIL

Richmond, Virginia, January 4, 1966

To:

HONORABLE A. S. HARRISON, JR., *Governor of Virginia*

and

THE GENERAL ASSEMBLY OF VIRGINIA

The General Assembly of Virginia has in recent years been confronted with demands for public services which have increased faster than available revenues. This situation has been common to all legislative bodies throughout the country. A report was made to the General Assembly of 1964, proposing certain changes in the State tax structure and State and local fiscal practices. The General Assembly of 1964 adopted a number of the changes proposed; it also provided for a continued investigation of State and local relationships as reflected in the grant-in-aid programs in order to determine a future course of action. Accordingly, the General Assembly adopted the following resolution:

HOUSE JOINT RESOLUTION NO. 94

Directing the Virginia Advisory Legislative Council to make a study and report concerning grants in aid to the localities and related matters.

Whereas, The Commission to Study State and Local Revenues and Expenditures and Related Matters has compiled and presented to the General Assembly much valuable information concerning the distribution in aid for various purposes to the localites by the State and has shown the relationship between such grants and the relative resources of the respective localities; and

Whereas, it is important that this material be kept up to date in order for the General Assembly of nineteen hundred sixty-six to be then advised of the distribution of grants in aid by the State to the localities and the relationship of such grants to the resources of the several counties, cities and towns and the needs thereof; now, therefore, be it

Resolved by the House of Delegates, the Senate concurring, That the Virginia Advisory Legislative Council is hereby directed to make a study of the data compiled by the Commission to Study State and Local Revenues and Expenditures and Related Matters insofar as these data involve State grants in aid to the localities, the need for revenue of the localities, the ability of the respective localities to meet such needs from their resources, and the relationship between such grants in aid and the needs and resources of the several localities. The Council shall make a report to the Governor and the General Assembly not later than December one, nineteen hundred sixty-five

and shall set forth in its report current tables showing the distribution of grants in aid to the localities upon the foregoing basis, whereby the material prepared by the aforesaid Commission may be brought up to date for the benefit of the General Assembly of nineteen hundred sixty-six. All agencies of the State shall assist the Council in its study.

The Virginia Advisory Legislative Council was deeply conscious of the nature and complexity of this study and appointed an able Committee to make a preliminary investigation and report upon this subject. John Warren Cooke, member of the Council and member of the Finance Committee of the House of Delegates, Mathews, was appointed Chairman of this Committee. The other members of the Committee chosen to serve with Mr. Cooke were: Dr. J. D. Hagood, member of the Council and Chairman of the Finance Committee of the Senate, Clover; Lewis A. McMurran, Jr., member of the Council and Chairman of the Committee on Counties, Cities and Towns, of the House of Delegates, Newport News; Dr. George Jennings, Professor of Economics, University of Richmond; J. Clifford Hutt, Attorney at law, and member of the Board of Supervisors of Westmoreland County, and former President, League of Virginia Counties, Montross; James T. Mathews, Retailer and former President, the Virginia State Chamber of Commerce, Richmond; Waldo G. Miles, Attorney at law, and member of the State Board of Education, Bristol; C. H. Morrissett, State Tax Commissioner, Richmond; John W. Roberts, Manufacturer, Richmond; William L. Winston, present member of the Finance Committee of the House of Delegates, Arlington; and Mrs. Eleanor P. Sheppard, member of the City Council, Richmond.

The nature of the study made it apparent that a person with long familiarity with the fields of State and local relationships, the operations of various State programs, a background in the field under study and the ability to collect, synthesize and present in meaningful form large amounts of data, was needed. The Committee was most fortunate in obtaining the services, as Consultant, of Dr. Lorin A. Thompson, Director of the Bureau of Population and Economic Research of the University of Virginia.

The Committee organized and elected Dr. J. D. Hagood as Vice-Chairman. John B. Boatwright, Jr. and Wildman S. Kincheloe, Jr. served as Secretary and Recording Secretary, respectively, to the Committee.

A vast amount of material has been compiled and studied. A public hearing was held after wide publicity and this was well attended; much valuable information was obtained from this source. In addition, many communications were received from interested individuals and groups and these suggestions were given due consideration.

Shortly after the Committee began its work, a number of local governments began to adopt local sales taxes and the operations and effects of these local taxes have been carefully studied. Much of the first twelve months was spent in reviewing the results of previous studies and discussing the pros and cons of various proposals that were made to the Committee. Shortly after June 30, 1965, the results of the State's fiscal operations in the first year of the present biennium became available to the Committee. A considerable surplus was indicated. At about the same time, the budget requests of the various State institutions and agencies both for maintenance funds and for capital outlay were compiled and made available to us.

Throughout its study, the Committee has been guided by the consciousness of the following factors: the need for maintaining a healthy relationship between the State and its local governments; the requirements of local

governments for funds to provide the services required by their citizens and which, if supplied locally, will be rendered more efficiently and economically; the need for the State to ensure that certain programs are maintained at a satisfactory level in all areas of the State, despite the inability of some areas to assist in financing them; and the increasing financial burdens which will come to be borne by the State in those areas which supported solely by the State government.

After an extensive study of all the material available to it, the Committee made its report to the Council. Having reviewed the Committee's report, and, conscious of the factors above outlined, the Council submits the following recommendations:

RECOMMENDATIONS

1. A statewide general sales and use tax of 3% be enacted. The provisions are to be generally similar to those contained in H.B. 100, 1960. Motor vehicles are to be excluded if a separate titling tax is enacted for highways. 1% of the proceeds are to be distributed to each county and/or city according to the following: ½ of 1% according to place of sale and ½ of 1% according to current Average Daily Attendance. It is further recommended that the right to levy local sales and use taxes be repealed. In those counties wherein is situated any incorporated town constituting a special school district and operated as a separate school district under a town school board of three members appointed by the town council, the county treasurer shall pay into the town treasury the proper proportionate amount received hereunder by him in the proportion that the population of such town bears to the population of the entire county.

(a) Grants-in-aid to localities for the support of public schools shall be equal to 100% of the minimum salary schedule of State-approved teaching positions as defined by the State Board of Education and approved by the Governor. Such grants-in-aid are to replace the present 60% basic and supplementary shares of item 459a of the Appropriation Act of 1964.

(b) State grants-in-aid for the following programs will be distributed according to provisions similar to 1964-66:

Pupil transportation

Vocational education

Teachers sick leave

Discretionary fund

Maintaining libraries and other teaching materials

Special and adult education and other similar purposes

(c) Each locality or school district must furnish from local tax funds not less than 25% of total cost of maintenance and operation for the public schools and the full cost of debt service and capital outlay.

(d) Localities with limited tax bases and per capita income may apply for a relaxation of (c) above, under the following conditions—when: local appropriations as a percent of total costs of local schools, including debt service and capital outlay, excluding borrowings are more than 30%; and the local ratio of taxable personal income per pupil in ADA is less than 50% of the corresponding ratio for the State. Localities meeting both of these conditions may apply to the State Board of Education for a supple-

mental grant-in-aid of 5% of the amount received from the basic salary distribution and the other special programs. Such a request, if recommended by the State Board of Education and approved by the Governor, shall be for one year. The request may be renewed if conditions do not change.

3. (a) Discontinuance of the State retail merchants license tax beginning January 1, 1967.

(b) Discontinuance of State wholesale merchants license tax beginning January 1, 1967.

(c) Reduce rate on capital not otherwise taxed from 60¢/$100 to 30¢/$100, effective January 1, 1967.

The program recommended provides the means of substantially increasing the total amount of money for the support of public schools in all localities in the Commonwealth. For many years one of the goals sought by those interested in public education was to have the State underwrite the basic salary scale. This is provided for in the present program. This plan simplifies considerably the formula for the distribution of State funds to localities for public education.

The recommendation which repeals all local sales taxes provides that the losses entailed by those cities which have local sales taxes will be offset by (1) State grants-in-aid to cover 100% of teachers salaries plus the special funds under 2(b) above and (2) by the return to each locality of 1 percent of the State tax apportioned ½ on place of sale and ½ on current average daily attendance. Table 1 shows the amounts each locality would receive under the recommendations of the State Board of Education (Column 1). In Column 2 are the approximate amounts which would be received by each locality under the recommendation of 100% of State approved teaching positions plus the "Other" funds as described in 2(b) above.

The yield from a 1% local sales tax, as shown in Column 3, for each locality uses Base 4 as shown in the consultant's report. Sales tax Base 4 may be defined as follows: the total volume of retail sales and selective services as reported in the Censuses of Business in 1963, less the following:

1. State liquor sales
2. Gasoline sales
3. Farm feed, seed, and fertilizer
4. Farm equipment
5. Motion pictures
6. Amusements and recreation
7. Prescription drugs and medicines
8. House trailers
9. Lumber and building materials, plumbing, hardware used by contractors in construction of housing, buildings, and the like
10. Selected personal services such as barbers, beauticians, business and repair services
11. Automobile sales.

The amounts of additional funds which each locality would receive on the preceding recommendations for the year 1966-67 assume that the 1% of the State sales tax would have returned to the locality, ½ on place and ½ on current ADA. Column 4 shows the total each community would have available from the 100% salary plus "other" and the 1% sales tax distribution from the State. The 1 percent is unrestricted as to expenditure by the localities. Column 5 is the difference between the State Board's recommendation and the 100% Teacher Salary Plan—plus "other". Column 6 is the net difference of the State Board's projected plan and the 100% salary plus other and the 1% sales tax distribution.

In a few instances it will be noted that the amount that a few localities would have received from the 100% salary scale plus other funds (Col. 2) is smaller than the projected amount of State-aid for 1966-67 as shown in Column (1). This is due to the fact that the present formula for the distribution of school funds provides for supplementary basic aid which varies from nothing to $95 per pupil in ADA in addition to 60% of the State salary scale of State-approved teaching positions.

The effect of the recommended program is to provide more adequate State support for most counties and cities and to provide no less State aid in those counties in which the State now provides 70% or more of operating costs. A fund to guarantee that no county or city would receive less total State aid during the next biennium than at present would take care of any situations in which a locality might receive less than at present.

Table 1

PROJECTED AMOUNTS OF STATE AID TO LOCALITIES ACCORDING TO TWO SELECTED PLANS, 1966-1967
(in thousands of dollars)

Area	(1) Present Plan as Projected	(2) 100% Salary + Other	(3) Yield from 1% Sales Tax	(4) (2) + (3)	(5) (2) — (1)	(6) (4) — (1)
STATE	$168,027	$201,073	$39,649	$240,722	$33,046	$72,695
Accomack	1,333	1,313	230	1,543	— 20	210
Albemarle	1,074	1,452	216	1,668	378	594
Alleghany	602	608	79	687	6	85
Amelia	397	386	54	440	— 11	43
Amherst	948	970	159	1,129	22	181
Appomattox	474	513	77	590	39	116
Arlington	3,509	5,569	1,858	7,427	2,060	3,918
Augusta	1,825	2,012	278	2,290	187	465
Bath	166	240	40	280	74	114
Bedford	1,488	1,561	242	1,803	73	315
Bland	274	261	30	291	— 13	17
Botetourt	721	832	119	951	111	230
Brunswick	986	986	135	1,121	0	135
Buchanan	2,030	1,596	305	1,901	— 434	— 129
Buckingham	611	599	81	680	— 12	69
Campbell	2,022	2,020	307	2,327	— 2	305
Caroline	737	735	117	852	— 2	115
Carroll	1,145	1,071	165	1,236	— 74	91
Charles City	436	397	42	439	— 39	3
Charlotte	720	705	91	796	— 15	76

Note: Present Plan: 60% of State Board's Recommended Salary Scale + Supplemental State Aid + "All Other" (transportation, vocational education, etc.); 100% Salaries + "All Other"; Yield from 1% Sales Tax (State Base) Apportioned ½ on Place and ½ on ADA.

Area	(1) Present Plan as Projected	(2) 100% Salary + Other	(3) Yield from 1% Sales Tax	(4) (2) + (3)	(5) (2) — (1)	(6) (4) — (1)
Chesterfield	3,552	4,430	642	5,072	878	1,520
Clarke	297	431	69	500	134	203
Craig	154	154	22	176	0	22
Culpeper	672	827	165	992	155	320
Cumberland	389	380	44	424	9	35
Dickenson	1,013	877	139	1,016	— 136	3
Dinwiddie	1,144	1,134	121	1,255	— 10	111
Essex	310	366	73	439	56	129
Fairfax	12,781	20,354	3,253	23,607	7,573	10,826
Fauquier	817	1,266	242	1,508	449	691
Floyd	469	462	67	529	7	60
Fluvanna	268	400	48	448	132	180
Franklin	1,221	1,272	204	1,476	51	255
Frederick	1,003	1,129	170	1,299	126	296
Giles	661	902	159	1,061	241	400
Gloucester	415	583	103	686	168	271
Goochland	360	486	65	551	126	191
Grayson *	764	741	101	842	— 23	78
Greene	228	225	38	263	3	35
Greensville	987	884	155	1,039	— 103	52
Halifox	1,852	1,712	216	1,928	— 140	76
Hanover	1,497	1,569	254	1,823	72	326
Henrico	5,313	6,608	1,126	7,734	1,295	2,421
Henry	2,431	2,337	355	2,692	— 94	261
Highland	112	160	18	178	48	66
Isle of Wight	895	990	157	1,147	95	252
James City	Included in Williamsburg					
King & Queen	228	266	32	298	38	70
King George	250	336	54	390	86	140
King William *	310	400	77	477	90	167
Lancaster	310	448	87	535	138	225
Lee	1,361	1,195	170	1,365	— 166	4
Loudoun	989	1,549	285	1,834	560	845
Louisa	728	734	109	843	6	115
Lunenburg	746	716	89	805	— 30	59
Madison	380	393	65	458	13	78
Mathews	226	323	56	379	97	153
Mecklenburg	1,823	1,694	293	1,987	— 129	164
Middlesex	280	327	50	377	47	97
Montgomery	1,448	1,525	291	1,816	77	368
Nansemond	1,914	1,743	232	1,975	— 171	61
Nelson	603	580	81	661	— 23	58
New Kent	225	288	46	334	63	109
Northampton *	880	813	141	954	— 67	74
Northumberland	382	498	73	571	116	189
Nottoway	819	783	143	926	— 36	107
Orange	485	650	149	799	165	314
Page	630	729	129	858	99	228
Patrick	808	773	107	880	35	72
Pittsylvania	3,137	3,070	404	3,474	— 67	337
Powhatan	270	333	42	375	63	105
Prince Edward	281	397	117	514	116	233
Prince George	928	1,061	137	1,198	133	270
Prince William	3,341	3,865	692	4,557	524	1,216
Pulaski	1,254	1,320	232	1,552	66	298

* Including a town with separate school district.

Area	(1) Present Plan as Projected	(2) 100% Salary + Other	(3) Yield from 1% Sales Tax	(4) (2) + (3)	(5) (2) — (1)	(6) (4) — (1)
Rappahannock	171	247	34	281	76	110
Richmond	303	347	57	404	44	101
Roanoke	3,162	3,558	682	4,240	396	1,078
Rockbridge *	928	1,069	202	1,271	141	343
Rockingham	2,051	2,144	321	2,465	93	414
Russell	1,457	1,740	188	1,928	283	471
Scott	1,286	1,140	170	1,310	— 146	24
Shenandoah	912	1,085	198	1,283	173	371
Smyth *	1,465	1,441	260	1,701	24	236
Southampton	878	956	135	1,091	78	213
Spotsylvania	756	790	91	881	34	125
Stafford	847	943	129	1,072	96	225
Surry	147	225	36	261	78	114
Sussex	635	655	107	762	20	127
Tazewell	2,558	2,192	402	2,594	— 366	36
Warren	403	638	139	777	235	374
Washington *	2,062	2,088	293	2,381	26	319
Westmoreland *	519	603	99	702	84	183
Wise	2,522	2,050	329	2,379	— 472	— 143
Wythe	1,093	1,102	194	1,296	9	203
York *	1,003	1,471	196	1,667	468	664
Total Counties	111,297	127,798	21,276	149,074	16,501	37,777
Alexandria	2,037	3,294	1,051	4,345	1,257	2,308
Bristol	699	743	204	947	44	248
Buena Vista	316	294	61	355	— 22	39
Charlottesville	842	1,340	430	1,770	498	928
Chesapeake	4,457	5,080	718	5,798	623	1,341
Clifton Forge	181	221	61	282	40	101
Colonial Heights	583	644	103	747	61	164
Covington	460	523	135	658	63	198
Danville	1,740	2,041	547	2,588	301	848
Fairfax	Included in Fairfax County					
Falls Church	270	440	282	722	170	452
Franklin	388	406	97	503	18	115
Fredericksburg	348	551	266	817	203	469
Galax	175	259	97	356	84	181
Hampton	4,179	4,911	950	5,861	732	1,682
Harrisonburg	322	513	234	747	191	425
Hopewell	810	979	182	1,161	169	351
Lynchburg	1,978	2,504	650	3,154	526	1,176
Martinsville	892	1,044	293	1,337	152	445
Newport News	4,106	5,580	1,259	6,839	1,474	2,733
Norfolk	7,355	10,817	2,823	13,640	3,462	6,285
Norton	279	247	61	308	— 32	29
Petersburg	1,587	1,711	496	2,207	124	620
Portsmouth	4,502	4,623	1,009	5,632	121	1,130
Radford	381	435	107	542	54	161
Richmond	5,674	8,621	2,776	11,397	2,947	5,723
Roanoke	3,013	4,174	1,047	5,221	1,161	2,208
South Boston	293	317	107	424	24	131
Staunton	757	923	270	1,193	166	436
Suffolk	298	467	188	655	169	357
Virginia Beach	5,784	6,927	1,126	8,053	1,143	2,269
Waynesboro	617	820	226	1,046	203	429
Williamsburg	689	864	210	1,074	175	385
Winchester	379	623	307	930	244	551
Total Cities	56,391	72,936	18,373	91,309	16,545	34,918
Technical Schools	339	339		339		0

REASONS FOR RECOMMENDATIONS

The consultant's report shows that Virginia has been fortunate in having its revenues increase faster than has been true of many states. How long this trend will continue, no one can foresee. While the additional revenues have been wisely and economically expended, there are at the same time many areas in which much remains to be done. The single most expensive function of the State government is operation and maintenance of the public schools. With all of the additional funds which have been applied to our public schools, our rank of support for this essential function of government does not compare favorably with that of many other states.

Throughout our study we have been conscious of the fact that a good solid program of public education throughout the State is the foundation of progress. The State Board of Education, in its budget presentation to the Governor, stressed the need for a State-wide system of quality education. Representatives of many counties and cities made the point over and over that education is the most expensive single function of the localities and that advances in this area are dependent upon large additional sums of money.

In the field of higher education, the swollen enrollments of the public schools which began in the 1950's has now reached the colleges, and we can look for large and continuing increases in college enrollments, even with a higher degree of selectivity. The consultant wisely makes the point that the colleges, if they are to maintain their standards, must choose their students carefully. We are in agreement with this, but point out that even with an increase in the degree of selectivity heretofore applied, college enrollments can and must be expanded. A society which is ever more dependent upon education requires an expansion of the colleges, and this should and must take place.

In the field of mental health, vast strides in treatment have taken place in the last fifteen years, and further advances are in prospect. Moreover, people are living longer and the load upon the State mental hospitals from the senile can be expected to increase. An increase in population means an increase in the absolute number of persons who must be treated at such facilities and if the relative number of cases remains stable, the capacity of our mental hospitals will be severely taxed. In addition, regional local mental health centers, even though partially financed by federal funds, will require large additional sums from the State treasury.

In the field of vocational education we have made a commendable start upon the development of facilities to train technicians and others who will not be going to college but who will require training above the high school level in order to become the skilled employees of those industries which have been attracted with such success in recent years. This program is essential, and additional funds are needed for its development and expansion.

We do not deal with the matter of the highways and municipal streets. They are the subject of other studies, but in this area large amounts of additional funds are also required to continue and expand the programs which have been so well begun.

There are many other areas and functions of the State and local government which need and deserve attention. The consultant's report deals with them at length, and reference is made thereto for those who wish a review of the methods of financing these activities and the problems which exist.

A review of the many reports in the field of State and local fiscal relationship repeatedly discloses the limitations of existing local tax resources to meet the expanding obligations of local governments and the need of the State for additional funds from time to time. The localities generally have done a remarkable job in raising and spending their own revenues, and we commend them for what they have been able to achieve. To the best of our ability, we have examined the data showing the fiscal requirements of the localities and the imminent fiscal demands upon the State. The plight of the localities has led some of them to adopt local sales taxes; but other localities have had to live with an educational system of less quality than they might have desired.

In the case of the State, a variety of devices heretofore have sufficed to defer the time when a major increase in State revenue would become inevitable. The devices employed were the tax speed-up plan in which two years of State income tax were collected in one fiscal year, the adoption of the so-called "sin" taxes on cigarettes and alcoholic beverages, and the withholding of the State income tax.

In our view, the choice now confronting the State is this: shall the State adopt a revenue program devised to provide a high grade foundation program of quality education throughout the State or shall it continue to improvise with the result that additional localities will adopt local sales taxes and other localities will be unable to make the needed improvements in the scope and quality of education? A decision on such a question is not lightly reached, for there are many reasons for either choice. However, the proliferation of local sales taxes will result in greater burdens upon business, and the longer it takes to reach a decision to provide a high quality public school system throughout the State, the more expensive the decision becomes.

Once the decision is reached to provide a State-wide program of quality education in the public schools throughout the State, the next choice to be made is whether the State is to continue the historic pattern of State and local sharing in the uniform State-wide program. We noted above that the present program of sharing costs has resulted in some areas having a lower quality of education than they desire and need. With the increasing recognition of the fact that the level of education depends to a material degree upon the caliber of the teaching staff, the State has embarked upon a program of steadily increasing the basic teacher's salary scale and of providing appropriate increments based upon years of service.

We believe that the time has now come for the State to take over the entire cost of the State-approved salary scale for each State aid teaching position in the public schools. This is the only way we see to provide uniformly for the quality of education which is so essential. A continuation of the shared cost plan, even though the State puts up a larger portion of the cost, will still leave some localities unable to provide adequate funds for the staff they require in their schools. The present method of shared costs also makes it attractive financially to employ teachers with little or no experience; we hold that the locality should be encouraged to employ teachers with the greatest experience without financial penalty. The program recommended is designed to accomplish this aim.

The additional funds necessary for the State to take over the entire cost of the salary scale for each State aid teaching position in 1964-65 would have amounted to $37,199,000. If this were the only additional cost of government to be confronted by the General Assembly of 1966, no increase in taxes would be required. However, this is not the case. Additional funds are urgently needed for the colleges, for the technical schools, the mental hospitals, higher wages and salaries, and all of the other manifold expenses of a government which is serving an increasingly urban society.

Whenever attention is directed to possible sources of large additional revenues, one is met by the fact that such revenues can come from only two sources: either an increase in the individual income tax or a sales tax. In our opinion, an increase in the individual income tax would be only a temporary solution and would have the additional disadvantage of making the State less attractive for industrial and business development.

A decision to adopt a State sales and use tax involves a number of factors: in the first place, it is quite probable that a sales tax in the form of a titling tax will be imposed on motor vehicles in order to raise badly needed revenues for the State and local highway systems. Secondly, a State sales tax must take into account the fact that a number of localities have come to depend upon the revenues from their local sales taxes. Thirdly, in order to protect localities now dependent on this tax source, the return of 1 percent of the State sales tax to localities one-half on the basis of where sold and one-half on current ADA, together with the provision that the State will underwrite 100% of the State Salary Scale is necessary. Such a plan would strengthen all local governments, and would go far towards eliminating the present situation in which localities which are not trading centers are at a hopeless disadvantage in the raising of revenue locally.

If a State sales tax is adopted, it is axiomatic that the State wholesale and retail merchants license taxes which are in essence sales taxes, should be done away with, to avoid double taxation. The tax on capital not otherwise taxed, which also bears heavily on merchants and manufacturers should also be lowered from the present 60¢ per $100 to 30¢ per $100 effective January 1, 1967.

Report of the Consultant

We have included as an appendix to our report the report of the consultant. It is full of much valuable information and data and is submitted in response to the directive of the resolution providing for this study.

We wish to make it entirely plain that the publication of the consultant's report does not mean that we approve all of the statements therein contained. It is submitted purely for information. There are parts of the consultant's report with which we agree and other parts about which we have reservations. The reader is requested to read the report of the consultant and draw his own conclusions.

We would be remiss if we did not commend the consultant for his work. He has performed a most commendable task in gathering and analyzing the data contained in his report. We acknowledge the help we received from him.

CONCLUSION

We wish to thank the members of the Committee for contributing their time and effort to the conduct of this important study. We also express our appreciation to all individuals and organizations who gave the Committee information and the benefit of their suggestions.

Respectfully submitted,

EDWARD E. WILLEY, *Chairman*
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STATEMENT OF MESSRS. CLEATON, DANIEL, HAGOOD, HUTCHESON, RICHARDSON AND STONE

We are in agreement that the General Assembly should enact an adequate general sales tax.

However, we do not agree with the proposed distribution of the proceeds and reserve the privilege of considering such other alternate plans as may be presented to the General Assembly at the 1966 session.

C. W. CLEATON
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THE CONSULTANT'S REPORT

ECONOMIC OUTLOOK, GENERAL FUND REVENUES, AND ESTIMATES OF EXPENDITURES, 1966-72; STATE GRANTS-IN-AID TO LOCALITIES AND RELATED MATTERS

by

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DECEMBER 1, 1965

Note: All tables and estimates were selected or prepared by the author. The estimates are not official, but have been prepared to illustrate the intricate interdependence between the State and local governments in providing reasonable standards of public service throughout the Commonwealth.

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The Outlook for Economic Growth and General Fund Revenues in Virginia 1966-1972

Introduction

The more pertinent studies used as background for the present report included analyses of General Fund revenues and expenditures; the needs for the next three bienniums; and an examination of what might be expected from the present tax structure toward meeting the expanding needs of Virginia in the years ahead. Such considerations led to an examination of the relationship of State and local tax policies and procedures, to the adequacy of current grant-in-aid formulas for public schools, and the complexities of State and local sales taxes. The treatment of each topic has been developed around those conditions and circumstances which appeared most relevant.

Virginia's Economic Growth

For the last decade and a half Virginia's economic growth as measured by personal income payments has closely paralleled that of the Nation. Between 1950 and 1964 personal income payments in Virginia increased from $4,024 million to $9,804 million, or 143.6 per cent. In the United States personal income increased during the same period from $225,473 million to $491,004 million, or 117.8 per cent. For the fourteen year period the average annual rate of increase in the Nation was about 5.75 per cent, and for Virginia, 6.5 per cent. Since 1960, however, the annual rates of increase have been about 5.5 per cent for the Nation and 7.0 per cent for Virginia.

In Table 1 it is interesting to note that Virginia's income payments as a share of the Nation reached 2 per cent in 1964. During most of the last fourteen years Virginia's share of the Nation's personal income has varied from 1.78 in 1950 to 1.93 in 1963.

During the last decade and a half Virginia's per capita incomes have moved a little closer to the average for the Nation. Between 1950 and 1960 the ratio of Virginia's per capita income to that of the United States fluctuated from 81 to 85 per cent. Since 1960 it has risen gradually to 87 per cent in 1964. As per capita income payments in Virginia have moved closer to the National average, the increases between 1950 and 1964, and between 1960 and 1964 were larger for Virginia than for the Nation.

During the last decade and a half some significant changes have occurred in the structure of Virginia's income—that is, the industry groups which provide the principle sources of income payments. Table 2 shows the amount of personal income payments by the major industry groups for 1950, 1960, 1962, and 1964—the most recent year for which this information is available. The amount of wage and salary income in farming, for example, was only $1 million more in 1964 than in 1950 while the income of farm proprietors declined from $246 to $216 million. The income of non-farm proprietors for the same period more than doubled. Such developments illustrate the changes among different types of entrepreneurs. As farms have become larger and the number of persons engaging in farming less, increases in proprietors' income has come from non-farm pursuits.

Table 1

PERSONAL INCOME PAYMENTS AND PER CAPITA INCOME FOR VIRGINIA AND THE UNITED STATES, 1950-1964

Year	Income Payments (millions of dollars) Virginia	United States	Virginia as a % of United States
1950	$4,024	$225,473	1.78
1951	4,737	252,960	1.87
1952	5,130	269,050	1.91
1953	5,220	283,140	1.84
1954	5,256	285,339	1.84
1955	5,603	306,598	1.83
1956	6,094	330,380	1.84
1957	6,386	348,724	1.83
1958	6,641	357,498	1.86
1959	7,043	381,326	1.85
1960	7,379	399,028	1.85
1961	7,760	415,182	1.87
1962	8,399	439,977	1.91
1963	8,907	461,670	1.93
1964	9,804	491,004	2.00
% Increase 1950-64	143.6	117.8	
1960-64	32.9	23.1	
	Per Capita Income		Ratio of Va. to U.S.
1950	$1,214	$1,485	82
1951	1,379	1,650	84
1952	1,464	1,728	85
1953	1,468	1,789	82
1954	1,478	1,771	83
1955	1,562	1,866	84
1956	1,637		83
1957	1,661	2,047	
1958	1,697	2,063	82
1959	1,783	2,163	82
1960	1,849	2,217	83
1961	1,894	2,268	84
1962	2,006	2,367	85
1963	2,080	2,448	85
1964	2,239	2,566	87
% Increase 1950-64	84.4	72.8	
1960-64	21.1	15.7	

Note: U. S. figures for 1960 and subsequent years include Alaska and Hawaii.
Source: *Survey of Current Business*, U. S. Department of Commerce.

Table 2

PERSONAL INCOME PAYMENTS BY SOURCE, VIRGINIA
1950, 1960, 1962, and 1964
(millions of dollars)

	1950	1960	1962	1964
Personal Income	$4,024	$7,379	$8,399	$9,804
Wage and Salary Disbursement	2,823	5,401	6,140	7,250
Farm	54	61	59	55
Mining	62	67	66	71
Contract Construction	150	305	374	467
Manufacturing	605	1,144	1,317	1,509
Wholesale and Retail Trade	430	863	961	1,117
Finance, Insurance and Real Estate	91	211	250	294
Transportation	204	314	315	350
Communication and Public Utilities	63	138	155	175
Services	222	516	598	724
Government	934	1,764	2,027	2,466
Other Industries	8	18	18	22
Other Labor Income	54	170	207	244
Proprietors Income	579	753	830	899
Farm	246	196	215	216
Nonfarm	333	558	615	684
Property Income	388	822	931	1,118
Transfer Payments	248	457	552	623
Less: Personal Contributions for Social Insurance	69	224	262	331

Source: *Survey of Current Business*, U. S. Department of Commerce.

The relationships of the structural components of the State's income are shown a little more satisfactorily in Table 3, which expresses each income component as a share of the State total for the four years used. In this connection there are a number of important observations—the first is that farm wages and farm income together represented 2.7 per cent of total income payments in Virginia in 1964 as compared to 7.5 per cent in 1950. Wage and salary disbursements in mining in 1964 were less than half the share of 1950. Contract construction, however, has been increasing steadily. Population and industrial growth in recent years has stimulated the expansion of construction. Manufacturing wages and salaries provide a little more than 15 per cent of total income payments. This share has changed little over the last decade and a half. Wage and salary payments derived from government—federal, state, and local—provide about one-fourth of the total income payments in the State. This has been true for a long time in Virginia and is the result of the heavy concentration of military establishments in the Hampton Roads area, the Washington Metropolitan Area, and to a lesser extent in Prince William and Prince George counties. The components of income have remained remarkably stable and this provides the real tax base in Virginia.

Table 3

PERCENTAGE DISTRIBUTION

	1950	1960	1962	1964
Personal Income (in millions)	$4,024	$7,379	$8,399	$9,804
Per cent	100.0	100.0	100.0	100.0
Wage and Salary Disbursements	70.2	73.2	73.1	73.9
Farm	1.4	.8	.7	.5
Mining	1.5	.9	.8	.7
Contract Construction	3.7	4.1	4.5	4.8
Manufacturing	15.0	15.5	15.7	15.4
Wholesale and Retail Trade	10.7	11.7	11.4	11.4
Finance, Insurance and Real Estate	2.3	2.9	3.0	3.0
Transportation	5.1	4.3	3.8	3.6
Communication and Public Utilities	1.6	1.9	1.8	1.8
Services	5.5	7.0	7.1	7.4
Government	23.2	23.9	24.1	25.1
Other Industries	.2	.2	.2	.2
Other Labor Income	1.3	2.3	2.4	2.5
Proprietors' Income	14.4	10.2	9.9	9.2
Farm	6.1	2.6	2.6	2.2
Nonfarm	8.3	7.6	7.3	7.0
Property Income	9.6	11.1	11.1	11.4
Transfer Payments	6.2	6.2	6.6	6.4
Less: Personal Contributions for Social Insurance	—1.7	—3.0	—3.1	—3.4

Source: *Survey of Current Business*, U. S. Department of Commerce.

The real tax base of any community and the State, regardless of the subject used for levying taxes, is personal income. In previous paragraphs the growth of personal income and the changes in per capita income payments have been shown for the period 1950 to 1964. Tables 2 and 3 show the industrial groups from which personal income payments are derived.

Table 4 projects personal income payments and population for the State for the period 1964 to 1972. During the last two years Virginia's increase in income payments has been higher than in any previous period. The average annual rate of increase in income payments up to 1962 was about 6.5 per cent. The increase between 1963 and 1964 was about 10 per cent; between 1962 and 1963 the increase was 6 per cent; and between 1961 and 1962 the increase was 8 per cent. In Table 4 personal income payments are projected on the basis of average annual rates of increase of 6.5 and 8 per cent. The average annual rate of 6.5 per cent is based on a fifteen-year

average; the 8 per cent rate is based on the latest three-year average. Population, on the other hand, has been increasing at an annual rate of 1.8 per cent. The per capita incomes which would result from the assumed annual rates of increase in personal income payments and population are also shown.

Table 4

ESTIMATES OF PERSONAL AND PER CAPITA INCOME PAYMENTS IN VIRGINIA 1965-1972

Year	Personal Income Payments (in millions) Annual Increases @ 6.5%	@ 8.0%	Population (000) Annual Inc. 1.8%	Per Capita Income Payments Based on Increases in Amounts @ 6.5%	@ 8.0%
1964	$ 9,804	$ 9,804	4,308	$2,276*	$2,276*
1965	10,441	10,588	4,386	2,381	2,414
1966	11,120	11,435	4,465	2,490	2.561
1967	11,843	12,350	4,545	2,606	2,717
1968	12,613	13,338	4,627	2,726	2,883
1969	13,433	14,405	4,710	2,852	3,058
1970	14,306	15,557	4,795	2,984	3,244
1971	15,236	16,802	4,881	3,121	3,442
1972	16,226	18,146	4,969	3,265	3,652

* The per capita figure for Virginia in 1964 as estimated by the Department of Commerce is $2,239. This is due to the fact that the Census Bureau's estimate of Virginia's population is 4,378,000 as compared to the BPER estimate of 4,308,000.

Source: *Survey of Current Business*, U. S. Department of Commerce. Projections were made by the Bureau of Population & Economic Research, University of Virginia.

Underlying the estimate in Table 4 is the general assumption that the economy of the Nation will continue to grow and that the annual rate of increase in personal income payments in the Nation will be from 5 to 6 per cent. If the personal income payments in Virginia increase during the next several years at an annual rate of 6.5 per cent this will be the result of substantial growth and expansion of the business sectors of the State's economy. If the recent rate slows down or is arrested for any reason, the annual rates of increase may slow down some. Two years ago the future income estimates were projected on three bases—3.5, 5.0, and 6.5 per cent. At that time the rate of population growth anticipated was about 1.5 per cent per year rather than 1.8 per cent

Attention is called to the changes which have been made in the new forecasts from those of two and four years ago. These reflect the increased rates of increase in personal income for the State during the past four years. This is the reason for the upward revisions of the anticipated rates of increase. Perhaps one of the factors influencing the rate of economic growth in the State has been the efforts to strengthen and improve the schools, colleges, mental hospitals, and other State services. Despite the substantial increases in expenditures the State's relative position in the Nation for many activities has changed little. Future growth in the State will be influenced by the extent to which efficient and effective public services are provided for a growing population.

It is well to realize that almost all of the growth in numbers of people in Virginia for the last twenty-five years has been in urban areas. The population of the rural areas of the State has changed little and in some areas there are signs of decline. Tax policies regarding the support of schools and other facilities would do well to take serious account of these developments.

The impact of General Fund taxation on the income of the people of the State is shown in Table 5. In this table personal income payments are shown for the calendar years from 1949 to 1964 and General Fund revenues,

with and without ABC profits, are shown for the fiscal years 1949-50 to 1964-65. These two measures are expressed as a per cent of personal income payments. In the past fifteen years General Fund revenues, without ABC profits, as a per cent of personal income payments have increased from 2.48 per cent in 1950 to 3.30 per cent in 1965. If the ABC profits are included the range is from 2.64 per cent to 3.37 per cent. General Fund revenues as a per cent of personal income payments declined slightly between 1962 and 1964. This was due in part to the fact that personal income has increased more rapidly between 1962 and 1964 than in previous periods. In Table 5 it is of interest to note that General Fund revenues as a per cent of income have been increasing steadily. During 1956-57—the year in which the payment of personal income taxes was accelerated—the yield was 3.75 per cent.

Table 5

PERSONAL INCOME PAYMENTS AND GENERAL FUND REVENUES IN VIRGINIA
(millions of dollars)

	(1)	(2)	(3)	(4)	(5)
		Gen. Fund Revenue — ABC Profits	Gen. Fund Revenue + ABC Profits	General Fund Revenues as a % of Income	
	Personal Income Payments			(2) ÷ (1)	(3) ÷ (1)
1949-50	$3,626	$ 90.1	$ 95.7	2.48	2.64
1950-51	4,024	99.9	105.7	2.48	2.63
1951-52	4,737	102.3	108.4	2.16	2.29
1952-53	5,130	113.2	119.2	2.21	2.32
1953-54	5,220	120.0	125.8	2.30	2.41
1954-55	5,256	125.6	130.9	2.39	2.49
1955-56	5,603	138.8	144.4	2.48	2.58
1956-57	6,094	222.6	228.4	3.65	3.75
1957-58	6,386	165.8	171.7	2.60	2.69
1958-59	6,641	175.0	181.5	2.64	2.73
1959-60	7,043	193.4	199.9	2.75	2.84
1960-61	7,379	231.6	237.4	3.14	3.22
1961-62	7,760	242.8	247.9	3.13	3.19
1962-63	8,399	287.0	292.3	3.42	3.48
1963-64	8,907	298.7	304.2	3.35	3.42
1964-65	9,804	324.0	330.2	3.30	3.37

Source: *Survey of Current Business*, U. S. Department of Commerce, and Annual Reports of the Comptroller to the Governor of Virginia.
Note: Income payments for calendar years; General Fund Revenues for fiscal years.

The increase in the share of personal income which is collected as General Fund revenue has resulted from a steady increase in the yield from the individual income tax. Table 1 shows the increase in per capita income payments. The provisions of the State income tax law have changed very little since 1948—the most important change was the withholding feature which became effective in 1962. This has improved collections and tightened up the administration of the income tax but the most important factor in the growth of the General Fund revenue has been the steady increase in revenue derived from the individual income tax. To some extent this accounts for the fact that General Fund collections in the State have grown so steadily.

The fact that personal income payments during the last few years have increased more rapidly than was anticipated has resulted in higher yields from the individual income tax than could have been anticipated from previous experience. The surpluses in the General Fund of Virginia have come about by economic growth which was faster than the historic trend would indicate and the fact that as incomes increase the individual income tax syphons off a somewhat larger percentage of personal income payments.

State and Local Taxes

State and local governments watch closely the level of their own taxes and those of other states and localities. The objects of state expenditure reflect the commitments of people to particular programs. The amount and level of expenditures for such functions as education, highways, public welfare, hospitals, health and many other public services reflect the variations and interests among people in various sections of the country and among localities within a state. Comparisons of tax revenue and expenditures for selected states are of interest in enabling Virginians to compare present financial commitments with those of other states. Two tables have been prepared to illustrate the variations in general revenues of state and local governments to personal income payments for the United States, Virginia, and certain other selected states. The most recent comparisons among the states are for the year **1962.**

The figures in Table 6 show the amount of state and local general revenue per $1,000 of personal income for the year 1962—the latest year for which complete data are available at this writing. General revenue of state and local governments per $1,000 of personal income for the United States as a whole was $114.53, and for Virginia, $93.84. Stated another way, state and local general revenues claim about 11.5 per cent of the personal income of the people in the United States, and about 9.4 per cent in Virginia. The level of receipts per $1,000 of personal income for all of the states listed in the table are above those of Virginia. In Mississippi, for example, the state and local General Fund revenues are a little more than 14 per cent of personal income payments. In New York they are 12.5 per cent; and in North Carolina, 11.1 per cent.

Table 6

RELATION OF GENERAL REVENUE OF STATE AND LOCAL GOVERNMENTS TO PERSONAL INCOME, UNITED STATES, VIRGINIA,AND SELECTED STATES 1962

	State-Local Revenue per $1,000 of Personal Income		
	All General Revenue Sources	Taxes	Charges and Miscellaneous General Revenues
Virginia	$ 93.84	$ 73.94	$ 19.90
United States	114.53	94.44	20.09
Maryland	100.39	83.38	16.99
West Virginia	114.42	95.48	18.94
North Carolina	110.91	90.25	20.66
South Carolina	111.93	88.65	23.28
Alabama	108.67	83.01	25.66
Mississippi	140.19	109.62	30.56
Kentucky	110.27	87.81	22.46
New York	124.61	106.06	18.54
New Jersey	97.25	82.72	14.53
Pennsylvania	103.22	87.77	15.45
Ohio	101.80	82.50	19.30
	Index: United States = 100		
Virginia	81.9	78.3	99.1
United States	100.0	100.0	100.0
Maryland	87.7	88.3	84.6
West Virginia	99.9	101.1	94.3
North Carolina	96.8	95.6	102.8
South Carolina	97.7	93.9	115.9
Alabama	94.9	87.9	127.7
Mississippi	122.4	116.1	152.1
Kentucky	96.3	93.0	111.8
New York	108.8	112.3	92.3
New Jersey	84.9	87.6	72.3
Pennsylvania	90.1	92.9	76.9
Ohio	88.9	87.4	96.1

Source: *The Book of States*, 1964-65, p. 220.

In Table 6 there is an interesting division between taxes, charges, and miscellaneous general revenues which go to make up the General Fund of state and local governments. In Virginia about 79 per cent of all General Fund revenues are from taxes. The tax level is 78 per cent of the average for the Nation and is below that of any other state listed in the comparison. In this respect then, Virginia is still a low tax state. It is somewhat below the average for all fifty states.

Table 7 shows the relationship of general expenditures of state and local governments to personal income for the United States, Virginia, and the same selected states as appear on Table 6. The expenditures are expressed in amounts per $1,000 of personal income. The expenditures of states for many public services are not entirely from their own revenues, but include some grants-in-aid from the federal government. In Virginia, for example, the State and local general expenditures in 1962 amounted to $125.64 per $1,000 of personal income payments as compared to $93.84 of State and local revenues. Of the eleven states other than Virginia listed in Table 7, Maryland, New York, New Jersey, Pennsylvania, and Ohio have per capita incomes above Virginia. West Virginia, Kentucky, North Carolina, South Carolina, Alabama, and Mississippi all have lower per capita incomes than Virginia.

The amounts spent per $1,000 of income for education, highways, public welfare, health and hospitals are also shown. Highway expenditures per $1,000 of personal income in Virginia are well above the average for the Nation. In 1962 Virginia's expenditures for highways were about $30 as compared to $23.50 for the United States as a whole.

Table 7

RELATION OF GENERAL EXPENDITURE OF STATE AND LOCAL GOVERNMENTS TO PERSONAL INCOME, UNITED STATES, VIRGINIA, AND SELECTED STATES
1962

	State-Local Expenditure per $1,000 of Personal Income				
	All General Expenditures	Education	Highways	Public Welfare	Health & Hospitals
Virginia	$125.64	$ 47.18	$ 29.94	$ 5.34	$ 8.10
United States	135.82	49.86	23.52	11.59	9.88
Maryland	120.19	44.99	19.54	5.69	10.21
West Virginia	140.40	53.93	30.28	19.47	8.16
North Carolina	131.67	56.74	22.84	10.42	9.51
South Carolina	131.49	54.16	24.90	8.98	12.06
Alabama	154.34	56.28	31.12	19.22	10.23
Mississippi	194.63	68.67	42.54	20.91	16.61
Kentucky	171.29	55.99	39.78	14.97	8.74
New York	136.68	42.32	17.80	10.63	13.35
New Jersey	106.36	39.45	14.83	5.55	7.42
Pennsylvania	115.32	42.56	18.76	10.04	7.75
Ohio	120.74	44.86	22.33	10.61	7.67
	Index: United States = 100				
Virginia	92.5	94.6	127.3	46.1	82.0
United States	100.0	100.0	100.0	100.0	100.0
Maryland	88.5	90.2	83.1	49.1	103.3
West Virginia	103.4	108.2	128.7	168.0	82.6
North Carolina	96.9	113.8	97.1	89.9	96.3
South Carolina	96.8	108.6	105.9	77.5	122.1
Alabama	113.6	112.9	132.3	165.8	103.5
Mississippi	143.3	137.7	180.9	180.4	168.1
Kentucky	126.1	112.3	169.1	129.2	88.5
New York	100.6	84.9	75.7	91.7	135.1
New Jersey	78.3	79.1	63.1	47.9	75.1
Pennsylvania	84.9	85.4	79.8	86.6	78.4
Ohio	88.9	90.0	94.9	91.5	77.6

Source: *The Book of States*, 1964-65, p. 220.

States with low per capita incomes, such as Mississippi, Kentucky, Alabama, and West Virginia, spent larger amounts per $1,000 of personal income than did Virginia but as already pointed out, highway expenditures include allocations to the states by the Bureau of Public Roads in the form of federal grants for the construction of interstate highways, primary state highways, and farm to market roads.

Another comparison of interest has to do with the state and local expenditures per $1,000 of personal income for education. The bottom half of Table 7 uses the United States as an index of 100 so that it is easy to compare the relative effort per $1,000 of personal income for education among the group of states in the table. In an earlier table it was shown that per capita income in Virginia is about 87 per cent of the national average. Its index of expenditures per $1,000 of personal income was 94.6. The indexes for the four activities listed—education, highways, public welfare, health and hospitals—provide a basis for comparing the current interests in these several programs among the twelve states and the Nation. Virginia stands very low in public welfare payments, its index is 46.1, using the United States as 100. Maryland has an index of 49.1; West Virginia, 168; and Mississippi, 180. Since a part of the welfare payments are derived from the federal government the level and the index of expenditures do not reflect the state effort in this field. This table does indicate again that Virginia's expenditures, as compared to other states, is comparatively low.

Table 8 shows per capita expenditures for selected activities in Virginia and the average for the fifty states in 1964. The items compared are education, state institutions of higher education, highways, public welfare, and hospitals. Total general per capita expenditures in Virginia in 1964 were $164.03, or 7.2 per cent of per capita income. Corresponding expenditures for the fifty states amounted to $195.47, or 7.6 per cent of the per capita income. The table also shows that Virginia's expenditures for public education and higher education on a per capita basis are about three-fourths of the average for the Nation. Expenditures for highways, on the other hand, on a per capita basis, are about 21 per cent above the average for the Nation. Public welfare costs are about 30 per cent of the average of the Nation. In the field of public welfare Virginia has done little when compared to other states. With respect to hospitals Virginia is doing a little better than the average for the Nation. The preceding three tables provide some basis for comparing the level of taxation in Virginia with surrounding states and other states.

Table 8

PER CAPITA EXPENDITURES FOR SELECTED ACTIVITIES IN VIRGINIA AND THE AVERAGE FOR THE FIFTY STATES
1964

Activity	Average for Fifty States	Virginia	Ratio of Virginia to the Nation
Total General Expenditures	$195.47	$164.03	.84
Education	70.20	53.60	.76
State Institutions of Higher Education	25.69	19.41	.76
Highways	49.20	59.39	1.21
Public Welfare			
Total	25.74	7.71	.30
Cash Assistance	10.47	.03	.003
Hospitals	11.79	12.29	1.04

Source: *Compendium of State Government Finances in 1964* U. S. Department of Commerce, Bureau of the Census, Table 35.

Population Changes

The distribution of the population in Virginia continues to change. The State now has six major metropolitan areas—the smallest of which is Lynchburg, and the largest is the Virginia part of the Washington Metropolitan area. Between 1960 and 1964 the population increase in the State, estimated by the Bureau of Population and Economic Research, was 8.9 per cent. In the six combined metropolitan areas—Washington, Richmond, Newport News-Hampton, Norfolk-Portsmouth, Lynchburg, and Roanoke—the population increase was 13 per cent, and in the rest of the State, 4.7 per cent. The Urban Corridor, which runs from Washington to the Richmond-Petersburg-Hopewell complex, then eastward to the Hampton Roads area, increased by 13.9 per cent during this period and the rest of the State increased by about 3.5 per cent.

As urbanization increases in the State, cities and urban areas are obliged to provide many new services for many more people as well as to improve the quality of existing services. Most of the growth during the next decade will occur in the Urban Corridor and the metropolitan areas. For example, the Corridor had about 52 per cent of the State's population in 1960 and will probably have about 57 or 58 per cent in 1970. These changes indicate the areas in which the several needs of both State and local government will expand during the next biennium and for a good many more thereafter. The pattern of population change in the State, especially the increasing concentration of people in the urban areas, reflects the pressure spots in providing State services, the manner in which State grants-in-aid should be distributed, and many other related problems. These changes in the distribution of population as related to local resources are the main factors considered in recommending substantial changes in the manner of distributing State aid for schools, and of the advisability of limiting the use of local sales taxes in the event that a statewide sales tax is enacted. The purpose in limiting or prohibiting the use of local sales taxes is not to increase the degree of State control but to provide a mechanism for distributing such funds to local governments in such a way as to enable them to provide satisfactory levels of education and other public services.

Assessment of the Prospective General Fund Revenues and Needs of General Fund Agencies for the Biennium 1966-68

The major problem confronting the next General Assembly centers around the desirability of enacting a statewide sales tax. The requests of the General Fund agencies to the Governor's Office for operation and maintenance are not much larger than the prospective revenue from the present State tax system. When such amounts are added to the prospective surplus of some $100 million, the revenue yield from a statewide sales tax in addition to the present system would provide additional funds for public schools, higher education, mental hospitals, welfare and penal institutions, and other State services related to a growing population. Some adjustments could also be made in the present tax structure.

The enactment of a State sales tax at this time will permit a revision of the State's tax structure that could greatly improve State-local relationships in financing such joint functions as public schools. A State sales tax would add an important source of revenue for meeting the increasing demands for public service at the State and local level. This is important because of the fact that some 14 cities now have sales tax ordinances. Such ordinances have been passed to meet the rapidly increasing costs of local government in connection with improving the quality of public education along with increasing enrollments in many areas. The existing State grant-in-aids formula for education provides the cities and urban counties with relatively much less State aid toward meeting the cost of public schools than it does the counties. Since the more affluent areas pay relatively larger amounts of State personal income tax than less well-to-do areas, such areas feel that they are entitled to more State aid then they receive under the existing formula. This maldistribution of grants-in-aids for public schools has been and *is* one of the important reasons for the enactment of local sales taxes. The bad feature of local sales taxes is that such ordinances in the long run only widen the disparities in the relative tax bases of cities and counties.

The enactment of a statewide sales tax in 1966 would produce enough revenue to permit the General Assembly to increase, first, grants-in-aid for public schools in cities and urban counties enough to substantially reduce the need for local sales taxes, and, second, to reduce and/or eliminate certain other State taxes. It would seem appropriate for the State to underwrite a substnatial share of the cost of the minimum or foundation program of public education in *all* communities. Unless the State substantially increases the amount of grant-in-aid for public schools to the localities which have recently imposed local sales taxes, such communities will have their local tax systems seriously disrupted. By enacting a statewide sales tax at this time there is an opportunity to improve the relationship between the State and the local governments with respect to the operation and financing of those functions in which each level of government has an obligation.

The Prospective General Fund Revenues and Expenditures for 1966-68

During the past year, estimates of General Fund revenue have been revised from time to time in the light of collections and of current and prospective economic developments. The latest estimates of the Bureau are included in this report and compared with one prepared by a State

official and designated "A." Each has been made independently. Underlying each of the two estimates are assumptions with regard to the annual rates of increase of the components of the General Fund. Estimate A assumes that total General Fund revenue will increase by 8.6 per cent between fiscal 1965 and 1966, by 10.2 per cent between fiscal 1966 and 1967, and by 10.6 per cent between fiscal 1967 and 1968. The corresponding annual rates assumed by the Bureau for its higher series are 4.2, 8.1, and 7.0 per cent respectively. The amounts of total revenue and of collections from the individual and corporate income taxes are shown in the following tabulation along with the estimates of individual and corporate collections for 1966-67 and 1967-68.

Year	High BPER Estimate	Estimate A	Difference
	Individual Income		
1967	$176.2	$187.5	
1968	196.1	215.5	
Total	$372.3	$403.0	$30.7
	Corporate Income		
1967	$ 42.7	$ 52.5	
1968	45.2	60.0	
Total	$ 87.9	$112.5	$24.6
	Total General Fund		
1967	$373.9	$394.2	
1968	401.0	436.0	
Total	$774.9	$830.2	$55.3

Careful examination of these estimates is in order. The receipts from the individual income tax of Virginia have accelerated rapidly since 1961 and 1962. In fiscal 1963 the State adopted a withholding provision for the individual income tax, and also collected five quarters of income rather than four. This helped to account for the increase in collections between 1962 and 1963 of from $91 million to $128.3 million. The collections in 1964 for four quarters amounted to $127.8 million—a decline of $5 million from 1963 which included five quarters. In 1965 the individual income tax produced $141.8 million, an increase of 10.9 per cent above 1964. The Bureau projections for 1966 is $158.1 million—an increase of 11.5 per cent, and Estimate A shows $163 million—an increase of 15.1 per cent. The yield from the individual income tax depends largely upon the rate of increase in personal income payments in the State. However, the imposition of withholding taps income formerly unreported, and automation of federal returns and exchange of information between state and federal taxing authorities probably results in additional revenue.

During the current biennium, 1964-66, the General Assembly appropriated $660.5 million. The Bureau's high estimate of receipts from current tax sources is $674.5 million. This is $14.0 million more than was appropriated. According to Estimate A, total General Fund collections for the current biennium will amount to $686,845,000. The State began the present biennium with a surplus of $57.3 million. It total collections amount to $687.3 million, and there were no reversions, the surplus would be $84.1 million. If the Bureau's estimate were correct, and there were no reversion, the surplus would be $71.3 million. The size of the surplus at the end of the current biennium is unlikely to be as low as $70 million. If there are substantial reversions it could be in the neighborhood of $100 million.

Summary of Prospective General Fund Revenues, Requests, and Estimates, 1966-68 to 1970-72

The differences in the requests and estimates of General Fund agencies and prospective revenue for 1966-68 are shown in Table 9.

Table 9

GENERAL FUND REVENUE AND APPROPRIATION REQUESTS AND ESTIMATES FOR 1966-68
(in millions)

	Estimated Revenue	Estimate A	BPER (High)
I	From current tax sources	$830.2	$774.9
	Surplus	100.0	100.0
	Total	930.2	874.9
	Requests as submitted	1,025.7	1,025.7
	Deficit	—95.5	—150.8
II	Estimates of revenue available		
	Estimate of needs (BPER-High)		
	Deficit	—23.5	—78.8
III	Estimates of revenue available	930.2	874.9
	Estimate of revenue needs (BPER-Low)	866.4	866.4
	Surplus	+63.8	+ 8.5

Some assessment of the dimensions of the fiscal program confronting the General Assembly can be made by comparing the prospective revenue estimates for the next biennium with the budget requests. The estimates of revenue in the above comparison assume that the surplus available for reappropriation on July 1, 1966, will be $100 million. The amount of additional money needed for the next biennium depends on the size of the surplus, on which of the estimates is more likely to be realized during the next biennium, and on the extent to which the General Assembly appropriates money on the basis of the requests received thus far by the Governor's Office.

Under *I*, if the requests were honored as made under Estimate A, the amount of additional revenue needed would be $95.5 million; if the Bureau's estimate were correct the additional amount needed would be $150.8 million.

Under *II*, if the total amount appropriated were to correspond to the Bureau's high estimate of need and the amount of revenue available corresponded to Eastimate A, there would be a deficit of $23.5 million. On the basis of the Bureau's high estimate of revenue and high needs, the deficit would be $78.8 million.

Under *III*, if the revenue in Estimate A is used in conjunction with the assumed $100 million surplus and the amount appropriated corresponded only to the low estimate of the Bureau, there would be a surplus of $63.8 million. Using the Bureau's high estimate of revenue and low estimate of needs the surplus would be $8.5 million.

Finally, there are differences in the estimates of prospective General Fund revenue, and in the requests and estimated amounts required to meet the needs of the State's General Fund agencies during the next and succeeding bienniums. The requests and estimated needs reflect a number of changes in State policy in connection with the grants-in-aid for public schools. The comparisons of prospective revenues and expenditures assume

a continuation of the existing system of State taxation. This provides a basis for determining what additional revenues may be required and the modifications which could be made in the existing structure of State taxes if a statewide sales tax were enacted.

Each of the estimates of revenue assume somewhat different rates of increase in the State's economic growth. Only time will show which is closest to subsequent experience. The estimates of agency needs differ from the requests. Such differences are based on the premises on which each is based. Some anticipate changes in State policy along with some redefinition of State responsibility. The General Assembly will determine the course which it deems wisest. The chief purpose of this report has been to show the alternatives first with respect to revenues, second with respect to needs of General Fund agencies, and third, a review of the impact of policy changes with respect to grants-in-aid for public schools, the implications of State and/or local sales taxes.

Table 10 summarizes the budget requests for the major activities financed from the General Fund for the biennium 1966-68. These are compared with the estimates of need for the same activities as made by the Bureau of Population and Economic Research.

Table 10

BUDGET REQUESTS AND HIGH AND LOW ESTIMATES OF NEED FOR GENERAL FUND AGENCIES, 1966-68

	Requests*	Bureau Estimates Low*	Bureau Estimates High*
Public Schools	$ 432.7	$468.6	$505.0
Higher Education and Hospitals	118.0	91.2	98.5
Associated Educational Agencies	37.3	20.8	25.4
(Total Education)	$ 588.0	$580.6	$628.9
Public Health	$ 32.8	$ 26.2	$ 28.4
Welfare 34.718	59.7	51.4	54.8
Penal 24.977			
Mental Hospitals	69.9	59.1	63.2
All Other	110.1	89.1	98.4
Total: Maintenance & Operation	860.5	806.4	873.7
Capital Outlay	165.2	60.0	80.0
Total	$1,025.7	$866.4	$953.7

The total requests in the operating budget for 1966-68 of General Fund amounted to $860,511,000. This is an increase of $242,150,000 or 39 per cent, over the current biennium. The capital outlays request of $165,-155,000 is 362 per cent larger than the capital outlay appropriations for the current biennium. The total budget requests of $1,025,666,000 is $365,128,-000 or 55 per cent, larger than the total appropriation for the current biennium.

In Table 10 the requests from the General Fund for public schools from the State Board of Education amounted to $432,700,000. This request is based on a continuation of the current plan of State aid, with some modification. The Bureau estimates are based on the State assuming a large part of the minimum program. Of this amount, $425.3 million is shown on the State Board of Education's budget request as the total amount of aid benefiting localities from the General Fund. The total amount from the General Fund which is used to pay the employers' share

* All figures in millions.

of social security and the teachers' retirement amounts to $48.6 million, leaving the net amount distributed to localities for maintenance and operating expense at $376.7 million. The minimum defined program of the State Board of Education includes the amount necessary to pay 100 per cent of the cost of State aid teaching positions according to the State Board's salary scale, plus $100 per pupil in ADA. For the fiscal year 1966-67 the cost of the minimum program as defined will be $290.8 million, or $304 per pupil in ADA; the following year the minimum program will cost $309.1 million and the average cost per ADA will be about $312. These amounts are exclusive of the amounts paid by the State in behalf of the localities for the employers' share of social security and teacher retirement.

It is useful to review the behavior of the principal taxes which comprise the General Fund. Table 11 shows the amounts from the principal sources from 1955 to 1965. The largest and most productive source of revenue is the State individual income tax. Currently this source provides more than 40 per cent of the General Fund total. Table 12 shows the major sources of General Fund revenue from 1961 to 1965 with estimates for 1966 to 1972.* The table has a high and low estimate, the low one assumes that personal income payments will increase at the rate of 6.5 per cent per year, the high one at 8.0 per cent. The estimated yield for all General Fund taxes, except individual income, is the same. Since the yield from the individual income tax is so closely related to personal income, the differences in the high and low estimates of total General Fund revenue differ only on this basis. All other factors have been based on historic trends.

The needs of General Fund agencies have been increasing steadily. Table 13 reviews the annual appropriations for maintenance and operation of General Fund agencies for 1955 and 1960 to 1966. The General Fund activities are grouped into eight classes as follows: State Board of Education; higher education; hospitals connected with medical schools; associated educational services; public health; welfare and correctional institutions; and "all other" General Fund agencies. Between 1955 and 1964 total appropriations for maintenance and operation of General Fund agencies increased by 127.8 per cent. The appropriation for the State Board of Education increased by 165 per cent during the ten-year period; institutions of higher education by 122 per cent; and teaching hospitals by about 177 per cent. The table illustrates the growing responsibilities of the General Fund agencies and the amount by which the appropriations have been increased in the past.

* The totals in Table 12 for the years 1961 through 1965 are somewhat less than corresponding totals in Table 11 due to the fact that the return of the wine tax to the localities is taken into account in Table 12.

Table 11

GENERAL FUND REVENUES 1955 - 1965

(in millions of dollars)

	Fiscal Years										
	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
Income—Individual and Fiduciary	$41.6	$45.7	$105.5*	$61.4	$71.3	$76.8	$81.3	$91.0	$128.3	$127.8	$141.8
Income—Corporate	20.9	27.9	27.4	27.1	24.2	31.7	28.7	30.3	31.9	34.2	39.8
Utilities	14.8	15.1	35.0*	20.0	20.0	20.7	21.6	22.4	23.9	25.0	25.2
Insurance Companies	8.0	8.9	9.4	10.1	10.6	11.7	12.4	13.3	14.5	15.7	17.1
Capital Not Otherwise Taxed	6.9	7.1	7.5	7.9	8.4	8.3	17.8	10.1	9.2	9.1	8.3
Alcoholic Beverages	7.6	7.9	8.1	8.1	8.4	8.9	9.3	9.3	9.3	11.1	11.7
Business and Professional Licenses	10.7	11.6	12.2	12.5	12.1	12.7	12.9	13.4	14.2	14.7	15.9
All Other	15.1	14.6	17.5	18.7	20.0	22.6	23.1	25.2	27.2	32.0	33.4
Total Revenue from Regular Tax Sources	125.6	138.8	222.6*	165.8	175.0	193.4	207.1	215.0	258.5	269.6	293.2
ABC Profits	5.3	5.6	5.8	5.9	6.5	6.5	5.8	5.1	5.3	5.5	6.2
Total	130.9	144.4	228.4	171.7	181.5	199.9	212.9	220.1	263.8	275.1	299.4
Temporary Tax Sources:											
Liquor Tax							8.4	11.0	11.4	11.9	12.5
Tobacco Tax							14.1	14.8	15.1	15.2	15.9
Increase in Beer Tax							2.0	2.0	2.0	2.0	2.4
Total from All Sources							237.4	247.9	292.3	304.2	330.2

	Income Years										
	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Personal Income	5,256	5,603	6,094	6,386	6,641	7,043	7,379	7,760	8,399	8,907	9,804
	Per cent										
All General Fund Revenues as % of Income	2.49	2.58	3.75	2.69	2.73	2.84	3.22	3.19	3.48	3.42	3.37
Individual Income Tax as % of Income	.79	.82	1.73	.96	1.07	1.09	1.10	1.17	1.53	1.43	1.45
All Other Revenues as % of Income	1.70	1.76	2.02	1.73	1.66	1.75	2.12	2.02	1.95	1.99	1.92

Source: Annual Reports of the Comptroller to the Governor of Virginia.
* Includes accelerated collections.

Table 12

ESTIMATES OF GENERAL FUND REVENUES, UNDER EXISTING LAW, 1966 - 1972

(millions of dollars)

	Fiscal Years											
	Actual					Estimates						
	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
Income—Individual (A)	$ 81.3	$ 91.0	$128.3	$127.8	$141.8	$155.9	$171.2	$187.9	$206.1	$225.8	$247.2	$270.4
and Fiduciary (B)						158.1	176.2	196.1	218.1	242.4	269.1	298.6
Income—Corporate	28.7	30.3	31.9	34.2	39.8	40.3	42.7	45.2	47.9	50.8	53.8	57.0
Utilities	21.6	22.4	23.9	25.0	25.2	26.7	27.6	28.6	29.6	30.6	31.5	32.5
Insurance Companies	12.4	13.3	14.5	15.7	17.1	17.0	17.8	18.6	19.5	20.3	21.1	21.9
Capital Not Otherwise Taxed	17.8	10.1	9.2	9.1	8.3	9.6	9.8	10.0	10.2	10.4	10.6	10.7
Alcoholic Beverages	9.3	9.3	9.3	11.1	11.7	10.9	11.5	11.9	12.4	12.8	13.3	13.8
Bus. and Prof. Licenses	12.9	13.4	14.2	14.7	15.9	12.3	15.7	15.2	15.6	16.1	16.5	17.0
All Other	23.1	25.2	27.2	32.0	33.4	33.5	35.2	37.0	38.8	40.6	42.3	44.1
Total Revenues from (A)	207.1	215.0	258.5	269.6	293.2	306.2	331.5	354.4	380.1	407.4	436.3	467.4
Regular Tax Sources (B)						308.4	336.5	362.6	392.1	424.0	458.2	495.6
ABC Profits	5.8	5.1	5.3	5.5	6.2	5.8	5.8	5.9	5.9	6.0	6.1	6.2
Wine Tax to Localities	—.6	—.6	—.6	—.7	—.7	—.7	—.7	—.7	—.7	—.7	—.7	—.7
Total (A)	212.3	219.5	263.2	274.4	298.7	311.3	336.6	359.6	385.3	412.7	441.7	472.9
(B)						313.5	341.6	367.8	397.3	429.3	463.6	501.1
Temporary Tax Sources:												
Liquor Tax	8.4	11.0	11.4	11.9	12.5	12.9	13.3	13.7	14.1	14.5	14.9	15.3
Tobacco Tax	14.1	14.8	15.1	15.2	15.9	16.2	16.6	17.0	17.3	17.7	18.1	18.5
Increase in Beer Tax	2.0	2.0	2.0	2.0	2.4	2.4	2.4	2.5	2.5	2.6	2.6	2.7
Total from All Sources (A)	236.8	247.3	291.7	303.5	329.5	342.8	368.9	392.8	419.2	447.5	477.3	509.4
(B)						345.0	373.9	401.0	431.2	464.1	499.2	537.6

(A) Low Estimate—Based on an increase of 6.5% per year in personal income.
(B) High Estimate—Based on an increase of 8% per year in personal income.

Table 13

Annual Appropriation from General Fund for Maintenance and Operation
1955 to 1966

(in thousands of dollars)

	Fiscal Years								Percent Change	
	1955	1960	1961	1962	1963	1964	1965	1966	1955-64	1964-66
State Board of Education	$ 53,672	$ 92,339	$105,438	$119,471	$133,044	$142,352	$155,300	$167,281	165.2	17.5
Higher Education	11,174	16,674	19,472	20,160	24,072	24,831	27,522	28,584	122.2	15.1
Hospitals	2,119	3,648	4,479	4,616	5,750	5,868	6,289	6,459	176.9	10.1
Associated Educational Services	3,712	5,622	6,428	6,569	7,327	7,507	8,768	8,995	102.2	19.8
Total Educational Services	70,677	118,283	135,817	150,816	170,193	180,558	197,879	211,319	155.5	17.0
Public Health	8,184	9,392	10,009	10,156	10,915	10,997	11,691	11,973	34.4	8.9
Welfare	10,592	14,347	17,055	17,549	18,910	19,862	21,505	22,261	87.5	12.1
Mental Hygiene	12,583	18,385	20,239	20,953	23,005	23,717	25,104	25,571	88.5	7.8
All Other	18,486	27,507	33,409	35,538	37,184	39,451	40,182	41,398	113.4	4.7
Total Maintenance and Operation	120,522	187,914	216,529	235,012	260,207	274,585	296,361	312,522	127.8	13.8

Tables 14 and 15 are estimates of the needs of General Fund agencies from 1966-67 to 1971-72. The appropriations for 1965-66, or the current biennium, are repeated in Tables 14 and 15 for convenience in comparing the present level of appropriations with the future estimates. The high estimate, for example, is based on some fundamental changes in the present method of distributing State aid to public schools. The low series of estimates on the other hand assumes a slower rate of development in the State's economy and makes less extensive provision for public schools than the high estimate.

Table 14

ESTIMATED APPROPRIATION NEEDS FROM GENERAL FUND OF VIRGINIA: 1966-68, 1968-70, AND 1970-72

(in millions)

BPER—High Series

EDUCATION	1965	1966	Biennium 1964-66	1967	1968	Biennium 1966-68	1969	1970	Biennium 1968-70	1971	1972	Biennium 1970-72
Public School System	$155.3	$167.3	$322.6	$243.9	$261.1	$505.0	$279.5	$297.5	$577.0	$316.8	$335.9	$652.7
Higher Education	27.5	28.6	56.1	35.8	44.7	80.5	52.5	61.7	114.2	70.9	81.5	152.4
Hospitals	6.3	6.4	12.7	8.0	10.0	18.0	11.8	13.9	25.7	16.0	18.4	34.4
Assoc. Edu. Agencies	8.8	9.0	17.8	11.3	14.1	25.4	16.2	18.6	34.8	20.5	22.6	43.1
Total Education	197.9	211.3	409.2	299.0	329.9	628.9	360.0	391.7	751.7	424.2	458.4	882.6
Public Health	11.7	12.0	23.7	13.4	15.0	28.4	16.8	18.8	35.6	21.1	23.6	44.7
Welfare & Institutions	21.5	22.2	43.7	25.5	29.3	54.8	33.7	38.8	72.5	44.6	51.3	95.9
Mental Hygiene	25.1	25.6	50.7	29.4	33.8	63.2	37.2	40.9	78.1	45.0	49.5	94.5
All Other	40.2	41.4	81.6	46.4	52.0	98.4	57.2	62.9	120.1	69.2	76.1	145.3
Total—Maintenance & Operation	296.4	312.5	608.9	413.7	460.0	873.7	504.9	553.1	1,058.0	604.1	658.9	1,263.0
Contingency & Deficit			15.8									
Capital Outlays:												
Reappropriations			(19.0)									
Appropriations			35.8			80.0			80.0			60.0
TOTAL			660.5			953.7			1,138.0			1,323.0

Note: The estimated needs of the public school system are predicated on the State assuming 85 per cent of the cost of the minimum or foundation program, beginning in 1966.

Table 15

ESTIMATED APPROPRIATION NEEDS FROM GENERAL FUND OF VIRGINIA: 1966-68, 1968-70, AND 1970-72

(in millions)

BPER—Low Series

EDUCATION	1965	1966	Biennium 1964-66	1967	1968	Biennium 1966-68	1969	1970	Biennium 1968-70	1971	1972	Biennium 1970-72
Public School System	$155.3	$167.3	$322.6	$225.0	$243.6	$468.6	$262.8	$282.8	$545.6	$303.5	$324.7	$628.2
Higher Education	27.5	28.6	56.1	35.5	40.8	76.3	46.8	50.5	97.3	54.9	60.4	115.3
Hospitals	6.3	6.4	12.7	7.1	7.8	14.9	8.6	9.5	18.1	10.4	11.4	21.8
Assoc. Edu. Agencies	8.8	9.0	17.8	9.9	10.9	20.8	12.0	13.2	25.2	14.5	15.9	30.4
Total Education	197.9	211.3	409.2	277.5	303.1	580.6	330.2	356.0	686.0	383.3	412.4	795.7
Public Health	11.7	12.0	23.7	12.7	13.5	26.2	14.3	15.1	29.4	16.0	17.0	33.0
Welfare & Institutions	21.5	22.2	43.7	24.5	26.9	51.4	29.6	32.6	62.2	35.8	39.5	75.3
Mental Hygiene	25.1	25.6	50.7	28.1	31.0	59.1	34.0	37.4	71.4	41.2	45.3	86.5
All Other	40.2	41.4	81.6	43.5	45.6	89.1	47.9	50.3	98.2	52.8	55.5	108.3
Total—Maintenance & Operation	296.4	312.5	608.9	386.3	420.1	806.4	456.0	491.4	947.4	529.1	569.7	1,098.8
Contingency & Deficit			15.8									
Capital Outlays:												
Reappropriations			(19.0)									
Appropriations			35.8			60.0			60.0			60.0
TOTAL			660.5			866.4			1,007.4			1,158.8

The methods used for making the low and high estimates of the needs of the public school system are described in detail in a later section of the report entitled "Estimates of General Fund Costs for the Public School System." The lower estimates of costs of higher education are described in "Factors Influencing Enrollment in Institutions of Higher Education in Virginia, 1960-1985." The high estimate of costs of higher education and both low and high costs of the other General Fund agencies were projected by increasing the costs by a uniform annual rate. These rates are shown in the following table:

	High	*Low*
Higher Education	25%	
Hospitals	25	10%
Associated Educational Agencies	25	10
Public Health	12	6
Welfare and Institutions	15	10
Mental Hygiene	15	10
All Other	12	5

Table 16 illustrates several of the differences between revenues and appropriation needs. Each represents a different combination. The first estimate of revenues (A) for the next biennium is matched with the budget requests as submitted by the General Fund agencies. The request for capital outlays for the next biennium is far beyond anything that has been accomplished during a single biennium. The request is intended, however, to represent the capital outlay needs of the General Fund agencies during the next six years. If the surplus at the end of the biennium is $100 million, the difference between the anticipated revenue of $930.2 million and the requests for operation and maintenance of General Fund agencies of $860.5 million would leave $69.7 for capital outlays without any new sources of revenue and no surplus at the end of the biennium.

Estimates of General Fund agency needs, as developed by the Bureau of Population and Economic Research, are matched with estimated revenues in II and III. These estimates are taken from Table 14 and 15.

Table 16

SUMMARY ESTIMATES OF GENERAL FUND REVENUE REQUESTS AND NEEDS UNDER EXISTING LAW, 1966-72

(millions)

		1966-68	1968-70	1970-72
I	Estimated Revenues			
	Present Sources (A)	$ 830.2		
	Surplus (est.)	100.0		
	Total	$ 930.2		
	Budget Requests			
	Maintenance & Operation	860.5		
	Capital Outlay	165.2		
	Total	$1,025.7		
	Requests less Revenues	— 95.5		

BPER (High)			
Estimated Revenues			
Present Sources	774.9	895.3	1,036.8
Surplus (est.)	100.0	.....	.....
Total	874.9	895.3	1,036.8
Estimated Needs (High)			
Maintenance & Operation	873.7	1,058.0	1,263.0
Capital Outlay	80.0	80.0	60.0
Total	953.7	1,138.0	1,323.0
Needs less Revenue	— 78.8	—242.7	—286.2
BPER (Low)			
Estimated Revenues			
Present Sources	761.7	866.7	986.7
Surplus (est.)	100.0	.....	.....
Total	861.7	866.7	986.7
Estimated Needs (Low)			
Maintenance & Operation	806.4	947.4	1,098.8
Capital Outlay	60.0	60.0	60.0
Total	866.4	1,007.4	1,158.8
Needs less Revenue	— 4.7	—140.7	—172.1

The high estimates provide $220 million for capital outlay during the next three bienniums. The low estimates provide $180 million for the same period. The estimated needs of General Fund agencies provide for large increases in State funds for public schools on the premise that State and local shares of support would be in better balance if the State were to underwrite a substnatial share of the *minimum or foundation program* in *all* localities. Substantial increases have been made for higher education, hospitals, associated educational agencies, mental hospitals and all other State services.

The high estimates of revenue as shown in *II*, and the high estimate of needs, even with the $100 million surplus leave a gap in General Fund revenues of $78.8 million in the biennium 1966-68. If, however, the revenues approached the level of *I*, and the estimates of need in *II* were appropriate, then the revenue gap would be reduced to $23.5 million. In the event that the present high level of economic activity in the State and Nation is not sustained then the revenue estimates of *III* are more likely. The agency needs are the low estimates of the Bureau. This produces a deficit of $4.7 million for the next biennium. As of this writing estimate *III* of the prospective revenues appears less probable than *II* or *I*. The prospective revenue gaps after 1968 appear large under any of the sets of assumptions.

The enactment of a statewide sales tax of 2 per cent is not needed to meet the prospective needs of General Fund agencies for 1966-68. The revenue gap could be met by some adjustments in the present tax structure. However, the State has no long term alternative for meeting its revenue needs if it abandons the sale tax to local governments. This alternative as will be shown later, is a most undesirable one. A 2 per cent statewide sales tax, if enacted, would permit the reduction and/or elimination of certain taxes, such as State business and professional license taxes and capital not otherwise taxed.

III

State and Local Sales Taxes

The Committee examined in some detail the implications and effects of State and local sales taxes. Two memoranda and a table follow. The first memorandum deals with local sales and use taxes and their impact upon cities and counties. The second deals with statewide sales taxes. In this memorandum four alternative bases are presented in order to illustrate the effect of exemptions on the yield of a statewide sales and use tax. The yields are approximate. A sales tax law defines in detail the kinds of sales which are subject to the tax. Refined estimates can then be prepared on the basis of inclusions and exclusions. The third part, Table 19, illustrates the amount of revenue each city and county would realize from a 1% statewide sales tax apportioned ½ on volume of sales in the county or city and ½ on the basis of population in 1964.

Local Sales and Use Taxes and Their Impact

The current effort of Virginia cities to enact sales and use taxes prior to the meeting of the General Assembly of Virginia in 1966, raises many questions as to the relative merits of local sales taxes. The adequacy of local sales and use taxes depend at present upon the relative volume of retail sales made in cities, counties and towns and the provisions of many local ordinances. The following illustration endeavors to show in the simplest terms some of the more important principles involved in the application of local sales and use taxes in adjacent local jurisdictions. There is also a variation discussed in the application of the *use* tax by local governments which is the obverse of the customary interpretation. This reasoning is based on the simple proposition that a sales and/or use tax, however designed, is a consumer tax. Moreover, since the tax is on the consumer the proceeds of such tax might be returned to the jurisdiction in which the purchaser resides rather than accrue to the benefit of the community in which the goods and/or services are sold.

To state the problem in its simplest terms, A and B are assumed to be adjacent communities which have the same total population, the same school enrollment, the same per capita income, but differ with respect to per capita retail sales. By assuming population, school enrollment, and income to be constant in both communities the differential impact of local sales taxes can be clearly shown. If this same principle were applied to other communities the differential effects as shown between A and B would be increased or diminished according to the circumstances. In using this simplified model it is realized that there are wide differences in population, school enrollment, per capita income, per capita sales and many other variables among the Virginia communities, but such differences do not detract from the principles shown.

Assume for any given year that A and B are equal in:

(1) Population
(2) School Enrollment
(3) Per Capita Income

and that:

(4) Per capita sales in A =$ 2,000
Per capita sales in B = 500
Per capita sales in $\frac{A+B}{2}$ = 1,250

Per capita sales tax @ 2% A =$ 40.00
Per capita sales tax @ 2% B = 10.00
Per capita sales tax @ 2% $\frac{A+B}{2}$ = 25.00

A local sales tax as a revenue source under the above conditions *enhances* the revenue of A at the expense of B, or other communities, since both are *equal* in population, school enrollment, and income, but differ with respect to retail sales. A serves as a trade center for B since the shopping facilities and/or sales of B are ¼ of the volume of A. The purchasing power and/or retail purchases of those persons living in A and B are identical. The use of local sales taxes by each locality would produce the following results:

1. A, with the same population, school enrollment, and income as B would obtain *four* times the tax revenue of B.
2. If the per capita retail sales of A and B together is used as a standard of measurement and the retail purchases of A and B are assumed to be the same, then
   (a) the residents of B pay per capita retail sales taxes on $750 of purchases ($15.00) to other jurisdictions (presumably A) while paying taxes on $500 of purchases ($10.00) within their own jurisdiction. Thus the residents of B pay 1½ times as much sales taxes to other localities (presumably A) as they do to their own.
   (b) the residents of A presumably pay their full share of local retail sales taxes, ($25.00 per capita) but receive $15.00 or ⅜ of the total of $40.00 collected from other communities (presumably B).
   (c) the imposition of local sales taxes thus widens the gap in resources between communities A and B to finance the same public services, e.g., schools.

Use Taxes

The local sales taxes as drawn include a *use* tax provision which obligates the resident of A or B who makes purchases outside the jurisdiction in which he lives to *pay* or cause to have paid a use tax equal to the tax he would have paid, had the purchase been made in the jurisdiction in which he resides. To *administer* these use tax provisions and *enforce* them would not only be complex, but most difficult.

As a matter of equity could the resident of B who makes a purchase in A rightfully request that he be exempt from paying the sales tax to A on the grounds that he lives in B, unless the proceeds of the taxes collected from residents of B in community A were returned to community B?

A previous court decision, Henneford vs. Silas Mason Co., 300 U.S. 577; Ct. 524; 81 L Ed. 814 (1937), is of interest. The substance of this decision is that a state may not levy taxes which burden interstate commerce. However, businesses or the property used in interstate commerce are *not* immune from state taxation. A state may levy taxes which will make interstate commerce "pay its way" and not place local merchants at an overwhelming disadvantage as compared to out-of-state competitors.

If this reasoning is followed in interjurisdictional commerce (trade between and among localities in a state), then it would seem appropriate for the *use* tax provisions to work in reverse when the cities have the right to levy a sales and use tax, and the counties have only the right to levy a vendor's tax. The vendor's tax is a sales tax which all purchasers normally pay irrespective of residence, and would operate in a way similar to a hotel or motel room occupancy tax. It is possible that a county

might have a business concentration that would work to its advantage but such instances are rare. If logic were pursued to its ultimate then counties could claim that portion of the sales tax paid by their residents to any merchant making a sale to a resident of said county.

It is apparent that such provision, if written into local tax ordinances providing for sales and use taxes, if enforced, would be expensive and difficult to administer, and would tend to obstruct the transaction of all business.

The Dilemma

Sales taxes produce unequal yields to localities because businesses tend to group themselves in central business districts or shopping centers for the convenience of their patrons. A person's buying is not confined to the political jurisdiction in which he lives.

The *use tax* provision permits one jurisdiction to levy or otherwise cause to have paid sales taxes collected on purchases made outside of the jurisdiction in which the purchaser resides. Jurisdictions having a large concentration of business firms can be supported in part by the taxes paid by non-residents unless the sales tax collected is returned to the jurisdiction of the purchaser. Similarly, if the residents of jurisdictions having sales taxes are permitted to make purchases outside of the jurisdiction of their residence without paying a use tax, then the local merchant is at a competitive disadvantage. If all localities had sales and use taxes, the complexity of meeting the provisions as contained in many current ordinances would be staggering. If the *use* feature is ignored then there is no way of adjusting the sales taxes collected by localities according to the residence of buyers. Thus, areas of sparse or limited concentration of business must increase other local taxes to make up the deficit which is paid to the areas of extensive shopping facilities.

Comment

The preceding brief analysis of the differential impact of local sales and use taxes shows the dominant factors which influence the amount any given community might expect from a local sales tax per se. The confusion resulting from including the *use* tax deserves further consideration. The essence of the court decisions which sanction *use* taxes in interstate commerce would create a monstrosity in terms of administration if systematically applied to intra-state or local commerce.

The foregoing illustration shows the basis for the diverse yields of local sales taxes. Such diversity will be compounded further when added to the varied real estate, public service, and personal property tax bases of localities. The general effect of local sales taxes is to strengthen the tax base of the more densely settled urban areas at the expense of the more sparsely settled suburban and rural areas. This adverse effect of local sales could be counteracted by vigorous enforcement of a use tax which would distribute the proceeds of a local sales tax to the local government in which the purchaser lives. The administrative complexity of such a proposal illustrates the difficulties in enforcement of such a fantastic

A statewide sales tax overcomes many of the inequalities and disparities as outlined above. For these and other reasons it would appear desirable to place a ceiling on local sales taxes and to abolish local use taxes on the grounds that local *use* taxes (1) create most difficult problems

of enforcement, and (2) interfere with the freedom of the individual to buy where he chooses. If the State enacts a general sales tax with use provisions which apply to interstate commerce, the General Assembly can establish the basis for grants-in-aid to all localities which will tend to equalize the programs of public free schools, public welfare, public health, and other joint state and local functions. The localities at their option could then impose local *sales* taxes not to exceed 1%. It would be preferable to prohibit the right of localities to levy *use* taxes which apply to purchases made outside. If purchases were made in another state, then the state sales and use tax could be applied.

Use of Statewide Sales Taxes

In any consideration of the yield from a sales tax the subjects of taxation must be defined. Up to the present time the estimates of sales tax yields have been approximations based on the relationship between retail sales and income. Since new data have become available—personal income estimates for 1963 and 1964, and the 1963 Business Censuses of retail trade, wholesale trade, selective service industries, and manufacturing industries—it is possible to sharpen up the anticipated yields from a general sales tax. The Census of Retail Trade includes most kinds of business which sell tangible personal property to the consumer at retail. The Census of Selected Services includes other businesses which are often included in the sales tax base. The major groups classified as service are as follows: hotels, motels, and tourist courts; personal service establishments which include laundries of all kinds, barber and beauty shops; miscellaneous business services such as advertising, credit bureaus, collecting agencies, direct mail advertising services to dwellings, business and management consultants, and public relations services, equipment rental, and miscellaneous business and repair services of all kinds as defined in the business census; automobile repair and auto services, motion pictures and amusement industries.

In considering the application of a statewide sales tax, four separate bases are given. For each of these bases the sales tax at 2% per year has been calculated from 1963 to 1972. Estimates of the variations in the annual rate of increases are based on an analysis of past trends of individual components of retail sales and service industries.

Base 1—provides for no exemptions except State liquor sales from the groups of businesses defined in the Census of Business: Retail Trade, and Selected Services for 1963.

Base 2—provides for a number of exemptions. These are described and illustrated in Table 17, which gives the figures from the Census of Retail Trade and Selected Services for 1963 and 1958. The exemptions, other than State liquor sales, which would be permitted in Base 2 are as follows:

(1) Gasoline sales. There are two reasons for the elimination of gasoline sales from the base. The first is that current taxes on gasoline, motor fuel, and motor oil are used to finance the maintenance and construction programs of the State Highway Department. The proceeds from motor vehicle sales and auto repair in garages might well be separated from the other items covered by a general sales tax and defined as a special fund tax for road maintenance and construction.

Table 17

ITEMS INCLUDED AND/OR EXCLUDED FROM FOUR SELECTED BASES FOR A GENERAL RETAIL SALES TAX FOR VIRGINIA, 1958 AND 1963
(in thousands)

	1963	1958	% Change 1958-1963
Total Retail Sales*	$4,790,120	$3,721,290	29.0
Less Liquor Sales	119,769	115,182	4.0
Total Selected Services*	589,069	471,529	24.9
Base 1—Total	$5,259,420	$4,077,637	29.0
Possible Exemptions			
Gasoline sales	375,523	303,621	23.7
Farm and garden supplies, feeds and seeds	81,374	76,103	6.9
Farm equipment	52,949	49,959	6.0
Motion pictures	16,924	21,416	—21.0
Amusement and recreation	48,012	28,467	68.7
Drugs and medicines (½)	91,871	67,815	35.5
House trailers	24,806	11,295	119.6
Lumber, building materials, plumbing, hardware (½)	182,941	138,035	32.5
Total Exemptions	$ 874,400	$ 696,711	25.5
Base 2—Total	$4,385,020	$3,380,926	29.7
Auto sales	945,048	618,467	52.8
Auto repair services	83,542	63,047	32.5
Base 3—Special Highway	$1,028,590	$ 681,514	50.9
Base 4—General (Base 2—3)	$3,356,430	$2,699,412	24.3

* Census of Business: Retail Trade; Selected Services, 1958 and 1963.

(2) Farm and garden supplies, seeds, feed, fertilizer, and farm equipment. For the most part these items are necessary for the production of agricultural or horticultural crops and as elements of production should not be subject to the sales tax. Farm equipment after it is purchased is ordinarily subject to personal property tax.

(3) Motion pictures, amusement and recreation services have been excluded from the State sales tax Base 2, since these are appropriate subjects of local taxation. Local ordinances can also provide for certain regulatory functions over these activities wherever such local taxes are imposed.

(4) Drugs and medicines have also been excluded from the tax base. The main reason for this exclusion is the strong feeling among many that drugs and medicine which are necessary to restore individuals to health should not be taxed. The exemption of drugs and medicines would increase the administrative problems of the sales tax in the modern drug store because so much of their sales volume is from articles other than drugs and medicines.

(5) House trailers have also been eliminated from the sales tax base on the grounds that such units are residences and should be taxed as property.

Another large sales group which has been taken out of the sales tax base includes lumber, building materials, plumbing supplies, heating materials, and hardware. It may be necessary to limit the exemption of these articles to contract construction. To include them universally would add materially to the cost of home building.

The above list of items amounted to $874,400,000 in 1963. When this amount is subtracted from the total of Base 1, Base 2 becomes $4,385,-020,000.

Base 3—As suggested above there has been increasing demand for additional funds to finance Virginia's highways. If all retail sales of automobiles and automotive products and auto repair services were taxed at 2%, this special tax base in 1963 of $1,028,590,000 would have produced $20,572,000. The gap in the amount needed to bring the highway revenues up to the point where highway construction proceeds more rapidly will require at least $40 million per biennium. If automobiles, automotive equipment and repair services were included in the general sales tax with the provision that such funds be separated and turned into the special highway funds, it is likely that the annual yield from this tax base would increase from $20,572,000 in 1963 to about $39.4 million for the year 1972.

Base 4—The residual of the general sales tax. This base includes the exemptions of Bases 2 and 3. The latter transfers the proceeds from auto sales and auto repair services to the highway fund. This residual general sales tax base 4 of $3,356,430,000 at 2% would have yielded $67,129,000 in 1963. Table 18 has been prepared illustrating the prospective increases in the four sales tax bases as defined above and the annual tax yield from each. The inclusions and exclusions suggested above could be modified. The annual yield from additions or deletions can be estimated within reasonable limits.

In the above discussion it has been assumed that all industrial machinery used for manufacturing, construction, transportation and the like would be exempt from the sales tax. The logic is much the same as the suggestion made above that raw materials and tools required in the production of goods or services should not be taxed. This increases the cost of producing goods and would be passed on to the consumer wherever possible. The consumer in purchasing most of these products at retail must pay at that point. The value of such sales are not covered or included in the Census of Retail Trade or Selected Services.

Table 18 gives the dollar volume of each of the four tax bases from 1963 to 1972. The Censuses of Retail Trade and Selected Services for 1963 were used as the base. The annual growth rate in Base 1 and Base 2 is placed at 5.5 per cent, and for Base 3, at 7.5 per cent. Base 4 is obtained by subtracting Base 3 from Base 2. These annual rates reflect the pattern of change as shown in Table 17 among the components of retail trade and selected services. Table 18 is useful in showing the yields which would result from a 2% sales tax applied to the four bases for the next three bienniums. The items included or excluded in any of the four bases could be modified.

Table 18

ESTIMATED VOLUME OF RETAIL SALES AND SELECTED SERVICES AND SALES TAX YIELD AT 2%, ON SELECTED TAX BASES, 1963 - 1972

Year	Base 1	Base 2	Base 3	Base 4
		Volume ($1,000,000)		
1963	5,259.4	4,385.0	1,028.6	3,356.4
1964	5,548.7	4,626.2	1,105.7	3,520.5
1965	5,853.9	4,880.6	1,188.7	3,692.0
1966	6,175.8	5,149.1	1,277.8	3,871.3
1967	6,515.5	5,432.3	1,373.7	4,058.6
1968	6,873.9	5,731.0	1,476.7	4,254.4
1969	7,251.9	6,046.3	1,587.4	4,458.8
1970	7,650.8	6,378.8	1,706.5	4,672.3
1971	8,071.6	6,729.6	1,834.5	4,895.2
1972	8,515.5	7,099.8	1,972.1	5,127.7
		Yield ($1,000)		
1963	105,188	87,700	20,572	67,129
1964	110,974	92,524	22,115	70,409
1965	117,077	97,613	23,733	73,839
1966	123,517	102,981	25,556	77,425
1964-66	240,594	200,594	49,329	151,264
1967	130,310	108,645	27,473	81,172
1968	137,477	114,621	29,533	85,087
1966-68	267,787	223,266	57,006	166,259
1969	145,038	120,925	31,749	89,177
1970	153,015	127,576	34,130	93,446
1968-70	298,053	248,501	65,879	182,623
1971	161.431	134,593	36,689	97,903
1972	170,310	141,995	39,441	102,554
1970-72	331,741	276,588	76,130	200,457

Sources: 1963 data from Census of Business: Retail Trade & Selected Services.
Base 1 increase 5.5 per year. Base 3 increase 7.5 per year.
Base 2 increase 5.5 per year. Base 4 = Base 2 — Base 3.

Table 19 shows the yield to localities from a statewide sales tax according to various distribution factors. In Column (1) is the share of total retail sales in each city and county of Virginia from the Census of Business-Retail Trade. For example, Accomack County had 0.53 of the total volume of retail sales in Virginia in 1963. The total for the State was $4,790,120,000 and for Accomack County it was $24,562,000. If a statewide sales tax were enacted and the money distributed on the basis of *where sold,* each county and city would receive the share of the State total shown in Column (1). If the money were to be distributed according to average daily attendance, the factors in Column (2) would govern.

Other factors in Table 19, expressed as shares of the State total, are the population under 15 in 1960 which would correspond to the population 5 to 19 in 1965, and the share of total population in 1964 as estimated by the Bureau of Population and Economic Research. Columns (6) and (7) estimate the yield from a 1% statewide sales tax using Base 4 for 1966-67 and 1967-68 for each county and city, wherein ½ of the tax is apportioned on the volume of retail sales and ½ on the basis of total population in 1964.

The yields from other factors or combinations may be made by multiplying the tax base by each locality's share of the State total.

Table 19

LOCAL SHARES OF RETAIL SALES; AVERAGE DAILY ATTENDANCE; POPULATION UNDER 15 IN 1960; TOTAL POPULATION 1964; AND ESTIMATED YIELD FROM 1% GENERAL STATEWIDE SALES TAX

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Retail Sales*		Population	Total	Average of	1% Sales Tax** Estimated Yield	
	(000) 1963	ADA 1964-65	0 - 14 1960	Population 1964	Columns (1) & (4)	9 mos. 1966-67	12 mos. 1967-68
Total Amount	$4,670,351	894,999	1,265,495	4,307,591		$29,361,750	$41,565,000
STATE	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Accomack	.51	.68	.69	.69	.60	$176,170	$249,390
Albemarle	.38	.64	.74	.65	.51	149,740	211,980
Alleghany	.08	.33	.32	.29	.19	55,790	78,970
Amelia	.09	.18	.23	.18	.13	38,170	54,030
Amherst	.29	.51	.55	.57	.43	126,260	178,730
Appomattox	.17	.23	.22	.23	.20	58,720	83,130
Arlington	6.94	2.62	3.31	4.20	5.57	1,635,450	2,315,170
Augusta	.42	1.02	.92	.94	.68	199,660	282,640
Bath	.09	.12	.12	.11	.10	29,360	41,570
Bedford	.44	.80	.77	.75	.60	176,170	249,390
Bland	.04	.13	.14	.14	.09	26,430	37,410
Botetourt	.17	.45	.41	.40	.28	82,210	116,380
Brunswick	.26	.46	.51	.42	.34	99,830	141,320
Buchanan	.53	1.02	1.22	.87	.70	205,530	290,960
Buckingham	.13	.28	.30	.25	.19	55,790	78,970
Campbell	.55	1.01	.88	.86	.71	208,470	295,110
Caroline	.24	.37	.35	.31	.27	79,280	112,230
Carroll	.27	.58	.56	.55	.41	120,380	170,420
Charles City	.02	.18	.18	.14	.08	23,490	33,250
Charlotte	.13	.35	.35	.32	.23	67,530	95,600
Chesterfield	.84	2.25	1.92	1.99	1.42	416,940	590,220
Clarke	.15	.20	.19	.19	.17	49,910	70,660
Craig	.04	.08	.08	.08	.06	17,620	24,940
Culpeper	.41	.41	.37	.37	.39	114,510	162,100
Cumberland	.05	.17	.18	.15	.10	29,360	41,570
Dickenson	.22	.56	.62	.46	.34	99,830	141,320
Dinwiddie	.12	.48	.51	.55	.33	96,890	137,160
Essex	.19	.18	.17	.16	.18	52,850	74,820
Fairfax	6.15	9.36	8.00	8.13	7.14	2,096,430	2,967,740
Fauquier	.57	.64	.64	.59	.58	170,300	241,080
Floyd	.13	.24	.23	.24	.18	52,850	74,820
Fluvanna	.06	.19	.19	.18	.12	35,230	49,880
Franklin	.40	.65	.67	.63	.52	152,680	216,140
Frederick	.22	.62	.58	.55	.39	114,510	162,100
Giles	.39	.46	.43	.39	.39	114,510	162,100
Gloucester	.23	.29	.29	.30	.26	76,340	108,070
Goochland	.10	.23	.23	.22	.16	46,980	66,500
Grayson	.14	.39	.41	.40	.27	79,280	112,230
Greene	.08	.11	.12	.11	.10	29,360	41,560
Greensville	.35	.45	.48	.38	.36	105,700	149,630
Halifax	.25	.88	.93	.78	.52	152,680	216,140
Hanover	.46	.78	.70	.74	.60	176,170	249,390
Henrico	2.57	3.11	3.09	3.18	2.87	842,680	1,192,920
Henry	.55	1.23	1.13	1.05	.80	234,890	332,520
Highland	.03	.06	.07	.07	.05	14,680	20,780

* Excludes State liquor sales.
** ½ apportioned on retail sales and ½ on total population.

Table 19—Continued

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Isle of Wight ..	.31	.51	.48	.43	.37	108,640	153,790
James City.....	Included in Williamsburg						
King & Queen	.04	.12	.15	.13	.09	26,430	37,410
King George ..	.10	.17	.19	.18	.14	41,110	58,190
King William..	.22	.19	.19	.18	.20	58,720	83,130
Lancaster	.24	.22	.23	.22	.23	67,530	95,600
.....	.30	.63	.68	.57	.43	126,260	178,730
Loudoun	.62	.75	.64	.63	.63	184,980	261,860
Louisa	.19	.34	.34	.31	.25	73,400	103,910
Lunenburg	.13	.33	.32	.30	.21	61,660	87,290
Madison	.13	.20	.21	.20	.17	49,920	70,660
Mathews	.15	.14	.13	.16	.15	44,040	62,350
Mecklenburg ..	.68	.84	.88	.75	.72	211,400	299,270
Middlesex	.11	.16	.14	.15	.13	38,170	54,030
Montgomery ..	.72	.76	.73	.82	.77	226,090	320,050
Nansemond	.24	.94	.91	.80	.52	152,680	216,140
Nelson	.12	.32	.32	.29	.20	58,720	83,130
New Kent	.09	.13	.12	.11	.10	29,360	41,570
Northampton ..	.32	.42	.43	.40	.36	105,700	149,630
Northumber-land	.13	.26	.25	.24	.19	55,790	78,970
Nottoway	.36	.39	.37	.36	.36	105,700	149,630
Orange	.41	.33	.32	.30	.35	102,770	145,480
Page	.29	.37	.37	.38	.34	99,830	141,320
Patrick	.17	.39	.39	.36	.26	76,340	108,070
Pittsylvania	.49	1.58	1.62	1.42	.96	281,870	399,020
Powhatan	.08	.12	.16	.16	.12	35,230	49,880
Prince Edward	.43	.14	.32	.33	.38	111,570	157,950
Prince George	.13	.55	.49	.57	.35	102,770	145,480
Prince William	1.33	1.75	1.49	1.59	1.46	428,680	606,850
Pulaski	.53	.70	.68	.65	.59	173,230	245,230
Rappahannock	.05	.12	.13	.13	.09	26,430	37,410
Richmond	.14	.16	.15	.15	.15	44,040	62,350
Roanoke	1.59	1.82	1.51	1.64	1.61	472,720	669,200
Rockbridge	.49	.54	.54	.57	.53	155,620	220,290
Rockingham ..	.54	1.08	1.02	1.00	.77	226,090	320,050
Russell	.28	.70	.72	.63	.46	135,060	191,200
Scott	.28	.62	.65	.58	.43	126,260	178,730
Shenandoah	.50	.52	.49	.52	.51	149,740	211,980
Smyth	.58	.78	.74	.74	.66	193,790	274,330
Southampton ..	.21	.53	.57	.48	.34	99,830	141,320
Spotsylvania ..	.06	.40	.38	.35	.21	61,660	87,290
Stafford	.16	.47	.47	.45	.30	88,090	124,690
Surry	.06	.13	.18	.15	.11	32,300	45,720
Sussex	.22	.34	.37	.29	.25	73,400	103,910
Tazewell	.90	1.18	1.24	1.00	.95	278,940	394,870
Warren	.36	.26	.35	.32	.34	99,830	141,320
Washington	.56	.96	.95	.94	.75	220,210	311,740
Westmoreland	.21	.30	.31	.27	.24	70,470	99,760
Wise	.63	1.12	1.22	.94	.79	231,960	328,360
Wythe	.47	.55	.55	.52	.49	143,870	203,670
York	.22	.73	.60	.63	.43	126,260	178,730

Table 19—Continued

Cities	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Alexandria	3.69	1.65	2.16	2.35	3.02	886,720	1,255,260
Bristol	.66	.39	.39	.40	.53	155,620	220,290
Buena Vista ..	.15	.15	.16	.16	.15	44,040	62,350
Charlottesville	1.50	.65	.61	.85	1.18	346,470	490,470
Chesapeake	1.00	2.52	2.15	1.99	1.49	437,490	619,320
Clifton Forge..	.19	.13	.11	.12	.16	46,980	66,500
Colonial Heights	.18	.30	.23	.28	.23	67,530	95,600
Covington	.44	.25	.25	.24	.34	99,830	141,320
Danville	1.72	1.11	1.08	1.08	1.40	411,060	581,910
Fairfax	Included in Fairfax County						
Falls Church ..	1.22	.21	.28	.25	.73	214,340	303,420
Franklin	.30	.19	.20	.18	.24	70,470	99,760
Fredericksburg	1.07	.27	.25	.32	.70	205,530	290,960
Galax	.37	.12	.13	.13	.25	73,400	103,910
Hampton	2.13	2.50	2.33	2.45	2.29	672,380	951,840
Harrisonburg..	.93	.26	.24	.34	.63	184,980	261,860
Hopewell	.44	.47	.46	.46	.45	132,130	187,040
Lynchburg	2.14	1.20	1.21	1.30	1.72	505,020	714,920
Martinsville	.96	.52	.48	.46	.71	208,470	295,110
Newport News	3.53	2.88	2.92	2.92	3.23	948,380	1,342,550
Norfolk	8.71	5.77	7.46	7.31	8.01	2,351,880	3,329,360
Norton	.18	.13	.12	.12	.15	44,040	62,350
Petersburg	1.68	.84	.90	.85	1.26	369,960	523,720
Portsmouth	2.66	2.50	2.85	2.77	2.72	798,640	1,130,570
Radford	.34	.21	.19	.23	.28	82,210	116,380
Richmond	9.96	4.18	4.53	5.09	7.52	2,208,000	3,125,690
Roanoke	3.39	2.07	2.18	2.34	2.86	839,750	1,188,760
South Boston..	.36	.17	.14	.17	.27	79,280	112,230
Staunton	.88	.47	.46	.55	.71	208,470	295,110
Suffolk	.72	.23	.28	.29	.50	146,810	207,820
Virginia Beach	1.87	3.48	2.46	2.71	2.29	672,380	951,840
Waynesboro	.75	.41	.41	.39	.57	167,360	236,920
Williamsburg..	.64	.40	.37	.49	.57	167,360	236,920
Winchester	1.22	.33	.32	.36	.79	231,960	328,360

IV

Estimating the General Fund Requirements For Educational Needs

The General Fund Budget of the State Board of Education for 1966-68

A simplified analysis of the budget of the State Board of Education presented to the Governor for the next biennium may be helpful in clearing up certain items which are easily confused in connection with the total amount of State aid for education. The table contains the following items for each year of the current biennium and the requests for 1966-67 and 1967-68. The first item shown is the total amount of General Fund revenue distributed to, or in behalf of, the localities. This is less than the total appropriation to the State Board of Education—the difference being the amount for administration and Statewide programs. The second item in the table is the allowance from the General Fund for payment of the employer's share of social security and teacher retirement benefits. Since 1962 these items have been included in the budget of the State Board of Education. In most State agencies, however, the payments for the employer's share of social security and State retirement costs are paid from a special fund appropriated for this purpose.

The above practice has been a source of confusion with respect to the amount of State aid actually available to localities for operation and maintenance. The retirement allowances have never been included in the computation of total costs of maintenance and operation of public schools.

Table 20

AMOUNT OF STATE AID TO OR ON BEHALF OF LOCALITIES FOR PUBLIC SCHOOLS, FOR SELECTED PROGRAMS, FOR FISCAL YEA RS1964-65 to 1967-68

(in thousands of dollars)

	1964-65	1965-66	1966-67	1967-68
Total Local Aid	$149,559	$163,999	$201,941	$223,371
Less Retirement Allowances	14,924	16,842	22,889	25,731
Amount available for Basic Aid and "Other" Programs	134,635	147,157	179,052	197,641
"Other" Programs—Total	19,264	20,462	22,295	23,991
Vocational Education	5,750	6,172	6,697	7,521
Pupil Transportation	7,187	7,432	7,910	8,157
All "Other"	6,327	6,858	7,688	8,313
Basic School Aid	115,371	126,695	156,757	173,650
ADA	894,999	924,027	956,449	991,769
Local Aid—Per Pupil in ADA				
Total Local Aid	$ 167	$ 177	$ 211	$ 225
Less Retirement Allowances	17	18	24	26
Amount available for Basic Aid and "Other" Programs	150	159	187	199
"Other" Programs—Total	21	22	23	24
Vocational Education	6	7	7	8
Pupil Transportation	8	8	8	8
All "Other"	7	7	8	8
Basic School Aid	129	137	164	175
Minimum Program	252	258	304	312
Total Local Aid/Minimum Program	.663	.686	.694	.721
Basic & "Other"/Minimum Program	.595	.616	.615	.638
Basic Only/Minimum Program	.512	.531	.539	.561

Since social security and retirement payments are part of the fringe benefit package provided by the State it is appropriate to recognize such payments whether included or excluded in the computation of maintenance and operation costs, or amount of State aid to localities. They are shown separately in the table.

The third item in the table is the amount of basic school aid. The basic school-aid program is divided into two parts: the first is the payment of 60 percent of the State salary scale for State approved teaching positions. This allotment is available to all communities. In addition a part of the basic school aid is a supplementary share which is "equal to the amount by which the minimum program cost exceeds the sum of the basic State share, the local share, and the adjusted federal operating aid." There are many communities—most cities and urban counties—which receive no supplemental State aid. The principle of this program has been to provide additional State assistance to localities with limited resources and to deny such aid to all localities with what may be termed average or better resources.

The fourth item is designated "other" programs. The "other" programs include a great many special activities for which appropriations have been made, but the two largest and perhaps most important ones are the funds for vocational education and pupil transportation. The amounts for these two programs and the remainder of the "other" programs are shown separately in the table. These funds are not uniformly distributed among the localities but are based on certain matching provisions and needs. It will be a distinct administrative advantage and good educational philosophy to combine all of these funds as has been recommended into a single-fund formula. While it is recognized that this may require some administrative adjustments in the "other" funds which are involved in State and federal matching provisions, these problems are not insurmountable.

Estimates of General Fund Costs for the Public School System

Projections of ADA were made in several ways. Method I, was an extension of the straight-line trend in the absolute numbers of pupils in ADA from the school year 1959-60 through 1963-64. Method II, was to project the trend for the same years of the ratio of ADA to the corresponding total population cohort (6-17 years of age) as derived from the 1960 Census. Method I, gives a larger estimate in 1972 and in the light of recent developments seem more probable. Furthermore by 1972 the size of the population 6-17 years of age depends in part on the level of births in the State between 1960 and 1966 added to the population 3 to 7 years of age in 1960. ADA as estimated by Method I, is shown on the attached tabulation (Table 21).

Table 22 shows the General Fund appropriations for public school education broken down into two categories—basic State school aid, and "other" from the year 1959-60 through the current biennium 1964-66.

Table 23 gives the appropriation per ADA broken down into State aid and "other" for the years since 1959-60 and through 1965-66. Trend values for basic State aid per ADA and "other" costs per ADA were calculated separately for the years through 1971-72. These values were multiplied by the estimated ADA to give estimated annual costs. This procedure assumes that the distribution of State funds would continue to be made under the existing system.

Table 21

ESTIMATES OF SCHOOL COSTS—PRESENT SYSTEM

	(1) Estimate I ADA	(2) Basic State Aid per ADA	(3) Cost (1) × (2)	(4) Other Fund per ADA	(5) Cost (1) × (4)	(6) Total Cost (3) + (5)
1964-65	900,858	$130.27	$117,355,100*	$42.12	$37,945,210	$155,300,310
1965-66	929,760	136.27	126,694,805	43.65	40,586,335	167,281,140
1966-67	958,663	146.70	140,635,862	45.67	43,782,139	184,418,001
1967-68	987,565	154.56	152,638,046	47.47	46,879,711	199,517,757
1968-69	1,016,467	162.41	165,084,405	49.28	50,091,494	215,175,899
1969-70	1,045,369	170.26	177,984,526	51.09	53,407,902	231,392,428
1970-71	1,074,271	178.12	191,349,151	52.90	56,828,936	248,178,087
1971-72	1,103,174	185.97	205,157,269	54.70	60,343,618	265,500,887
		100% Instructional Costs (× 128.87)				
1964-65		171.55	154,544,800**		37,945,210	192,490,010
1965-66		175.61	163,271,595		40,586,335	203,857,930
1966-67		189.05	181,237,435		43,782,139	225,019,574
1967-68		199.18	196,704,650		46,879,711	243,584,361
1968-69		209.30	212,744,273		50,091,494	262,835,767
1969-70		219.41	229,368,659		53,407,902	282,776,561
1970-71		229.54	246,591,651		56,828,936	303,420,587
1971-72		239.66	264,386,173		60,343,618	324,729,791

* Estimated by Department of Education at $119,926,631.
** Department of Education estimate.

Table 22

GENERAL FUND APPROPRIATIONS—PUBLIC EDUCATION

	Total Dept. of Education	Basic State School Aid	Other
1959-1960*	$ 92,011,408	$ 68,025,150	$23,986,258
1960-1961[1]	105,437,674	77,126,206	28,311,468
1961-1962	119,470,664	88,984,406	30,486,258
Total	224,908,338	166,110,612	58,797,726
1962-1963[2]	133,043,665	101,034,370	32,009,295
1963-1964	142,352,130	107,379,375	34,972,755
Total	275,395,795	208,413,745	66,982,050
1964-1965[3]	155,300,310	117,355,100	37,945,210
1965-1966	167,281,140	126,694,805	40,586,335
Total	322,581,450	244,049,905	78,531,545
	Indexes 1960 (adj.) = 100		
1959-1960	100.00	100.00	100.00
1960-1961	114.59	113.38	118.03
1961-1962	129.84	130.81	127.10
1962-1963	144.59	148.52	133.45
1963-1964	154.71	157.85	145.80
1964-1965	168.78	172.52	158.20
1965-1966	181.80	186.25	169.21

* Adjusted to include teachers retirement, social security, etc. $8,289,590.
[1] Includes State aid on basis of school population (366), basic appropriation for teachers salaries (367), salary equalization (368), and minimum educational program (369).
[2] Includes State aid on the basis of school population (397), basic appropriation for teachers salaries (398), minimum educational program (399).
[3] Includes State aid on basis of school population and basic school aid.

Table 23

ADA AND APPROPRIATION* PER ADA

	ADA	Appropriation per ADA		
		Total	Basic State Aid	Other
1959-1960	756,354	$121.65	$ 89.94	$31.71
1960-1961	787,068	133.96	97.99	35.97
1961-1962	811,926	147.15	109.60	37.55
1962-1963	842,022	158.00	119.99	38.01
1963-1964	873,388	162.99	122.95	40.04
Est. I 65	900,858	172.39	130.27	42.12
66	929,760	179.92	136.27	43.65
Est. II 65	892,451	174.02	131.50	42.52
66	908,919	184.04	139.39	44.65

* 1959-60 appropriation adjusted to include teachers retirement, social security, etc.

Proposals have been made to increase the State's share of the costs of the public school system by the underwriting of 100 per cent of the minimum program in place of the present basic State aid. Pressure for this would undoubtedly increase if Virginia enacts a Statewide sales tax or in any way deprives the localities of this means of increasing their revenues. The second set of figures in Table 21 shows the resulting costs should the State pay the 100 per cent instructional costs. These estimates were arrived at by increasing the cost of the basic State aid by 28.87 per cent. This is the ratio between the two systems in 1964-65 as developed in detail by the State Department of Education. The per capita costs are derived by dividing the costs by the estimated ADA. The "other" funds remain the same under either system.

The second set of figures covering the 100 per cent instructional costs make up Estimate I, and are shown on the low series summary table of General Fund needs—Table 15.

State aid to localities in the high series of costs for the public school system allocates to each county and city 85 per cent of the minimum defined program of the State Department of Education. This series is shown in summary Table 14.

These estimates were derived as follows: The total cost of the minimum program in all localities was calculated by multiplying Estimate I of ADA by $80 and adding this to the 100 per cent instructional costs as shown in Table 21. Instructional costs are approximately the same as the State Board's estimates of salary cost of State aid teaching positions. Estimated Statewide administrative costs and allowances for social security and State retirement payments for teachers were added to 85 per cent of the cost of the minimum program to give total costs of schools from the General Fund. These costs are shown in the following tabulation.

	(in millions of dollars)			
Fiscal years	State Administration	Social Security and Retirement	85% of Minimum Program	Total
1966-67	$3.5	$21.2	$219.2	$243.9
1967-68	3.3	23.4	234.4	261.1
Total	6.8	44.6	453.6	505.0
1968-69	4.0	25.5	250.0	279.5
1969-70	4.0	27.5	266.0	297.5
Total	8.0	53.0	516.0	577.0
1970-71	4.5	29.6	282.7	316.8
1971-72	4.5	31.7	299.7	335.9
Total	9.0	61.3	582.4	652.7

In each of the last two bienniums projections of future college enrollment in Virginia were made through 1970. The projections thus far have been reasonably close to the enrollment experience of the State-aided Virginia colleges. At present a special Commission on Higher Education is examining the total program for the future. The writer recently prepared a memorandum for this group which estimates the college age population by five-year intervals from 1960 to 1985. These estimates were published in Staff Report No. 1, "Prospective College Age Population in Virginia, by Subregions, 1960-1985." The State totals are shown below in Table 24.

The age group eligible for college attendance will increase by about 75% between 1960 and 1985, and by 49% between 1960 and 1970. Although the projected rate of increase is somewhat less between 1970 and 1985 than between 1960 and 1970 the population group continues to expand. This is the basis for the current urgency for facilities and staff to accommodate the population of college age.

Estimates of future college enrollment have been prepared by the Council of State College Presidents. From time to time the writer has prepared forecasts for VALC groups. In order to provide a picture of the size of the groups who will be seeking a college education during the next twenty years, estimates have been prepared on two bases to illustrate the prospective size of the total enrollment in colleges and universities, and the total full-time enrollment. The base year used is 1960.

Table 24

POPULATION 18 TO 21 AND ESTIMATES OF TOTAL AND FULL-TIME ENROLLMENT IN COLLEGES AND UNIVERSITIES OF VIRGINIA, FOR SELECTED YEARS, 1960-1985

Year	Total Population 18-21*	Factor	Estimated Total Enrollment	Factor	Full-time Enrollment Total	Factor	State Colleges	Private Colleges
			Estimate I					
1960-61	216,880	27.0%	58,474	73%	42,704	63.2%	27,000	15,704
1965-66	271,978	30.0	81,593	72	58,747	65.0	38,186	20,561
1970-71	323,438	33.0	106,735	72	76,849	70.0	53,794	23,055
1975-76	351,366	36.0	126,492	72	91,074	72.5	66,029	25,045
1980-81	368,000	39.0	143,520	72	103,334	74.0	76,467	26,867
1985-86	380,000	42.0	159,600	72	114,912	75.0	86,184	28,728
			Estimate II					
1960-61	216,880	27.0	58,474	73	42,704	63.2	27,000	15,704
1965-66	271,978	30.0	81,593	72	58,747	65.0	38,186	20,561
1970-71	323,438	32.0	103,500	72	74,520	70.0	52,164	22,356
1975-76	351,366	34.0	119,464	72	86,014	72.5	62,360	23,654
1980-81	368,000	36.0	132,480	72	95,386	74.0	70,586	24,800
1985-86	380,000	38.0	144,400	72	103,968	75.0	77,976	25,992

* Adjusted to exclude non-resident military population assigned to military bases in Virginia.

In Table 24, the two sets of estimates of enrollment are shown. Estimate I is based on an annual rate of increase in attendance of .6 of 1%, and Estimate II, on .4 of 1%, beginning in 1965. Estimate I shows total enrollment (full-time and part-time) for all colleges and universities in Virginia for five-year intervals from 1960 to 1985. Estimate I, increasing annually at .6 of 1%, assumes that the ratio of college enrollment to the population 18 to 21 will attain a level of 42% in Virginia by 1985, as compared to a ratio of 27.0% in 1960. Estimate II, increasing at an annual rate of .4 of 1% yields a ratio of total college enrollment (full-time and part-time) to the population 18 to 21 of 38% by 1985. The estimates of total and full-time enrollment for public and private colleges as shown in Table 25 are based on the assumption that the ratio of full-time enrollment to total enrollment which was 73% in 1960 will be 72% of the total enrollment from 1965 to 1985.

A second assumption was that the proportion of full-time college enrollment in State-aided institutions would increase gradually from 63.2% in 1960 to 75% in 1980 and 1985. The accuracy of these assumptions, of course, is open to question. They have been chosen, however, on the basis of

Table 25

ESTIMATED TOTAL ENROLLMENT IN STATE-AIDED AND PRIVATE COLLEGES
VIRGINIA, FOR SELECTED YEARS, 1960 - 1985

Year	Estimate I		Estimate II	
	State Colleges	Private Colleges	State Colleges	Private Colleges
1960-61	40,277	18,197	40,277	18,197
1965-66	58,176	23,417	58,176	23,417
1970-71	80,094	26,641	77,666	25,834
1975-76	97,374	29,118	91,963	27,501
1980-81	112,233	31,287	103,600	28,880
1985-86	126,180	33,420	114,163	30,237
	Indexes 1960 = 100			
1960-61	100	100	100	100
1965-66	144	129	144	129
1970-71	199	146	193	142
1975-76	242	160	228	151
1980-81	279	172	257	159
1985-86	313	184	283	166

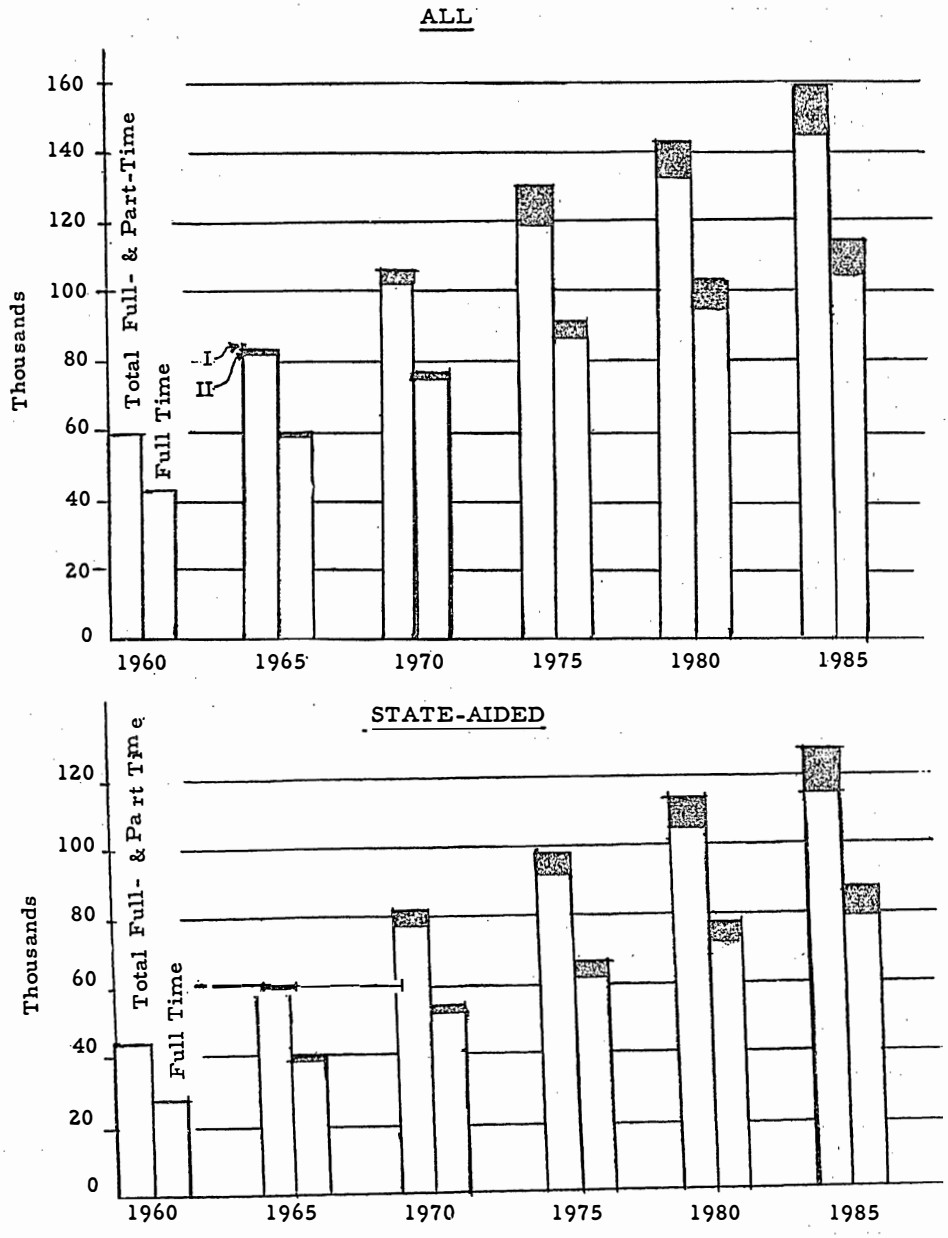
historic trends in the division of enrollment between private and State-supported institutions. They indicate what seems to be a probable distribution of enrollment between public and private institutions.

Total college enrollment in Virginia, according to Estimate I, will increase from 58,474 in 1960 to 159,600 in 1985, an increase of 173%. Total enrollment in the next college year, 1965-66, is estimated to be 81,593. This is an increase of 40% since 1960 and the increase between 1965 and 1985 will be about 96%. Figure 1 shows total and full-time enrollment for each five-year interval. Beginning in 1965 the shaded portion of each bar is the difference between Estimate I and Estimate II. Figure 1 shows the magnitude of the changes that can be anticipated under the two assumptions respecting the growth of college enrollment in Virginia. The bottom part of Figure 1 shows the estimates for all State-aided colleges and universities in Virginia. In the tables and the chart it has been assumed that the ratio of full-time to total enrollment in State institutions would be about two-thirds. The corresponding ratio in private colleges and universities is presently about 87% of total enrollment. Full-time and part-time enrollments in the State-aided colleges are anticipated to increase more rapidly than among the private colleges and universities.

In Table 24, figures are shown for total enrollment and full-time enrollment, for all colleges and universities in Virginia, for the State colleges and universities, and for the private colleges and universities. Part-time

Figure 1

Estimates of Total and Full-Time Enrollment for All and State-Aided Colleges in Virginia, for Selected Years 1960 - 1985



enrollment, not shown, is the difference between total and full-time enrollment. Full-time enrollment, according to Estimate I, shows that State colleges and universities, will increase from a level of 27,000 in 1960 to 86,184 in 1985, an increase of 219%. Part-time enrollment is expected to increase by 201%. Private colleges and universities show an increase of 83% in full-time enrollment and an increase of 88% in part-time enrollment. Estimate I, as stated above, assumes an average annual rate of increase in attendance of .6 of 1%. These figures are a little below Estimate B. (166,049 in 1978) of future enrollment made in 1961 by Dr. Ronald B. Thompson, of the Ohio State University, for the American Assocation of Collegiate Registrars and Admissions Officers. This difference is due to the fact that the college age population, 18 to 21, in our estimates were adjusted to exclude the non-resident military population stationed in Virginia. This reduces the size of the base population 18 to 21.

Estimate II presents an alternative series based on average annual increase in attendance of .4 of 1%. Accordingly estimated total enrollment will increase from a level of 58,474 in 1960 to 144,400 in 1985, an increase of 147%. The estimated total enrollment for 1965 is 81,593, the same as for Estimate I, (an increase of 40% over 1960). The expected increase between 1965 and 1985 is 77%, or an average annual rate of about 3.0%. Total full-time enrollment is expected to increase from 42,704 in 1960 to 103,968 in 1985, an increase of 143%. In the State-aided colleges full-time enrollment is expected to increase from 27,000 in 1960 to 77,976 in 1985, or an increase of 189%. Estimate II is the lower and is appropriate for planning classroom and laboratory facilities.

There are a number of factors which will influence the accuracy of the projections. At this point it would be mere speculation as to their probable impact. It is desirable, however, to note them. First of all for a considerble period of time there have been more Virginia students attending colleges outside of Virginia than the number of non-residents attending Virginia colleges. Virginia institutions, like those in most other states, have a sizable differential in the tuition charges for resident and non-resident students. As enrollments have climbed all over the country, State-supported colleges and universities in most states have scrutinized the applications of students coming from other states more closely. The usual result is that resident students are given preference over non-resident students in admission.

A second factor which is difficult to predict at this time is the influence of the community colleges on the proportion of the total college enrollment in Virginia.

A third factor that will influence the size of the prospective enrollment is the rapidity with which the incidence of college-going will increase. This ultimately involves basic educational policy and philosophy. For example, in 1985, under Estimate I, the total college enrollment will be equal to 42% of the population 18 to 21. It is important to point out that this ratio does not mean that 42% of those 18 to 21 will be in college, but this four-year age group is the one in which the incidence of college attendance is greatest. For this reason the proportion of those 18 to 21 attending college under this assumption would be about 28%. On the basis of 1960 census data, 67% of total college enrollment in Virginia was 18 to 21 years of age. For the Nation, the figure was 59%. The projections of total college enrollment under Estimate II show that the ratio of the prospective college enrollment will be 38% of the population 18 to 21, and the proportion in that age group attending college would be about 25%.

There are sharp differences of opinion among educators today as to the ultimate size of the college population. Estimate II is the writer's choice for future planning in Virginia. It is perhaps appropriate to indicate the major reasons why this plan is chosen rather than Estimate I.

First, as the incidence of college going increases the annual rate of increase tends to diminish or level off. If the ratio of college enrollment to the population 18 to 21 were 10%, the doubling of this to 20% would involve mainly the provision of buildings, laboratories, libraries, and equipment. To increase this ratio to 40% involves many other considerations in addition to the enlargement of the physical plant. There is some minimum level of native ability, call it intelligence or whatever, that is necessary for a student to complete the formal college programs as they are now organized. While there are differences of opinion as to what this level should be, few would be willing to say that there was not some minimum level of ability essential for progress through college.

A second consideration is the fact that high school graduation or its equivalent is a requirement for admission to college. Great pressure has been exerted to increase the proportion of young people who graduate from high school. For some period now the ratio of high school graduation in Virginia to the population 17 years of age has been a little above 50%. Efforts are being made to improve this percentage. It is hoped that by 1970 this will increase to about 60%.

A third factor is that most colleges are reluctant to admit students who are in the bottom half of their graduating class. Many colleges limit their admissions to those in the top quarter. Unless this admissions policy is modified it is unlikely that more than 30% of the population 18 to 21 could be admitted to college. For example in the United States in the year 1960, the percentage of population 18 to 21 enrolled in any kind of school was 32.2, and in Virginia, 29.6. In Virginia 52.5% of those 18 to 21 attending school were enrolled in college as compared to 58.8% in the Nation. The percentage of those 18 to 21 enrolled in college in 1960 was 15.3, and the corresponding figure for the Nation was 18.9. The proportion of those in college under the age of 18 is comparatively small. The proportion above 21 represents approximately 40% of the total. Many of these are in graduate or professional schools and perhaps the great bulk of them are doing part-time graduate work or extension work. These relationships are useful in assessing the enrollment levels which may be attained in the next decade or two.

V

State Grants-in-Aid to Education

There are many facets of the subject of State and local revenue which need to be considered. With the enactment of local sales taxes in a number of Virginia cities, it is timely to consider the implications of such actions as they influence the ways and means of (1) financing local governments in Virginia, and (2) the bases of sharing between the State and the local governments in joint programs, such as public schools, health, welfare, and urban highway and street construction and maintenance. In these memoranda the subject of State and local highway funds is not discussed since it is under consideration by another committee of the VALC.

The most important of the grants-in-aid is the program for the public school system. To the writer there are two essential characteristics of a good program for public education:

1. A plan whereby the State underwrites a substantial share of the cost of the minimum or foundation program; and
2. A plan that is as simple and clear as circumstances will permit.

If the present plan of State grants-in-aid for schools is continued more and more cities and urban counties will enact local sales taxes unless prohibited. If localities are not permitted to use the sales tax, they will seek additional State aid. If such is not forthcoming they may seek federal aid. In 1960 there were more than two-thirds of the counties in Virginia (67 out of 96) in which the level of per capita income was less than 80% of the State average; 46 counties, or 48%, below 70%; and 25 counties, or 26%, below 60%. With so many counties having limited resources and per capita income levels of less than 70% of the average for the State, the relative cost of financing public schools at a satisfactory level from local resources is extraordinarily high.

The arithmetic of local support for public schools may be illustrated by three examples. In order to simplify the mechanics of each example, it has been assumed that total costs per pupil in ADA, and the costs of maintenance and operation per pupil in ADA are the same in each example. These figures are higher than the cost of the minimum program as defined by the State Board of Education.

Example 1, represents the composite of all local school systems in Virginia during 1961-62 with respect to per capita income, the ratio of pupils in ADA to the total population (20%), total costs per pupil in ADA, and cost of maintenance and operation per pupil in ADA. Example 2, is a county in which per capita income is 50% of the State total and the ratio of pupils in ADA to total population is 25%, a figure 20% above the State average. Example 3, represents a county in which per capita income is 25% above that of the State, and the ratio of ADA to total population is less than the ratio for the State.

The total cost per pupil in ADA and for maintenance and operation among the cities and counties of Virginia vary considerably. In the three examples the costs are arbitrarily kept the same. This makes it easier to illustrate the variations in relative cost and amount of local effort required to finance a fixed program where the ability of a community is measured by per capita income and the need measured by the ratio of ADA to total population. The share of local income payments required to finance the fixed cost program in the three examples is relatively high in the areas of low per capita income and relatively small in the high income areas.

Example 1—*The State as a Whole*—using 1962 figures

Per Capita Income	$2,018
ADA/Population 20%	
Total Cost/ADA	350
Maintenance and Operation Cost/ADA	280
Per Capita Cost Schools (Total)	70
Per Capita Cost Schools (M & O)	56
M & O/Per Capita Income	2.77%
Total School Cost/Per Capita Income	3.46%

Example 2—*A County with Low Income*

Per Capita Income	$1,009
ADA/Population 25%	
Total Cost/ADA	350
M & O Cost/ADA	280
Per Capita Cost Schools (Total)	88
Per Capita Cost Schools (M & O)	70
M & O/Per Capita Income	7.00%
Total School Cost/Per Capita Income	8.88%

Example 3—*A County with Well Above Average Income*

Per Capita Income	$2,522
ADA/Population 16.7%	
Total Cost/ADA	350
M & O Cost/ADA	280
Per Capita Cost Schools (Total)	53
Per Capita Cost Schools (M & O)	42.50
M & O/Per Capita Income	1.68%
Total School Cost/Per Capita Income	2.10%

From these examples it is clear that the share of personal income payments required to meet the costs of public schools depends on per capita income level, and ratio of ADA to total population. From these factors—average daily attendance, income, total population, and the local appropriation for public schools—measures of need, ability and effort may be derived.

Need may be defined as the size of the ADA. Relative need is the ratio of ADA to total population.

Ability is the relative per capita income. In the above illustration Example 1 is the State per capita income; Example 2 assumes that per capita income is 50% of the State per capita; and in Example 3, per capita income is 1.25 times the State per capita.

Effort is the share of total costs borne by local taxes. The three illustrations show the per cent of personal income required in three different situations to provide the same amount of money for public schools in each of the three localites. In Example 1, total public school costs for the minimum program was 3.41% of personal income; in Example 2, 8.88%; and in Example 3, 2.10%. These relationships are the essential factors which provide the basis for determining the State's share of public school costs in each locality.

State policy to date has assisted localities in meeting the minimum basic program as defined by the State Board of Education. It also requires among other things, that the locality shall provide at least 30% of the maintenance and operation costs of the minimum program in addition to providing funds for debt service and capital outlay. The locality is encour-

aged to go as far beyond the minimum program on its own behalf as it is willing and able. Reasonable local effort toward support of public schools is desirable. The local requirement, however, should not impose on low income counties the responsibility for devoting a much larger share of their personal income for schools than the average for all localities in the Commonwealth. State grants-in-aid are designed to *underwrite a substantial share of the minimum program* in all localities. The State's interest is limited to financing the minimum program. In so doing the aim is to provide at least a minimum or foundation program for every child in Virginia wherever he may live.

Up to now State aid to localities has been distributed under 15 different programs. One proposal is that these all be consolidated into one fund which could well be designated "local school aid fund". Accordingly the amount of State aid would provide amounts equal to the following items:

(1) The full amount of money to cover the minimum salary cost of all State aid teaching positions;

(2) the employer's share of teacher retirement, pensions, and social security; and

(3) a sum equal to the amounts now appropriated for vocational education, pupil transportation, local administration, local guidance positions, local supervision of instruction, special education, teachers' sick leave with pay, provision of free textbooks in certain instances, twelve-month principals, maintenance of libraries and other teaching materials, purchase of mathematics, science and foreign language equipment, and in-service programs.

For the current year, 1964-65, 100% of instructional cost will approximate $154.0 million. The employer's share of teacher retirement, pensions, and social security will be about $15.0 million. The amount needed for the other programs is about $21.6 million. These three items add up to $190.6 million.

The *minimum program* as defined by the State Board of Education for the year 1964-65 is composed of two items:

(1) 100% of the instructional cost of State aid teaching positions ($154 million), and

(2) $80 times the number of pupils in ADA (80 × 894,999 = $72 million).

The total minimum program equals $226 million. This amounts to $252 per pupil in ADA. The minimum program does not include the sum for the employer's share of social security and teachers' retirement. The single fund plan, excluding social security and retirement payments, amounts to $175.6 million, or 78% of the defined minimum program of $226 million.

Federal Funds

In all formulas for the distribution of State aid, either all or part of the federal funds available to local schools under Public Law ‡874 have been subtracted from local effort. Such funds, however, are granted to the localities by the Federal Government as a contribution in lieu of taxes to assist the locality in meeting its obligations for educating the children of parents stationed on military posts. Such federal funds, however, if appropriated for children of military families living off the post in private housing should not be regarded as in lieu of local taxes.

There are bills now before the Congress which would make available additional federal funds for school purposes. The amount and provisions governing these grants are not known at present. It is recommended that the federal funds which may subsequently be available and those now available for special programs should not enter into the basic calculation dealing with the distribution of State funds for the minimum program. To the extent that communities meet the requirements of the minimum program they should be encouraged to expand and enrich public school programs by acquiring and using all funds which are available. The most important source of funds for expanding education in localities beyond the minimum program is and should be from local funds. This enables each community to develop a program of public education which meets the requirements of the minimum program for all pupils and the goals and ideals of the local community.

A second plan, using the single fund principle would have the State provide each locality with 85 percent of the minimum defined program. This would provide all counties and cities with the same proportion of the minimum defined program. The effect of this procedure would be to provide no less than is now received in those counties with limited resources which receive under the existing plan as much as 75 per cent of the cost of operation and maintenance. To the counties and cities which now receive smaller proportions of the cost of the minimum defined program from State aid, the 85 per cent plan would increase the amount of State aid substantially. Many cities and urban counties would receive enough additional revenue from the State to largely make up the losses from dropping existing local sales taxes. Such a plan would curtail the need for local sales taxes.

Formula for the Distribution of Grants-in-Aid for Education to Localities

1. State's share of the cost of public schools shall be 85% of the cost of the *minimum program* as defined by the State Board of Education in all localities. The minimum program cost is defined as
   (1) 100% of salary cost for State-aid teaching positions (30 students in elementary schools, and 23 students in secondary schools) according to the minimum State salary schedule adopted by the State Board of Education; and
   (2) An amount equal to $80 per pupil in ADA.
2. Localities' share of the cost of public schools shall be:
   (1) At least 25% of the cost of *total maintenance and operation;* (total maintenance and operation is much more than the *minimum program* cost.)
   (2) Meet the 15% cost of the State *minimum program;* and
   (3) All costs in connection with capital outlay and debt service.
3. Hardship Cases
   A community would be eligible for a reduction in the 25% provision for total maintenance and operation
   (1) whenever the local share of the *total cost of schools,* including capital outlay and debt service, is more than 30%; and
   (2) when the ratio of taxable personal income per pupil in ADA for the local area is less than 50% of the corresponding ratio for the State. (Personal income for this purpose is the most recent taxable income as reported by the State Department of Taxation and the ADA figures are the most recent reported by the State Department of Education.)

Communities meeting the hardship criterion could apply for permission to reduce the share of local funds for operation and maintenance from 25% to 20%. Such a locality must provide at least 30% of the total costs of public schools which include capital outlay and debt service. Such changes should be reviewed annually. The purpose of this provision is to give some relief to localities with limited resources in order that they may finance more adequate buildings and provide better equipment in the schools.

A locality meeting the hardship criterion could seek relief if its share of total costs for schools in any given year were to exceed the 30% minimum requirement. In such instances a community would apply to the State Board of Education, and approval would depend on the foregoing considerations. When these conditions are met the State Board of Education could recommend to the Governor that he approve the reduction of the 25% requirement for total maintenance and operation to 20%.

It is recommended further that the long standing practice of measuring local effort for schools on the basis of a true tax rate be completely abandoned. The performance requirements which specify that given percentages of the minimum program, maintenance and operation costs, and total costs shall be met from local funds ensures that all localities in Virginia with limited tax resources will make a reasonable local effort. Since this local effort is defined as a share in the total program the dispute as to whether local tax rates reflect the proper amount of local effort is eliminated.

The following discussion summarizes the considerations underlying the recommendation for abandonment of the 60¢ per $100 of true value of local real estate and public service properties as a measure of local ability and effort as it is related to the grant-in-aid program for public schools.

In Virginia, as in many other states, the measure of financial abilities of localities to support public services has been real estate and property values including the physical properties of public service corporations, and at times machinery and tools and personal property. The volume of taxable property is essentially a measure of the location of resources used to produce goods and services. Since most manufacturing plants and public service corporations, particularly electric power companies, distribute their products far and wide from the location of their plants, the communities in which such plants and facilities are located are much better endowed with taxable resources than others.

The purpose of substituting taxable income in a locality per pupil in ADA for the property tax base is to relate the need for public services, such as schools, more directly to the income level of the families and individuals who are taxed either directly or indirectly to support them. Concentrations of business and commercial property enrich the tax base of a community. Such businesses usually sell most of their goods and services outside of the local area. The local taxes paid by these firms are paid in part by the buyers living outside of the local area as a portion of the price of the good or service. A further objective of this change is to set the requirement for local participation in joint State-local functions more nearly in accord with current income of residents. From such considerations it is reasonably clear that local ability depends on the income received by the people who live in the locality. Local effort is the percentage of such income spent for schools and other services. The difficult question to be resolved is that of finding a satisfactory measure of local income payments.

There has been extensive research in the field of local income payments. Sales Management Magazine for many years has published an annual volume entitled, "Survey of Buying Power" which includes every city and county in the United States. Sales Management provides annual estimates

of retail sales volume and buying income for localities. Buying income approximates real disposable income as developed and published by the National Income Division of the U. S. Department of Commerce. Real disposable income varies from 75% to 80% of personal income payments. In addition to Sales Management, other agencies which have worked in the field of local income payments are the bureaus of business and economic research in state universities, some of the federal reserve banks, such as the Eighth Federal Reserve Bank in St. Louis, and the TVA. The Bureau of Population and Economic Research of the University of Virginia has been one of the pioneers in this effort and from time to time has prepared estimates of personal income payments for cities and counties of Virginia. The Bureau has observed that the taxable income subject to the individual State income tax can serve as a reasonably good measure of total personal income payments in the localities. The total taxable income subject to the individual income tax in the Commonwealth is equal to about 44% of the personal income payments as estimated by the U. S. Department of Commerce.

Since the requirements for the liability of the individual income tax in Virginia have changed very little during the course of the last fifteen years and the personal income and wages have risen very considerably, the individual income tax has reached an increasing proportion of wage earners and other income receivers. It can serve as a useful guide to current local ability. Local effort can be easily calculated by the proportion of local income which is devoted to schools, hospitals, governmental services, retail trade, and the like. Perhaps the most important characteristic of income as a measure of the capacity of a locality is that it is direct. The property tax, when used as a measure of local ability, is based on the tacit assumption that the value of property is directly proportional to the income derived from its use. This assumption is fortuitous and risky at best. Moreover, as has already been pointed out, real estate and other forms of wealth are unevenly distributed among localities. For example, one of the problems of the rapid population growth in metropolitan counties is that the taxable resources have been predominantly residential properties. The relatively small proportions of manufacturing, business and commercial properties in the total tax bases of many communities limit the use of assessed wealth as a proper base for local taxation.

The writer has emphasized for a long time that all taxes of whatever kind are paid from current income, however that income is derived. Tax payments are the funds available to localities for the support of public services. The state and federal governments likewise derive their tax revenue from individuals or businesses on the basis of their earnings. The individual personal income tax in Virginia can serve as a useful measure of local ability and effort and it has the distinct advantage of being reasonably current. The annual reports of the State Department of Taxation publish the income subject to tax for each county and city of Virginia. For the calendar year 1963 personal income payments in Virginia amounted to $8,907,000,000 according to the National Income Division of the U. S. Department of Commerce. The taxable income subject to the Virginia individual income tax was $3,906,244,000—about 43.9% of the Department of Commerce total.

In the foregoing discussion of the formula for the distribution of grants-in-aid to localities it was proposed that State aid to localities would be limited to the defined minimum program. Moreover the State's total share of this defined program would be 85% of the cost. The locality would be required to meet at least 25% of the total cost of maintenance and operation, and not less than 30% of *total cost of the local program.* Total cost includes maintenance and operation, capital outlay, and debt service.

According to the present and previous formulas for the distribution of school funds localities which could not meet the requirement of 60¢ per $100 of true value of defined local wealth could not share fully in State aid. The composition of local wealth as between residential real estate, machinery and tools, and the like is known to vary enormously from one locality to another. In addition the practice of many Virginia localities in assessing real estate at less than 40% of its fair market value has resulted in the public service corporations being taxed in some communities at several times the true rates of other real estate taxpayers. In a few cities the reverse situation prevails. The substitution of the taxable personal income for this property tax measure would at least by-pass this problem in most localities and in many would eliminate to a large extent the current practice of differential assessments of public service properties and other real estate.

The underlying theory that the locality should be required to devote the proceeds of the 60¢ per $100 of true value to public schools is a sound principle. However, in practice the composition of the tax bases among the localities has always been diverse and is tending to become more so. The simple arithmetic of this requirement of 60¢ per $100 of true value shows how self-defeating it is in attaining its purpose of a fair and uniform local tax effort. Replacing this wealth measure with an income measure of local effort provides a uniform standard that applies equally to all localities. In addition it underlines the fact that even though property may be the main subject of taxation the primary obligation of the community is to meet a minimum performance requirement of financial support for public schools. Having met this obligation the community can then wrestle with the equalization of its property tax levies locally.

The single fund plans provide for communities with limited tax resources to request that the 25 or 30% local requirement for maintenance and operation be relaxed when the locality is confronted with certain hardship conditions.

The suggested hardship provision applies to those communities in which the ratio of taxable personal income per pupil in ADA is less than 50% of the corresponding ratio for the State. Considerable study has gone into the recommendation of the 50% hardship requirement. The personal income estimates of all Virginia cities and counties as prepared by the Bureau of Population and Economic Research have been reviewed along with the recent ratios of taxable personal income per pupil in ADA. On the basis of the ratio of taxable income per pupil in ADA for the calendar year 1963 and the ADA for the school year 1964-65 there were 40 counties

The following tabulation shows the differences among counties and cities in the distribution of resources when measured by income and by wealth as measured by the value of real estate and public service property.

The cities show up better on both scales than the counties. On the income base 23 out of the 33 are above the State average; on the property base 18 out of the 33 are below the State average and 15 above. Among the counties the spread on the income measure is much wider with 83 of the counties falling below the average and only 12 above. On the property scale the counties appear to be better off; 67 counties are below the average and 28 above. This would indicate that if current income is a fairer measure of ability to support schools then the property measure tends to be too high in a great number of localities and too low in others.

Ratio to State (State = 100)	Taxable Income 1963 per ADA 1964-65			True Value of Real Estate and Public Service Property 1964 per ADA 1964-65		
	Counties	Cities	Total	Counties	Cities	Total
Under 30	4	....	4	....	....	....
30 - 39	16	....	16	1	....	1
40 - 49	20	....	20	4	....	4
50 - 59	17	....	17	7	2	9
60 - 69	10	2	12	16	1	17
70 - 79	10	2	12	16	....	16
80 - 89	2	2	4	10	8	18
90 - 99	4	4	8	13	7	20
100 - 109	3	3	6	5	3	8
110 - 119	2	7	9	8	2	10
120 - 129	3	4	7	4	....	4
130 - 139	2	5	7	3	4	7
140 - 149	....	....	....	2	2	4
150 & Over	2	4	6	6	4	10
Total	95	33	128	95	33	128

Table 26 gives the relationships between the State and the localities with regard to the two ways of measuring local resources for the support of public schools. The per ADA amounts of true value of real estate and public service property and of taxable income are given for each county and city. This permits comparisons between areas and between the two measures in the same area. Both values are expressed as a ratio to the State as 100 to facilitate these comparisons.

The two sets of ratios are shown graphically in Maps 1 and 2.

Table 26

LOCAL RESOURCES FOR SUPPORT OF PUBLIC SCHOOLS AS MEASURED BY THE TRUE VALUE OF REAL ESTATE AND PUBLIC SERVICE PROPERTIES AND TAXABLE INCOME PER ADA

	(1)	(2)	(3)	(4)
	True Value of Real Estate and Personal Property 1964 per ADA 1964-65	Ratio to State	Per Capita Taxable Income 1963 per ADA 1964-65	Ratio to State
STATE	$22,989	100.0	$ 4,365	100.0
Accomack	15,219	66.2	2,154	49.3
Albemarle	30,197	131.4	5,594	128.2
Alleghany	16,870	73.4	2,719	62.3
Amelia	16,400	71.3	1,356	31.1
Amherst	18,399	80.0	3,109	71.2
Appomattox	20,065	87.3	2,403	55.1
Arlington	57,450	249.9	16,245	372.2
Augusta	20,209	87.9	2,902	66.5
Bath	27,619	120.1	3,210	73.5
Bedford	18,654	81.1	2,662	61.0
Bland	13,517	58.8	1,439	33.0
Botetourt	21,214	92.3	2,500	57.3
Brunswick	16,351	71.1	1,381	31.6
Buchanan	9,393	40.9	1,414	32.4
Buckingham	15,992	69.6	1,397	32.0
Campbell	17,370	75.6	3,241	74.2
Caroline	16,067	69.9	1,960	44.9
Carroll	14,407	62.7	1,709	39.2
Charles City	13,330	58.0	1,507	34.5
Charlotte	15,851	69.0	1,423	32.6

Table 26—Continued

Chesterfield	25,977	113.0	5,512	126.3
Clarke	32,298	140.5	4,419	101.2
Craig	15,876	69.1	2,111	48.4
Culpeper	24,914	108.4	2,882	66.0
Cumberland	16,795	73.1	1,171	26.8
Dickenson	10,272	44.7	1,178	27.0
Dinwiddie	17,201	74.8	2,387	54.7
Essex	22,747	98.9	2,391	54.8
Fairfax	27,391	119.1	6,031	138.2
Fauquier	35,750	155.5	5,247	120.2
Floyd	14,567	63.4	1,971	45.2
Fluvanna	39,772	173.0	1,757	40.3
Franklin	18,315	79.7	2,440	55.9
Frederick	21,965	95.5	2,874	65.8
Giles	24,723	107.5	3,378	77.4
Gloucester	26,073	113.4	3,969	90.9
Goochland	27,449	119.4	3,152	72.2
Grayson	15,215	66.2	1,624	37.2
Greene	16,873	73.4	2,060	47.2
Greensville	12,803	55.7	1,834	42.0
Halifax	13,788	60.0	1,515	34.7
Hanover	19,835	86.3	3,977	91.1
Henrico	25,324	110.2	6,856	157.1
Henry	16,262	70.7	3,422	78.4
Highland	29,508	128.4	1,186	27.2
Isle of Wight	19,917	86.6	2,355	54.0
James City	Included in Williamsburg City			
King & Queen	21,855	95.1	2,354	53.9
King George	21,786	94.8	5,088	116.6
King William	25,422	110.6	3,382	77.5
Lancaster	28,314	123.2	2,928	67.1
Lee	10,521	45.8	742	17.0
Loudoun	40,428	175.9	4,617	105.8
Louisa	18,811	81.8	1,792	41.1
Lunenburg	15,187	66.1	1,652	37.8
Madison	18,713	81.4	2,204	50.5
Mathews	31,075	135.2	4,327	99.1
Mecklenburg	13,669	59.5	1,848	42.3
Middlesex	22,133	96.3	1,943	44.5
Montgomery	17,801	77.4	3,770	86.4
Nansemond	12,301	53.5	2,123	48.6
Nelson	14,571	63.4	1,968	45.1
New Kent	25,304	110.1	2,561	58.7
Northampton	13,417	58.4	1,756	40.2
Northumberland	24,803	107.9	2,090	47.9
Nottoway	14,441	62.8	2,530	58.0
Orange	26,980	117.4	3,603	82.5
Page	21,921	95.4	2,589	59.3
Patrick	14,848	64.6	2,085	47.8
Pittsylvania	16,371	71.2	1,720	39.4
Powhatan	31,121	135.4	2,750	63.0
Prince Edward	44,999	195.7	5,942	136.1
Prince George	14,520	63.2	2,212	50.7
Prince William	22,012	95.7	2,982	68.3
Pulaski	16,601	72.2	3,064	70.2
Rappahannock	28,131	122.4	2,206	50.5
Richmond	21,931	95.4	2,200	50.4
Roanoke	21,411	93.1	4,408	101.0
Rockbridge	21,798	94.8	3,212	73.6
Rockingham	19,002	82.7	2,646	60.6

Table 26—Continued

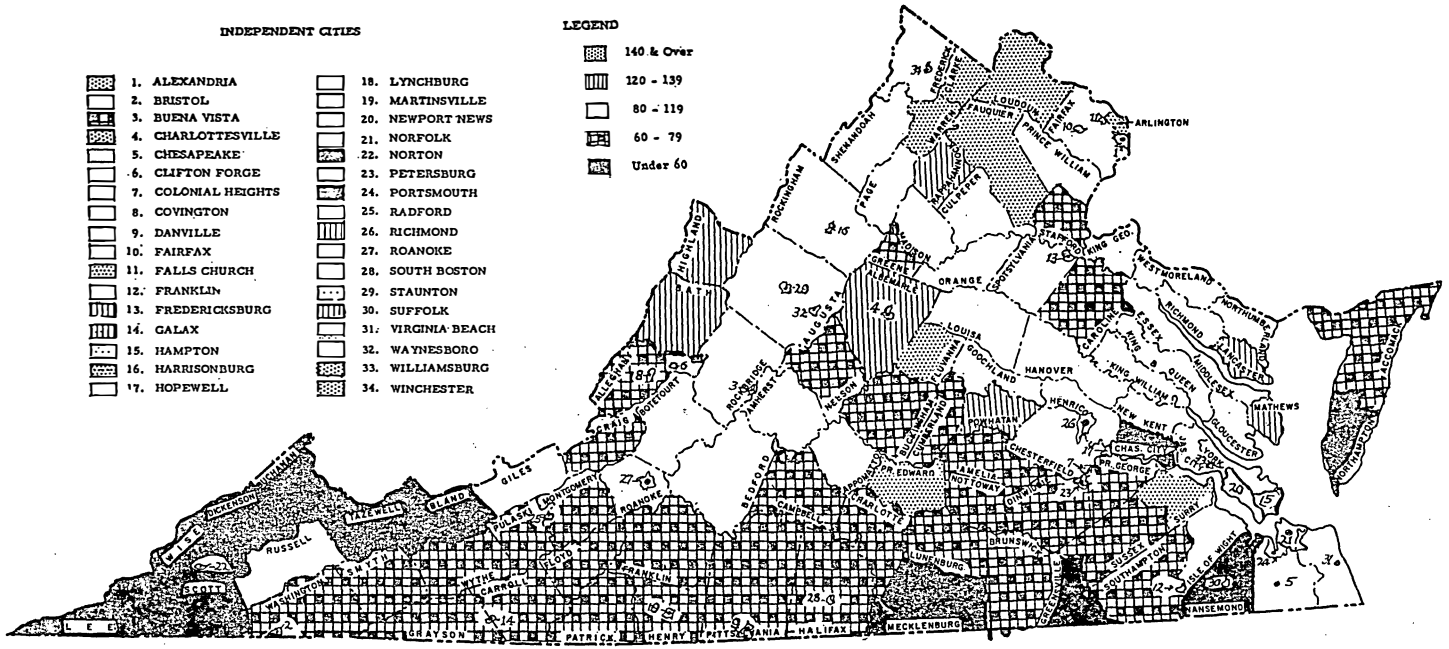
Russell	24,313	105.8	1,492	34.2
Scott	11,938	51.9	1,579	36.2
Shenandoah	22,969	99.9	2,800	64.1
Smyth	16,008	69.6	2,239	51.3
Southampton	18,289	79.6	1,821	41.7
Spotsylvania	18,485	80.4	2,596	59.5
Stafford	18,201	79.2	4,229	96.9
Surry	33,511	145.8	2,060	47.2
Sussex	17,532	76.3	1,559	35.7
Tazewell	10,980	47.8	2,064	47.3
Warren	46,694	203.1	5,144	117.8
Washington	17,360	75.5	2,016	46.2
Westmoreland	22,015	95.8	2,084	47.7
Wise	8,266	36.0	1,571	36.0
Wythe	15,733	68.4	2,245	51.4
York	24,392	106.1	3,466	79.4
Cities				
Alexandria	49,833	216.8	11,455	262.4
Bristol	19,116	83.2	5,733	131.3
Buena Vista	14,973	65.1	3,123	71.5
Charlottesville	37,462	163.0	7,470	171.1
Chesapeake	18,828	81.9	3,215	73.7
Clifton Forge	22,060	96.0	5,129	117.5
Colonial Heights	20,185	87.8	5,442	124.7
Covington	21,534	93.7	4,233	97.0
Danville	21,590	93.9	4,306	98.6
Fairfax	Included in Fairfax County			
Falls Church	50,208	218.4	11,430	261.9
Franklin	19,211	83.6	4,360	99.9
Fredericksburg	30,499	132.7	5,925	135.7
Galax	31,234	135.9	3,929	90.0
Hampton	18,652	81.1	4,372	100.2
Harrisonburg	32,614	141.9	5,795	132.8
Hopewell	22,692	98.7	5,199	119.1
Lynchburg	24,796	107.9	5,707	130.7
Martinsville	23,057	100.3	5,127	117.5
Newport News	22,561	98.1	4,784	109.6
Norfolk	22,154	96.4	4,361	99.9
Norton	13,098	57.0	2,862	65.6
Petersburg	18,404	80.1	4,072	93.3
Portsmouth	13,583	59.1	3,511	80.4
Radford	19,345	84.1	5,014	114.9
Richmond	30,078	130.8	6,624	151.8
Roanoke	26,425	114.9	5,007	114.7
South Boston	21,394	93.1	3,476	79.6
Staunton	24,507	106.6	5,346	122.5
Suffolk	30,968	134.7	5,285	121.1
Virginia Beach	19,538	85.0	3,030	69.4
Waynesboro	26,096	113.5	5,666	129.8
Williamsburg	37,665	163.8	4,930	112.9
Winchester		140.9		

MAP 1

RATIO OF TRUE VALUE OF REAL ESTATE AND PUBLIC SERVICE PROPERTY IN 1964 PER PUPIL IN ADA, 1964-65

COUNTIES AND CITIES OF VIRGINIA

State = 100

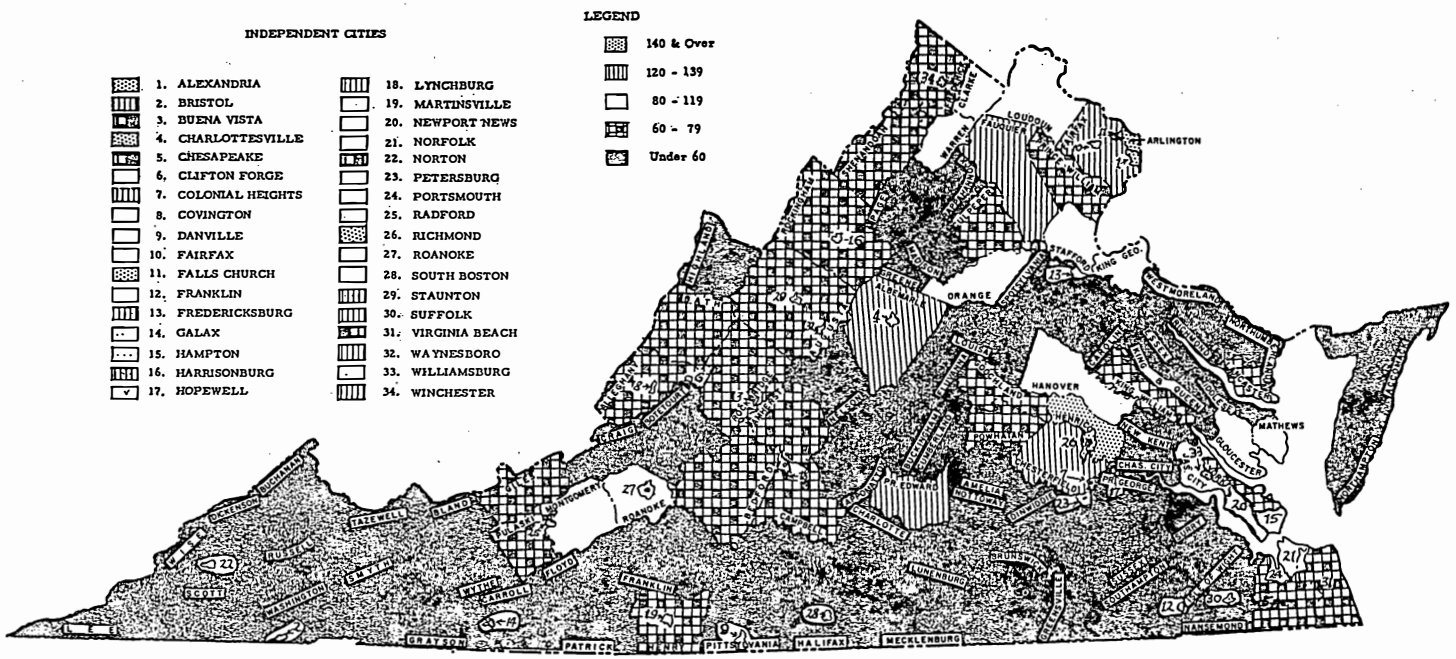


MAP 2

RATIO OF TAXABLE PERSONAL INCOME (STATE) IN 1963 PER PUPIL IN ADA 1964-65

COUNTIES AND CITIES OF VIRGINIA

State = 100



DIVISION OF INDUSTRIAL DEVELOPMENT AND PLANNING

VI

Comparative State Grant-in-Aid Plans

The preceding sections of this report have discussed the economic outlook for Virginia, the prospective revenues under existing law, the budget requests of General Fund agencies for the next three bienniums, the implications and effects of State and local sales taxes, and the fundamental considerations which underlie State grants-in-aid for public schools. The present section provides the data on grants-in-aid according to four different procedures. Before comparing the plans two tables (27 and 28) were prepared to show how each of the plans has been constructed. Table 27 shows the amounts of money distributed to the counties and cities under the present system and the alternative plans for the school year 1964-65. The second table of the series expresses each item as an amount per pupil in ADA.

The items which are included in Table 27 are:

1. Average daily attendance, 1964-65.
2. Total operating costs.
3. Basic grant of 60% of teachers salaries under the minimum program.
4. Supplementary basic distribution under the minimum program.
5. Other funds such as pupil transportation, vocational education, etc.
6. Total grants.
7. Total amount of the minimum program.
8. 100% of the teachers salaries under the minimum program.
9. Amounts under the proposal for the State to underwrite 100% of the teachers salaries plus the other funds.
10. Amounts under the proposal for the State to pay 85% of the cost of the minimum program.
11. The incentive fund as proposed by the Donnahoe plan.
12 Total cost of the Donnahoe plan: the cost of the present system (6) plus the incentive fund (11).

Table 27

ADA, Total Operating Costs, State Grant-in-Aid Components, Minimum Program, and Three Alternative Grant-in-Aid Programs by Counties and Cities, Virginia, 1964-65
(all columns except (1) in thousands of dollars)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	ADA 1964-65	Total Operating Costs	Basic Grant 60% Teachers Salaries	Suppl. Basic	Other Funds	Total Grants	Total Cost of Minimum Program	100% Minimum Salaries	(5) + (8)	85% of (7)	Donnahoe Incentive Fund	Total Distribution Under Donnahoe Plan (6) + (11)
STATE	894,999	$326,359	$92,434	$25,638	$21,625	$138,483	$226,081	$154,057	$175,682	$192,169	$57,025	$195,508
Accomack	6,093	1,867	616	329	169	1,131	1,509	1,027	1,196	1,283	367	1,498
Albemarle	5,810	2,130	585	--	207	800	1,434	976	1,183	1,218	357	1,157
Alleghany	2,901	907	273	126	61	497	678	456	517	576	187	684
Amelia	1,633	517	190	121	69	329	465	316	385	395	122	451
Amherst	4,510	1,252	430	218	114	789	1,073	717	831	912	167	956
Appomattox	2,063	712	226	90	102	407	544	376	478	463	116	523
Arlington	23,518	16,596	2,771	--	419	3,213	6,544	4,619	5,038	5,562	1,617	4,830
Augusta	9,127	2,899	891	287	250	1,540	2,175	1,485	1,735	1,849	539	2,079
Bath	1,032	392	104	1	55	160	253	173	228	215	67	227
Bedford	7,168	2,070	713	380	191	1,312	1,760	1,189	1,380	1,496	389	1,701
Bland	1,174	364	118	78	52	252	291	197	249	247	62	314
Botetourt	3,985	1,265	418	153	110	649	1,025	697	807	871	243	892
Brunswick	4,109	1,312	491	330	159	893	1,176	818	977	999	240	1,133
Buchanan	9,142	2,066	782	742	118	1,567	2,063	1,303	1,421	1,753	411	1,978
Buckingham	2,552	813	265	189	109	562	647	442	551	550	133	695

Note: Columns (3) and (4) are based on preliminary figures which estimate the total State distribution for basic aid at $118,072,285. Final figures for 1964-65 show that $116,857,580 was actually distributed to the localities during this year.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Campbell	9,000	2,768	933	569	246	1,724	2,281	1,556	1,802	1,939	501	2,225
Caroline	3,312	939	338	183	112	633	825	563	675	701	154	787
Carroll	5,191	1,410	506	302	123	956	1,255	843	966	1,067	227	1,183
Charles City	1,673	538	180	129	54	359	436	301	355	371	95	454
Charlotte	3,095	918	324	182	116	606	796	540	656	676	153	759
Chesterfield	20,153	6,927	1,940	264	290	2,866	4,812	3,233	3,523	4,090	1,137	4,003
Clarke	1,757	550	179	--	96	272	443	298	394	376	66	338
Craig	723	203	68	38	25	133	170	114	139	145	41	174
Culpeper	3,659	1,025	338	--	134	487	850	563	697	722	121	608
Cumberland	1,532	475	177	134	59	332	429	296	355	365	76	408
Dickenson	5,022	1,418	449	374	125	956	1,146	748	873	974	299	1,255
Dinwiddie	4,251	1,265	498	291	241	893	1,208	830	1,071	1,027	269	1,162
Essex	1,619	531	167	65	50	285	408	278	328	347	101	386
Fairfax	83,812	42,118	8,750	--	1,421	10,192	21,336	14,583	16,004	18,136	7,834	18,026
Fauquier	5,732	1,972	562	--	143	716	1,388	937	1,080	1,180	252	968
Floyd	2,117	708	231	132	81	435	555	385	466	472	156	591
Fluvanna	1,697	635	184	--	70	251	446	307	377	379	72	323
Franklin	5,841	1,681	567	331	175	1,118	1,411	945	1,120	1,199	266	1,384
Frederick	5,527	1,437	493	111	129	833	1,259	822	951	1,070	201	1,034
Giles	4,142	1,372	468	15	119	580	1,115	780	899	948	241	821
Gloucester	2,579	819	250	--	84	348	620	416	500	527	126	474
Goochland	2,062	658	200	--	100	310	495	334	434	421	85	395
Grayson *	3,523	1,068	325	212	164	690	832	542	706	707	217	907
Greene	992	287	96	63	38	193	246	160	198	209	50	243
Greensville	3,985	1,145	422	299	91	786	1,035	703	794	880	203	989
Halifax	7,875	2,315	830	649	238	1,608	2,046	1,384	1,622	1,739	417	2,025
Hanover	7,034	2,150	678	271	205	1,208	1,680	1,130	1,335	1,428	357	1,565
Henrico	27,838	10,454	2,781	293	1,069	4,345	6,806	4,635	5,704	5,785	1,954	6,299
Henry	10,949	3,058	1,073	728	246	2,067	2,663	1,789	2,035	2,264	542	2,609
Highland	595	225	68	--	39	102	163	112	151	138	35	137

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Isle of Wight	4,487	1,389	446	137	128	753	1,087	743	871	924	244	997
James City	Included in Williamsburg											
King & Queen	1,097	380	139	59	65	208	336	231	296	285	87	295
King George	1,532	529	174	73	55	242	432	290	345	367	109	351
King William *	1,731	594	186	48	70	310	452	311	381	384	116	426
Lancaster	1,922	600	212	11	70	286	512	353	423	435	84	370
Lee	5,656	1,639	634	628	159	1,194	1,527	1,057	1,216	1,298	498	1,692
Loudoun	6,725	2,439	701	--	148	827	1,724	1,169	1,317	1,466	295	1,122
Louisa	3,074	947	312	177	113	592	781	520	633	664	170	762
Lunenburg	2,954	897	316	195	147	634	772	527	674	656	147	781
Madison	1,765	537	174	91	75	317	436	289	364	370	101	418
Mathews	1,274	433	123	--	79	218	300	206	285	255	50	268
Mecklenburg	7,504	2,260	824	607	241	1,606	1,996	1,373	1,614	1,696	411	2,017
Middlesex	1,406	481	158	46	57	231	386	264	321	328	81	312
Montgomery	6,774	1,980	690	270	170	1,179	1,679	1,149	1,319	1,427	312	1,491
Nansemond	8,451	2,323	817	579	158	1,483	2,040	1,362	1,520	1,734	420	1,903
Nelson	2,814	901	282	176	103	536	704	470	573	599	206	742
New Kent	1,238	404	124	16	59	192	306	207	266	260	67	259
Northampton *	3,750	1,173	399	352	114	823	985	665	779	837	303	1,126
Northumberland	2,274	710	235	50	74	370	569	392	466	484	124	494
Nottoway	3,491	1,403	386	288	111	755	933	644	755	793	243	998
Orange	2,972	964	332	67	80	391	820	552	632	697	193	584
Page	3,367	1,005	347	182	78	614	845	578	656	718	210	824
Patrick	3,437	1,137	358	260	135	755	872	597	732	742	190	945
Pittsylvania	14,188	4,105	1,391	1,037	402	2,913	3,436	2,318	2,720	2,920	749	3,662
Powhatan	1,004	373	107	--	96	211	256	178	274	218	33	244
Prince Edward	1,292	513	--	--	106	241	--	--	106	--	--	241
Prince George	4,899	1,676	460	124	136	688	1,163	766	902	989	330	1,018
Prince William	15,658	5,890	1,520	286	262	1,957	3,790	2,533	2,795	3,221	993	2,950
Pulaski	6,286	1,900	655	346	131	1,155	1,589	1,091	1,222	1,351	423	1,578

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Rappahannock	1,106	328	107	3	53	177	265	178	231	225	47	224
Richmond	1,427	481	153	32	65	256	370	255	320	314	84	340
Roanoke	16,251	4,961	1,609	602	370	2,681	3,959	2,681	3,051	3,365	869	3,550
Rockbridge *	4,854	1,658	493	172	129	821	1,200	821	950	1,020	345	1,166
Rockingham	9,629	2,761	947	378	239	1,640	2,333	1,579	1,818	1,983	483	2,123
Russell	6,309	1,934	618	37	566	1,260	1,527	1,029	1,595	1,298	184	1,444
Scott	5,495	1,515	577	495	146	998	1,430	961	1,107	1,216	319	1,317
Shenandoah	4,696	1,427	481	151	198	825	1,176	802	1,000	1,000	247	1,072
Smyth *	6,967	2,027	713	387	179	1,294	1,748	1,188	1,367	1,486	319	1,613
Southampton	4,721	1,576	503	242	136	866	1,216	838	974	1,034	336	1,202
Spotsylvania	3,609	1,128	365	186	107	655	896	609	716	762	198	853
Stafford	4,224	1,244	371	42	132	598	953	619	751	810	151	749
Surry	1,111	288	107	--	29	195	268	178	207	228	27	222
Sussex	3,065	878	316	151	94	536	783	527	621	665	148	684
Tazewell	10,613	2,792	1,057	970	217	2,048	2,640	1,762	1,979	2,244	694	2,742
Warren	2,260	831	226	--	51	287	554	377	428	471	92	379
Washington *	8,593	2,844	891	443	427	1,748	2,183	1,485	1,912	1,856	377	2,125
Westmoreland *	2,729	914	276	73	88	479	674	460	548	573	158	637
Wise	10,017	3,400	1,024	957	290	2,231	2,526	1,706	1,996	2,147	738	2,969
Wythe	4,939	1,509	503	263	196	975	1,234	838	1,034	1,049	281	1,256
York *	6,518	2,451	661	--	155	839	1,634	1,102	1,257	1,389	346	1,185
Total Counties	564,259	202,761	57,448	20,368	15,756	93,476	141,086	95,747	111,503	119,924	34,897	128,373

* Includes a town with separate school district.

Alexandria	14,776	7,758	1,767	--	153	1,768	4,217	2,946	3,099	3,584	966	2,734
Bristol	3,435	1,198	387	187	49	572	933	645	694	793	288	860
Buena Vista	1,426	455	142	89	17	250	349	236	253	296	102	352
Charlottesville	5,744	2,120	606	--	94	697	1,471	1,011	1,105	1,250	294	991
Chesapeake	22,610	7,439	2,315	1,031	524	3,657	5,759	3,858	4,382	4,895	1,483	5,140

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Clifton Forge	1,134	395	122	25	12	155	293	203	215	249	85	240
Colonial Heights	2,710	983	285	115	56	414	703	475	531	597	155	569
Covington	2,249	831	262	82	35	370	621	436	471	528	189	559
Danville	9,868	3,266	1,063	276	126	1,416	2,576	1,771	1,897	2,190	660	2,076
Fairfax	Included in Fairfax County											
Falls Church	1,875	1,258	214	--	15	230	505	356	371	429	162	392
Franklin	1,704	761	161	74	30	293	405	269	299	344	129	422
Fredericksburg	2,484	910	281	--	43	317	669	469	512	569	161	478
Galax	1,018	393	111	--	43	156	268	185	228	228	53	209
Hampton	22,378	7,240	2,204	650	356	2,807	5,486	3,673	4,029	4,663	1,305	4,112
Harrisonburg	2,314	883	273	--	35	293	650	455	490	553	151	444
Hopewell	4,275	1,554	471	84	82	610	1,134	785	867	964	332	942
Lynchburg	10,722	4,591	1,163	140	286	1,647	2,785	1,938	2,224	2,367	940	2,587
Martinsville	4,608	1,680	488	143	79	708	1,183	813	892	1,005	354	1,062
Newport News	25,818	8,867	2,735	299	427	3,211	6,657	4,559	4,986	5,658	1,678	4,889
Norfolk	51,644	19,377	5,417		580	6,024	13,149	9,029	9,609	11,176	3,420	9,444
Norton	1,181	351	126	83	15	218	308	211	226	262	67	285
Petersburg	7,519	2,989	802	271	158	1,277	1,928	1,337	1,495	1,639	739	2,016
Portsmouth	22,331	7,259	2,283	766	278	3,382	5,596	3,804	4,082	4,757	1,523	4,905
Radford	1,896	746	220	94	17	328	519	367	384	441	189	517
Richmond	37,363	17,082	4,159		713	4,956	9,906	6,932	7,645	8,420	3,183	8,139
Roanoke	18,578	7,554	2,145		333	2,413	5,055	3,575	3,908	4,297	1,317	3,730
South Boston	1,478	460	142	65	22	243	350	237	259	297	104	347
Staunton	4,208	1,419	445	61	44	539	1,083	742	786	920	276	815
Suffolk	2,126	783	242	--	44	276	577	403	447	490	111	387
Virginia Beach	31,128	8,812	2,868	668	695	4,081	7,237	4,779	5,474	6,151	1,179	5,260
Waynesboro	3,695	1,360	390	7	67	478	943	650	717	801	240	718
Williamsburg	3,532	1,241	369	60	88	550	894	615	703	760	131	681
Winchester	2,913	962	328	--	15	334	788	546	561	670	162	496
Total Cities	330,740	122,975	34,986	5,270	5,530	44,668	84,994	58,310	63,840	72,245	22,128	66,796
Technical Schools		622			339	339			339			339

Items in Table 28 are expressed as amounts per pupil in ADA.

They include:

1. Total operating costs.
2. 60% basic share of minimum salaries.
3. Total basic share including (2) and the supplementary basic appropriations.
4. Other funds, such as pupil transportation, vocational education, etc.
5. Total State grants-in-aid.
6. The minimum defined program.
7. 100% salaries for State-aid teaching positions.
8. 100% salaries plus other funds.
9. 85% single fund plan.
10. Local incentive fund (Donnahoe plan).
11. Total present grants (5) plus Donnahoe incentive fund (10).

Table 28 is of interest in a number of ways. First, it shows clearly that there is a wide range in grants-in-aid per pupil in ADA among the localities of the State. The components are also shown in the table to illustrate how localities differ with respect to the amounts received. The average amount of basic State aid for 1964-65 was $131 per ADA according to preliminary figures. Under this program the grants range from $96 to $194 per pupil in ADA. When the "other" funds are added to the basic grants the amounts received by localities range from $115 in Winchester to $223 in Wise County. The relationships of each component of the grants-in-aid, the minimum program, and the single aid funds for each locality are shown in Figure 2. The amount of State aid from the two parts of basic aid is shown in solid black, the 60% salary and supplemental basic aid are separated by an open space, "Other" aid by [/ / / /] . The blank part of each bar is the amount of the total operating costs provided from local and Federal sources. The inverted triangle ▽ shows the cost of the minimum program in the county or city. The line arrow ➔ shows what would be received under the 85 per cent single fund plan. Underneath the 85 per cent plan is a line ____. which shows the amount each locality would receive under the 100 per cent salary plus the miscellaneous all other funds. The amount which would be received under the Donnahoe incentive plan is shown above the bar for components of total operating cost. It is placed so that the incentive funds are added to the present plan for the distribution of State aid. From Table 27 and Table 28 and the bars on Figure 2, the effect of each of the four plans can be seen for each locality.

Table 28

Amounts Per ADA: Basic, Other, and Total State Aid; Minimum Program, and Three Alternative Programs
Counties and Cities of Virginia, 1964-65

	(1) Total Operating Costs Per ADA	(2) 60% of Teachers Salaries Per ADA	(3) Total Basic Per ADA	(4) Other Funds Per ADA	(5) Total Grants Per ADA	(6) Minimum Program Per ADA	(7) 100% of Teachers Salaries Per ADA	(8) (7) + (4)	(9) 85% of (6)	(10) Donnahoe Incentive Fund Per ADA	(11) (5) + (10)
STATE	$365	$103	$131	$24	$155	$253	$172	$196	$215	$63	$218
Accomack	306	101	158	28	186	248	169	197	211	61	247
Albemarle	367	101	102	36	138	247	168	204	210	62	200
Alleghany	313	94	150	21	171	234	157	178	199	67	238
Amelia	316	116	159	43	202	285	194	237	242	66	268
Amherst	278	95	150	25	175	238	159	184	202	38	213
Appomattox	345	109	148	49	197	264	182	231	224	55	252
Arlington	706	118	119	18	137	278	196	214	236	67	204
Augusta	318	98	141	28	169	238	163	191	203	62	231
Bath	380	101	102	53	155	246	168	221	209	66	221
Bedford	289	99	156	27	183	246	166	193	209	54	237
Bland	310	101	170	45	215	248	168	213	210	53	268
Botetourt	317	105	135	28	163	257	175	203	219	59	222
Brunswick	319	119	179	38	217	286	199	237	243	54	271
Buchanan	226	85	158	13	171	226	142	155	192	43	214
Buckingham	318	104	178	42	220	254	173	215	216	52	272

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Campbell	308	104	164	28	192	253	173	201	215	55	247
Caroline	283	105	157	34	191	249	170	204	212	47	238
Carroll	272	97	160	24	184	242	162	186	206	44	228
Charles City	322	108	182	32	214	261	180	212	222	56	270
Charlotte	297	105	158	38	196	257	175	213	219	48	244
Chesterfield	344	96	128	14	142	239	160	174	203	58	200
Clarke	313	102	100	55	155	252	170	225	214	37	192
Craig	280	94	148	36	184	236	157	193	200	58	242
Culpeper	280	92	96	37	133	232	154	191	197	34	167
Cumberland	310	116	179	38	217	280	193	231	238	46	263
Dickenson	282	89	165	25	190	228	149	174	194	60	250
Dinwiddie	298	117	153	57	210	284	195	252	242	57	267
Essex	328	103	145	31	176	252	172	203	214	62	238
Fairfax	503	104	105	17	122	255	174	191	216	93	215
Fauquier	344	98	100	25	125	242	164	189	206	45	170
Floyd	335	109	168	38	206	262	182	220	223	74	280
Fluvanna	374	108	107	41	148	263	181	222	223	42	190
Franklin	288	97	162	29	191	242	162	191	205	46	237
Frederick	260	89	127	24	151	228	149	173	194	37	188
Giles	331	113	111	29	140	269	188	217	229	58	198
Gloucester	318	97	102	33	135	240	161	194	204	50	185
Goochland	319	97	102	48	150	240	162	210	204	42	192
Grayson *	303	92	149	47	196	236	154	201	201	60	256
Greene	289	97	156	39	195	248	161	200	211	46	241
Greensville	287	106	174	23	197	260	176	199	221	49	246
Halifax	294	105	174	30	204	260	176	206	221	50	254
Hanover	306	96	143	29	172	239	161	190	203	52	224
Henrico	376	100	118	38	156	244	167	205	208	72	228
Henry	279	98	166	23	189	243	163	186	207	50	239
Highland	378	113	106	66	172	274	189	255	233	56	228

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Isle of Wight	310	99	139	29	168	242	166	195	206	57	225
James City	Included in Williamsburg										
King & Queen	346	126	131	59	190	306	211	270	260	66	256
King George	345	113	122	36	158	282	189	225	239	62	220
King William *	343	108	139	40	179	261	179	219	222	66	245
Lancaster	312	110	112	37	149	266	184	221	226	42	191
Lee	290	112	183	28	211	270	187	215	229	85	296
Loudoun	363	104	101	22	123	256	174	196	218	42	165
Louisa	308	101	156	36	192	254	169	205	216	52	244
Lunenburg	304	107	165	50	215	261	178	228	222	48	263
Madison	304	98	137	43	180	247	164	207	210	55	235
Mathews	340	97	109	62	171	235	161	223	200	42	213
Mecklenburg	301	110	182	32	214	266	183	215	226	53	267
Middlesex	342	113	124	40	164	274	188	228	233	54	218
Montgomery	292	102	149	25	174	248	170	195	211	47	221
Nansemond	275	97	157	18	175	241	161	179	205	50	225
Nelson	320	100	154	36	190	250	167	203	213	70	260
New Kent	326	100	108	47	155	247	167	214	210	54	209
Northampton *	313	106	189	30	219	263	177	207	223	76	295
Northumberland	312	103	130	33	163	250	172	205	213	56	219
Nottoway	402	111	185	31	216	267	184	215	227	67	283
Orange	324	112	105	27	132	276	186	213	235	58	190
Page	299	103	159	23	182	251	172	195	213	63	245
Patrick	331	104	180	40	220	254	174	214	216	55	275
Pittsylvania	289	98	177	28	205	242	163	191	206	54	259
Powhatan	372	106	115	95	210	255	177	272	217	34	244
Prince Edward	397		105	81	186	--	--	81	--	--	186
Prince George	342	94	113	28	141	237	156	184	202	66	207
Prince William	376	97	108	17	125	242	162	179	206	63	188
Pulaski	302	104	163	21	184	253	174	195	215	68	252

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Rappahannock	297	96	113	47	160	240	161	208	204	43	203
Richmond	337	107	134	45	179	259	179	224	220	58	237
Roanoke	305	99	142	23	165	244	165	188	207	54	219
Rockbridge *	342	102	143	26	169	247	169	195	210	73	242
Rockingham	287	98	145	25	170	242	164	189	206	51	221
Russell	307	98	110	90	200	242	163	253	206	30	230
Scott	276	105	155	27	182	260	175	202	221	54	236
Shenandoah	304	102	133	43	176	250	171	214	213	53	229
Smyth *	291	102	160	26	186	251	171	197	213	46	232
Southampton	334	107	155	28	183	258	178	206	219	71	254
Spotsylvania	313	101	152	30	182	248	169	199	211	55	237
Stafford	294	88	110	32	142	226	147	179	192	36	178
Surry	259	96	150	26	176	241	161	187	205	24	200
Sussex	286	103	144	31	175	255	172	203	217	46	221
Tazewell	263	100	172	21	193	249	166	187	211	63	256
Warren	368	100	105	22	127	245	167	189	208	42	169
Washington *	331	104	154	49	203	254	173	222	216	43	246
Westmoreland*	335	101	143	32	175	247	168	200	210	59	234
Wise	339	102	194	29	223	252	170	199	214	72	295
Wythe	306	102	158	39	197	250	170	209	212	57	254
York *	376	101	105	24	129	251	169	193	213	52	181
Total Counties	359	102	138	28	166	250	170	198	213	62	228

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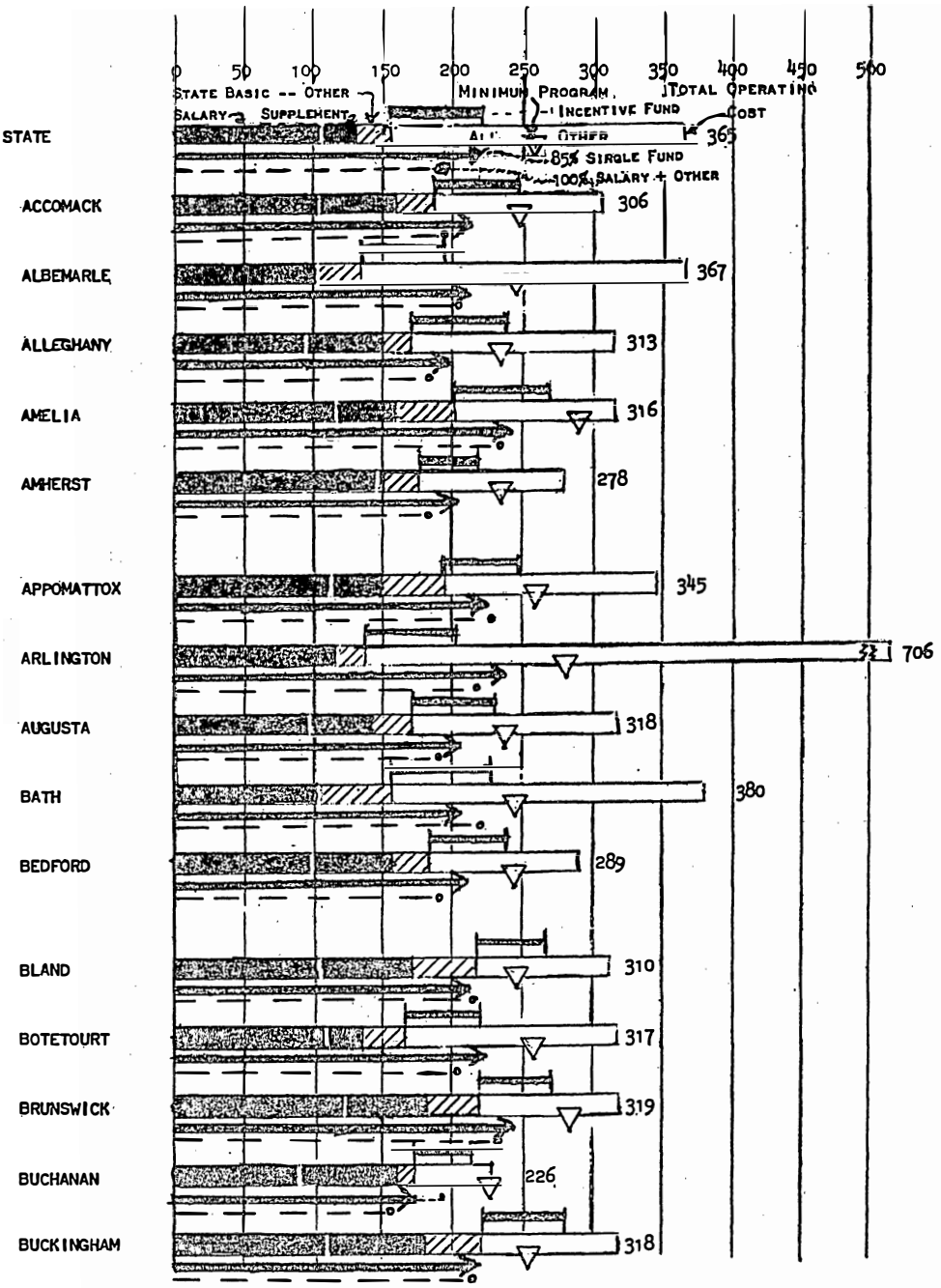
* Includes a town with separate school district.

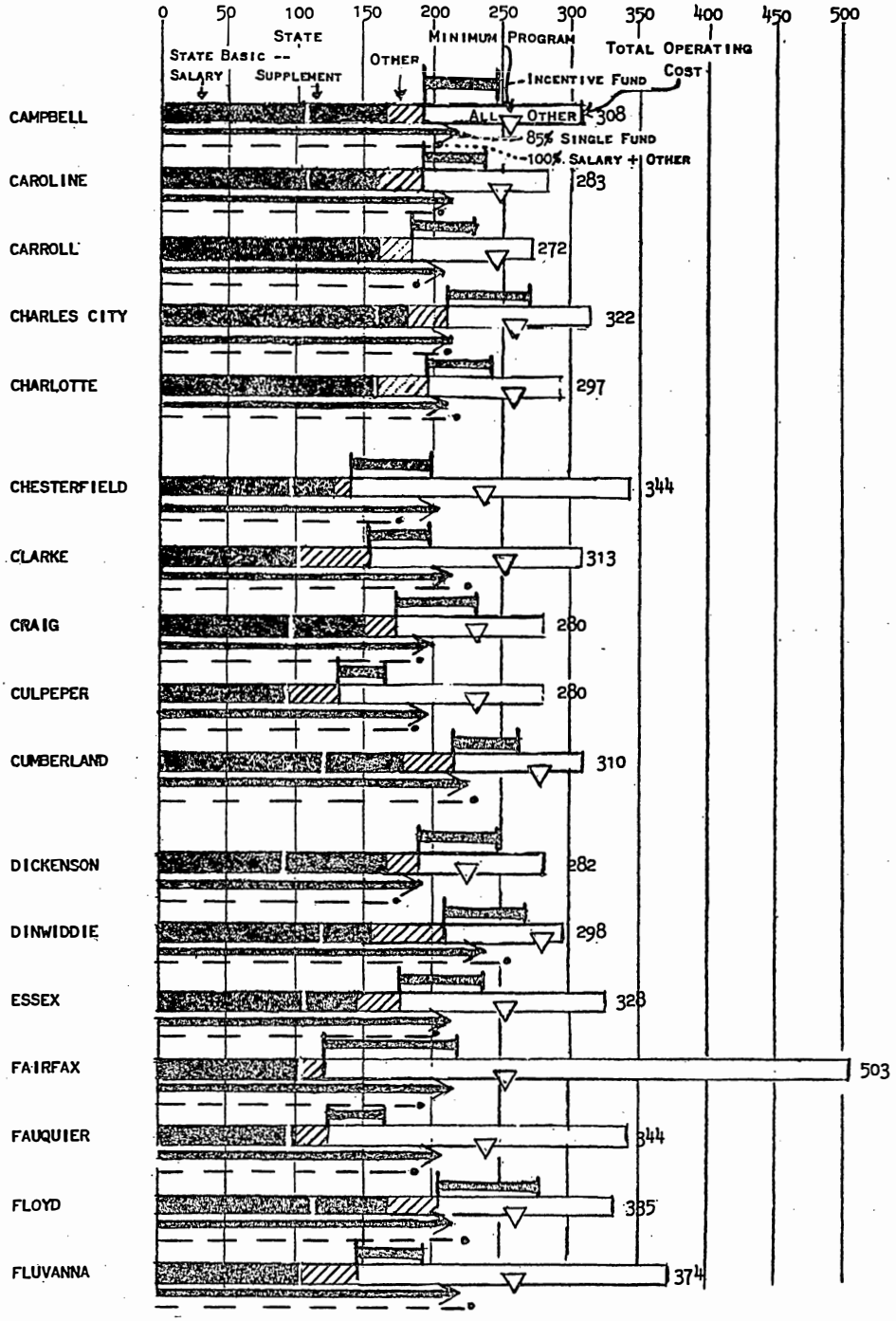
Alexandria	525	120	109	11	120	285	199	210	243	61	181
Bristol	349	113	152	15	167	272	188	203	231	80	247
Buena Vista	319	99	164	11	175	244	166	177	208	73	248
Charlottesville	369	106	105	16	121	256	176	192	218	51	172
Chesapeake	329	102	139	23	162	255	171	194	217	62	224

						(6)	(7)	(8)	(9)	(10)	(11)
Clifton Forge	349	108	126	10	136	258	179	189	220	76	212
Colonial Heights	363	105	132	21	153	259	175	196	220	54	207
Covington	369	116	149	15	164	276	194	209	235	82	246
Danville	331	108	131	12	143	261	179	191	222	66	209
Fairfax	Included in Fairfax County										
Falls Church	671	114	114	9	123	269	190	199	229	87	210
Franklin	447	95	155	17	172	238	158	175	202	76	248
Fredericksburg	366	113	110	18	128	269	189	207	229	64	192
Galax	386	109	110	43	153	263	182	225	223	51	204
Hampton	324	98	110	15	125	245	164	179	208	58	183
Harrisonburg	382	118	112	15	127	281	196	211	239	62	189
Hopewell	363	110	124	19	143	265	184	203	226	76	219
Lynchburg	428	108	127	27	154	260	181	208	221	89	243
Martinsville		106	136	18	154	257	176	194	218	77	231
Newport News	343	106	108	16	124	258	177	193	219	64	188
Norfolk	375	105	105	12	117	255	175		216	66	183
Norton	297	107	171	13	184	261	178		222	55	239
Petersburg	398	107	149	21	170	256	178		218	100	270
Portsmouth	325	102	139	12	151	251	170		213	68	219
Radford	393	116	164	9	173	274	193		233	99	272
Richmond	457	111				265	186		225	86	219
Roanoke	407	115				272	192		231	71	201
South Boston	311	96				237	160		201	74	238
Staunton	337	106				257	176		219	65	193
Suffolk	368	114				271	190		231	51	181
Virginia Beach	283	92	109	22	131	232	154	176	198	38	169
Waynesboro	368	106	111	18	129	255	176	194	217	66	195
Williamsburg	351	104	131	25	156	253	174	199	215	38	194
Winchester	330	113	110	5	115	270	188	193	230	54	169
Total Cities	372	106	118	17					218	66	201

FIGURE 2

OPERATING COSTS, STATE AID COMPONENTS, MINIMUM PROGRAM AND ALTERNATIVE DISTRIBUTION PLANS PER PUPIL IN ADA, BY COUNTIES AND CITIES OF VIRGINIA, 1964-65

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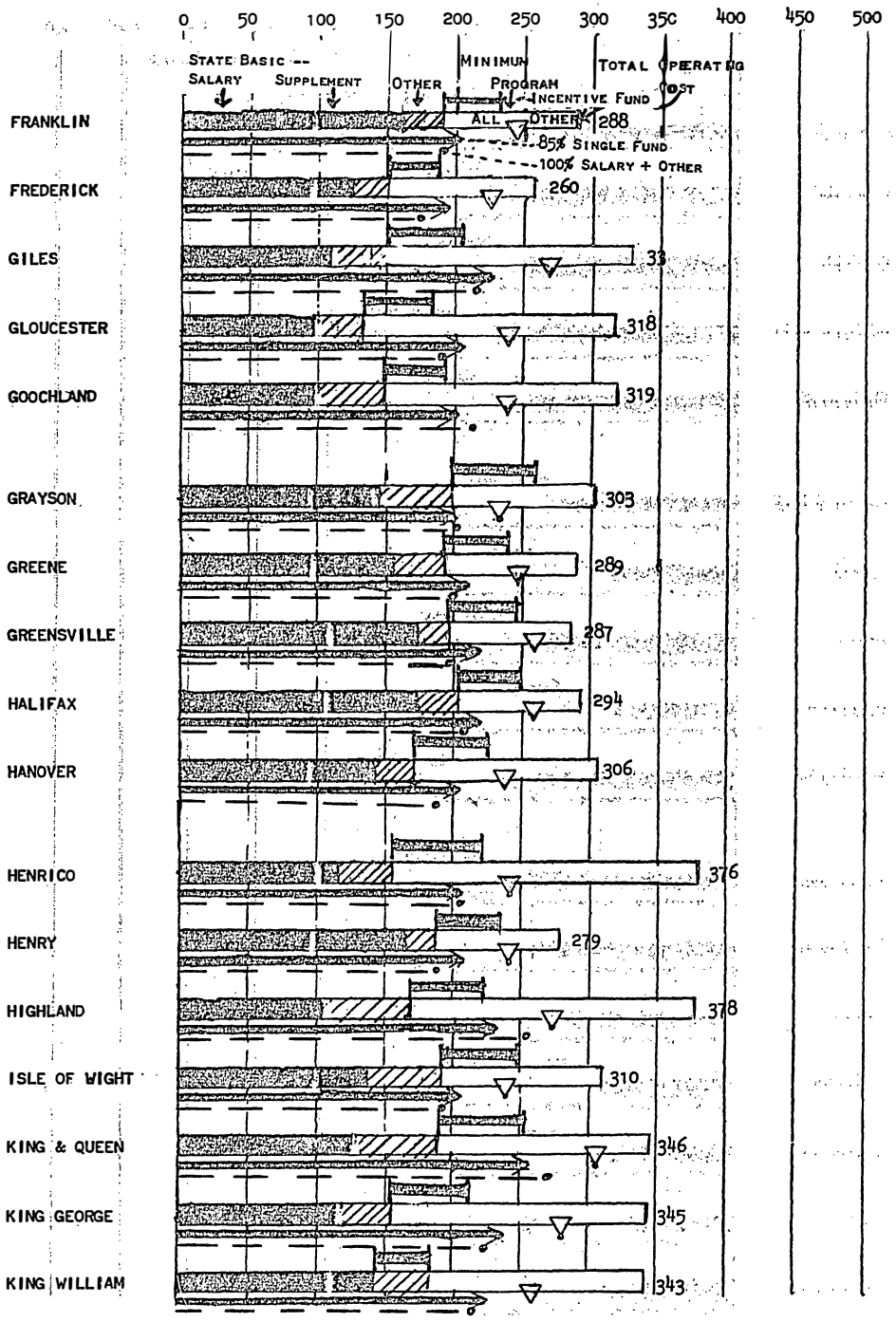
STATE
STATE BASIC --
SALARY
SUPPLEMENT
OTHER
MINIMUM PROGRAM
INCENTIVE FUND
TOTAL OPERATING
COST
ALL OTHER
85% SINGLE FUND
100% SALARY + OTHER
CAMPBELL
308
CAROLINE
283
CARROLL
272
CHARLES CITY
322
CHARLOTTE
297
CHESTERFIELD
344
CLARKE
313
CRAIG
280
CULPEPER
280
CUMBERLAND
310
DICKENSON
282
DINWIDDIE
298
ESSEX
328
FAIRFAX
503
FAUQUIER
344
FLOYD
385
FLUVANNA
374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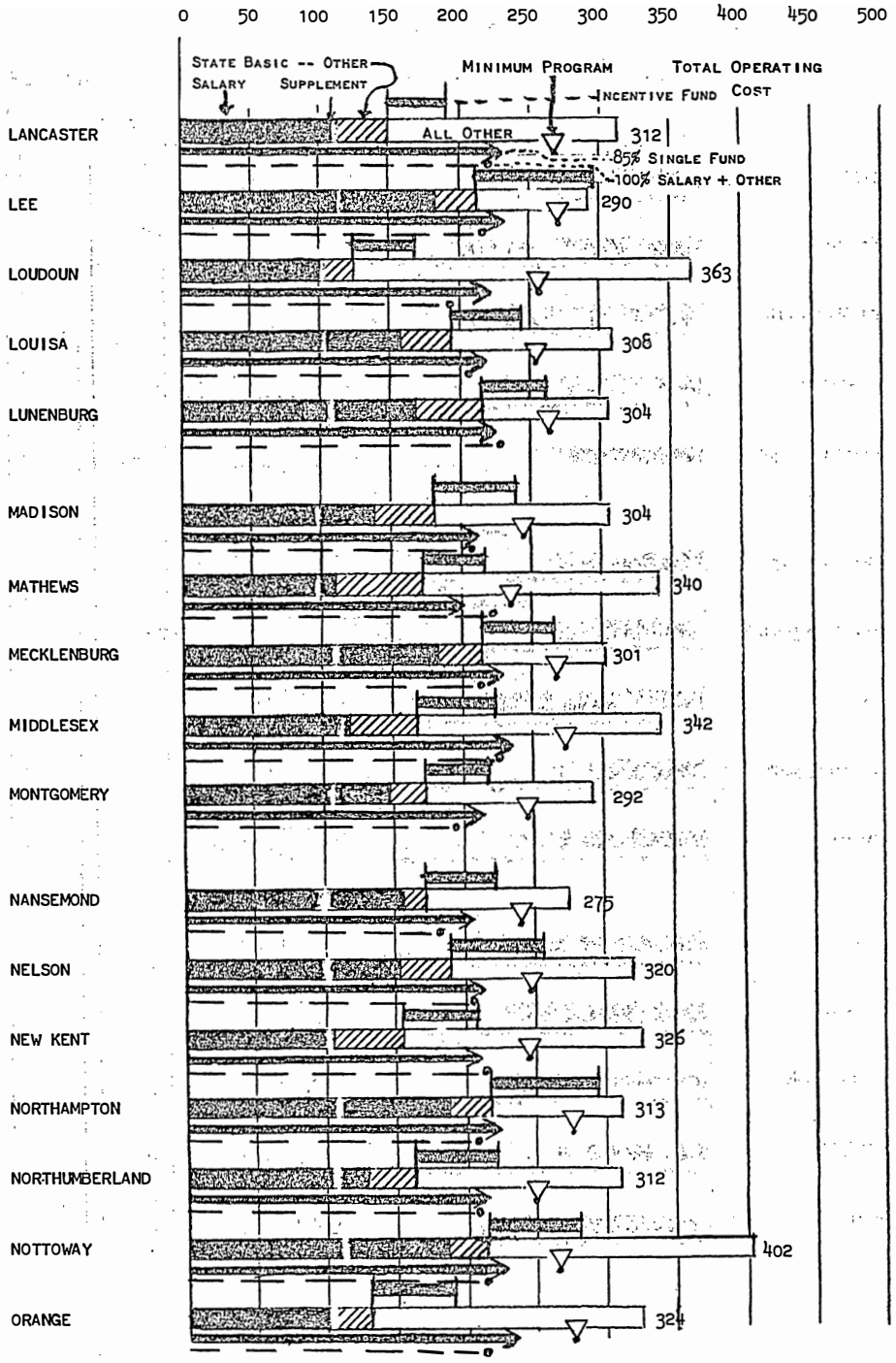
STATE BASIC SALARY
SUPPLEMENT
OTHER
MINIMUM PROGRAM
INCENTIVE FUND
TOTAL OPERATING COST
ALL OTHER
85% SINGLE FUND
100% SALARY + OTHER
FRANKLIN
288
FREDERICK
260
GILES
33
GLOUCESTER
318
GOOCHLAND
319
GRAYSON
303
GREENE
289
GREENSVILLE
287
HALIFAX
294
HANOVER
306
HENRICO
376
HENRY
279
HIGHLAND
378
ISLE OF WIGHT
310
KING & QUEEN
346
KING GEORGE
345
KING WILLIAM
343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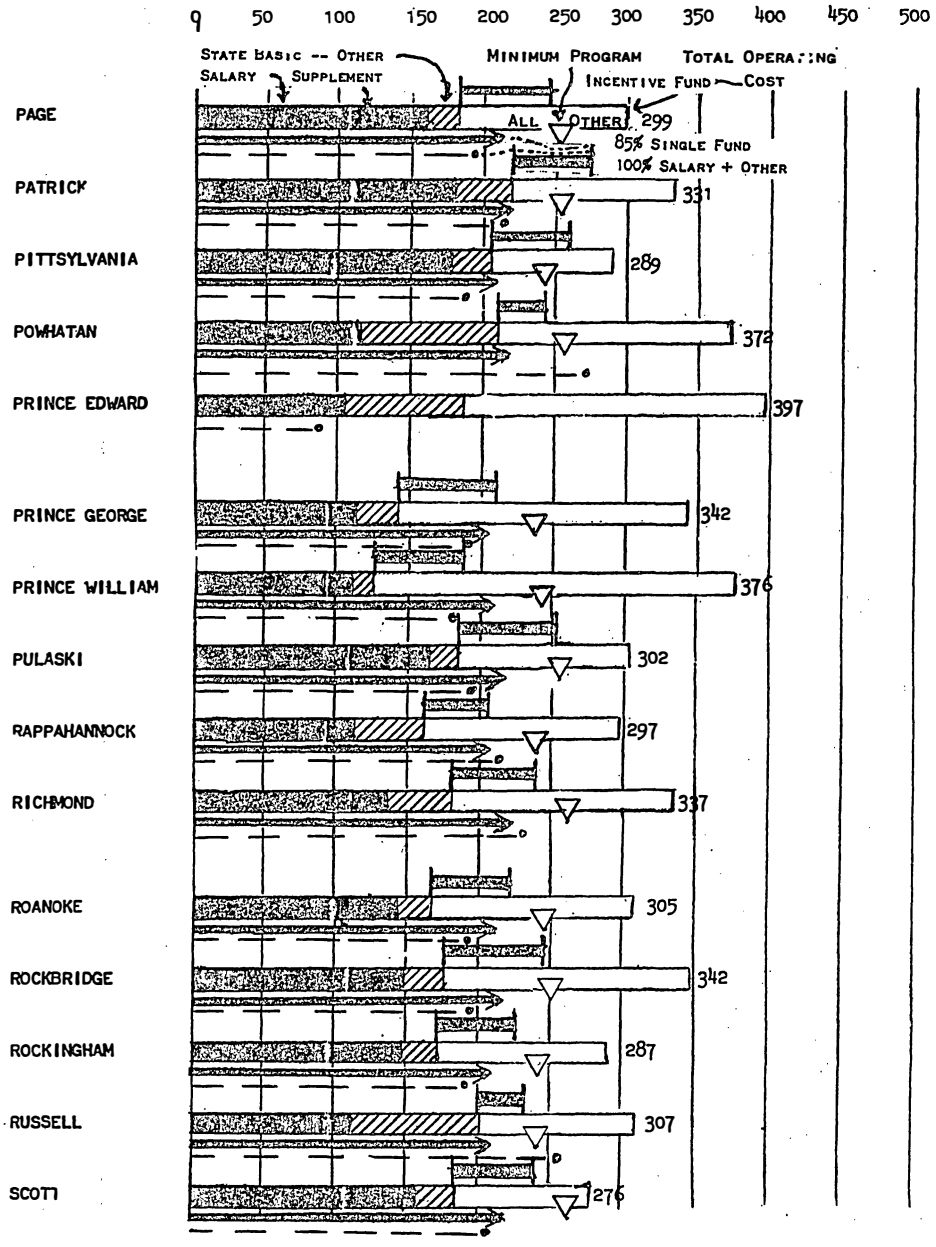
STATE BASIC -- OTHER SALARY SUPPLEMENT
MINIMUM PROGRAM
INCENTIVE FUND
TOTAL OPERATING COST
ALL OTHER
85% SINGLE FUND
100% SALARY + OTHER
LANCASTER
312
LEE
290
LOUDOUN
363
LOUISA
308
LUNENBURG
304
MADISON
304
MATHEWS
340
MECKLENBURG
301
MIDDLESEX
342
MONTGOMERY
292
NANSEMOND
275
NELSON
320
NEW KENT
326
NORTHAMPTON
313
NORTHUMBERLAND
312
NOTTOWAY
402
ORANGE
324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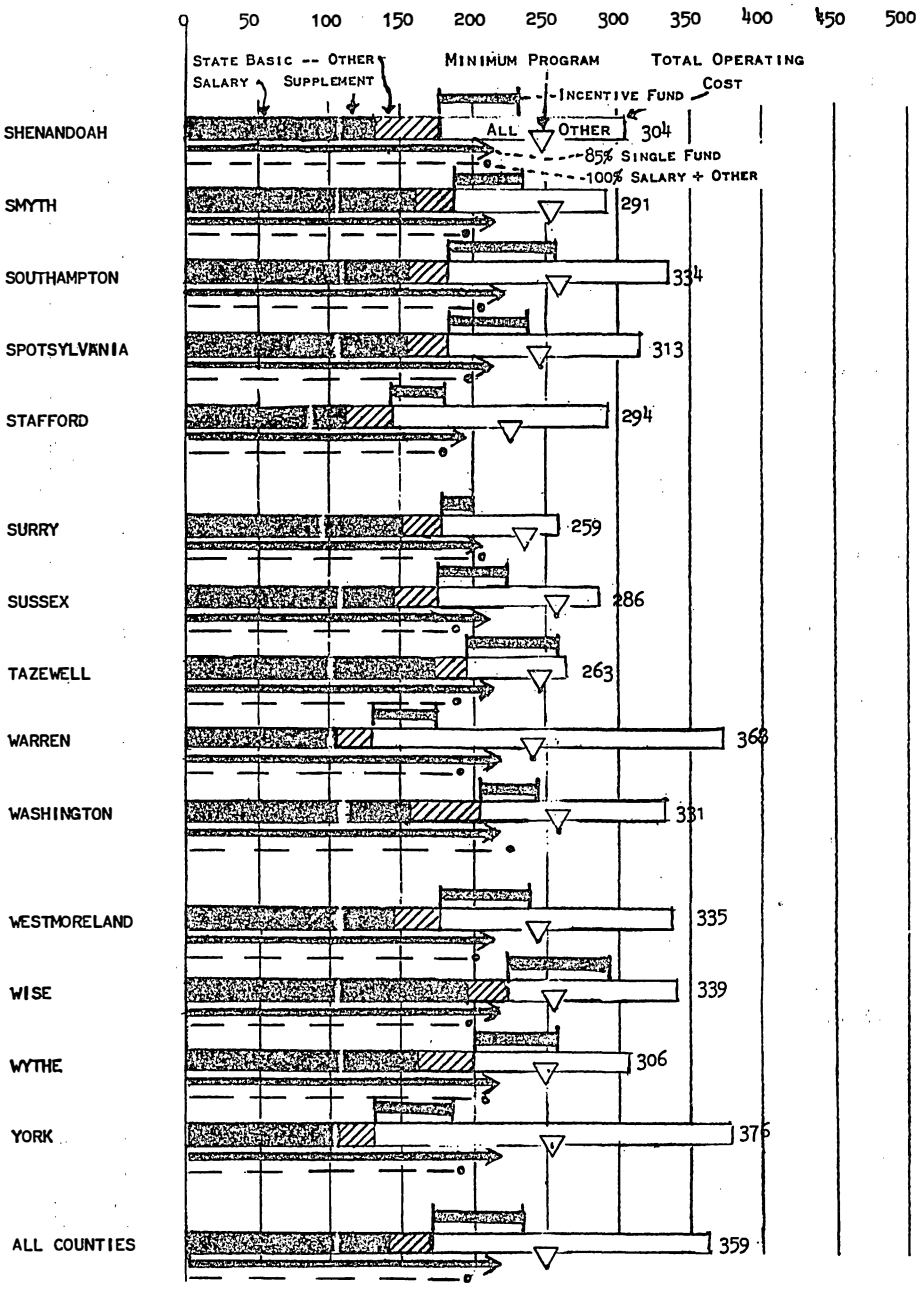
500
STATE BASIC -- OTHER SALARY SUPPLEMENT
MINIMUM PROGRAM INCENTIVE FUND
TOTAL OPERATING COST
ALL OTHER
85% SINGLE FUND
100% SALARY + OTHER
PAGE
299
PATRICK
331
PITTSYLVANIA
289
POWHATAN
372
PRINCE EDWARD
397
PRINCE GEORGE
342
PRINCE WILLIAM
376
PULASKI
302
RAPPAHANNOCK
297
RICHMOND
337
ROANOKE
305
ROCKBRIDGE
342
ROCKINGHAM
287
RUSSELL
307
SCOTT
276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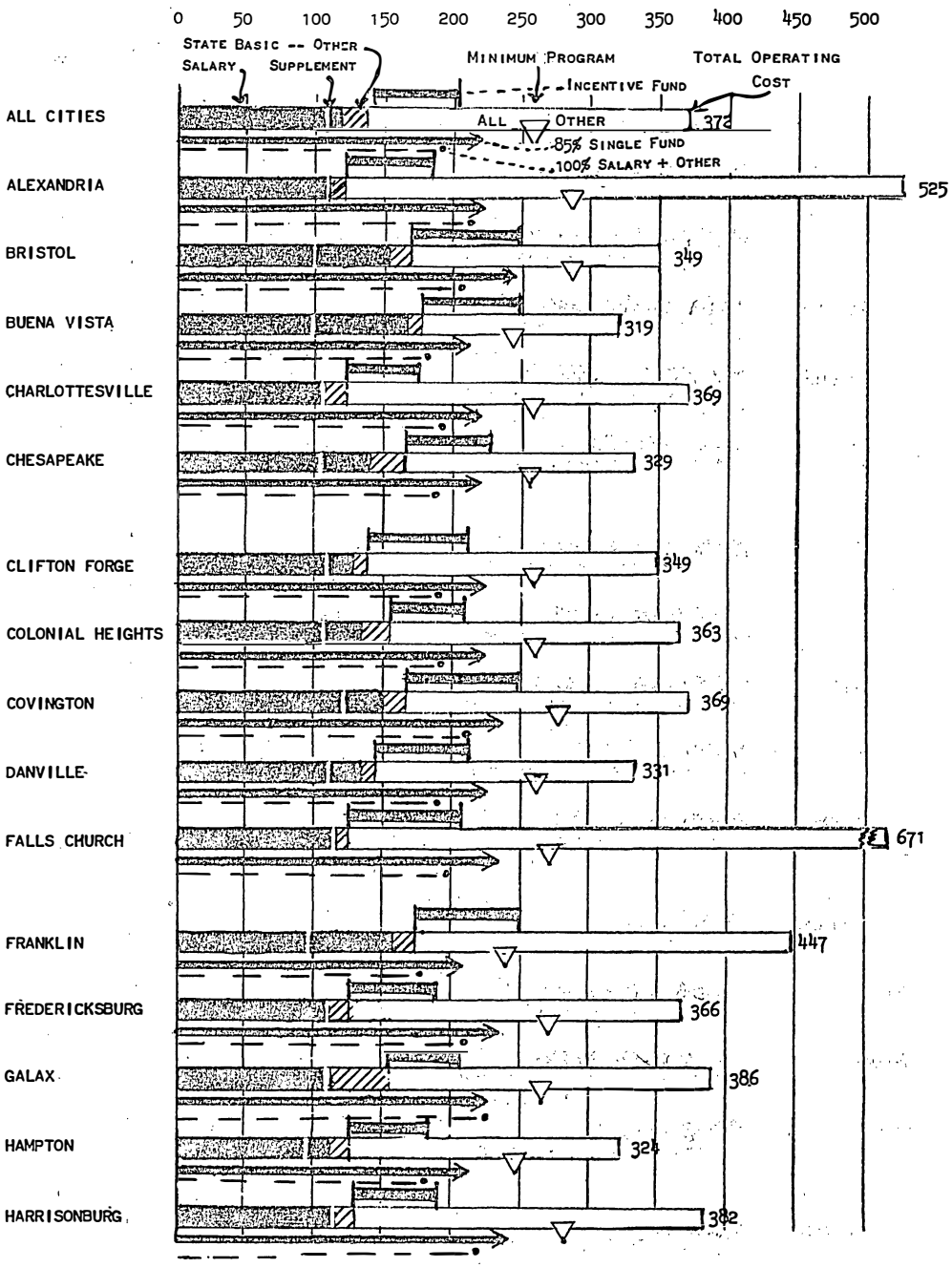
STATE BASIC -- OTHER SALARY SUPPLEMENT
MINIMUM PROGRAM
TOTAL OPERATING COST
INCENTIVE FUND
ALL OTHER
85% SINGLE FUND
100% SALARY + OTHER
SHENANDOAH
304
SMYTH
291
SOUTHAMPTON
334
SPOTSYLVANIA
313
STAFFORD
294
SURRY
259
SUSSEX
286
TAZEWELL
263
WARREN
368
WASHINGTON
331
WESTMORELAND
335
WISE
339
WYTHE
306
YORK
376
ALL COUNTIES
359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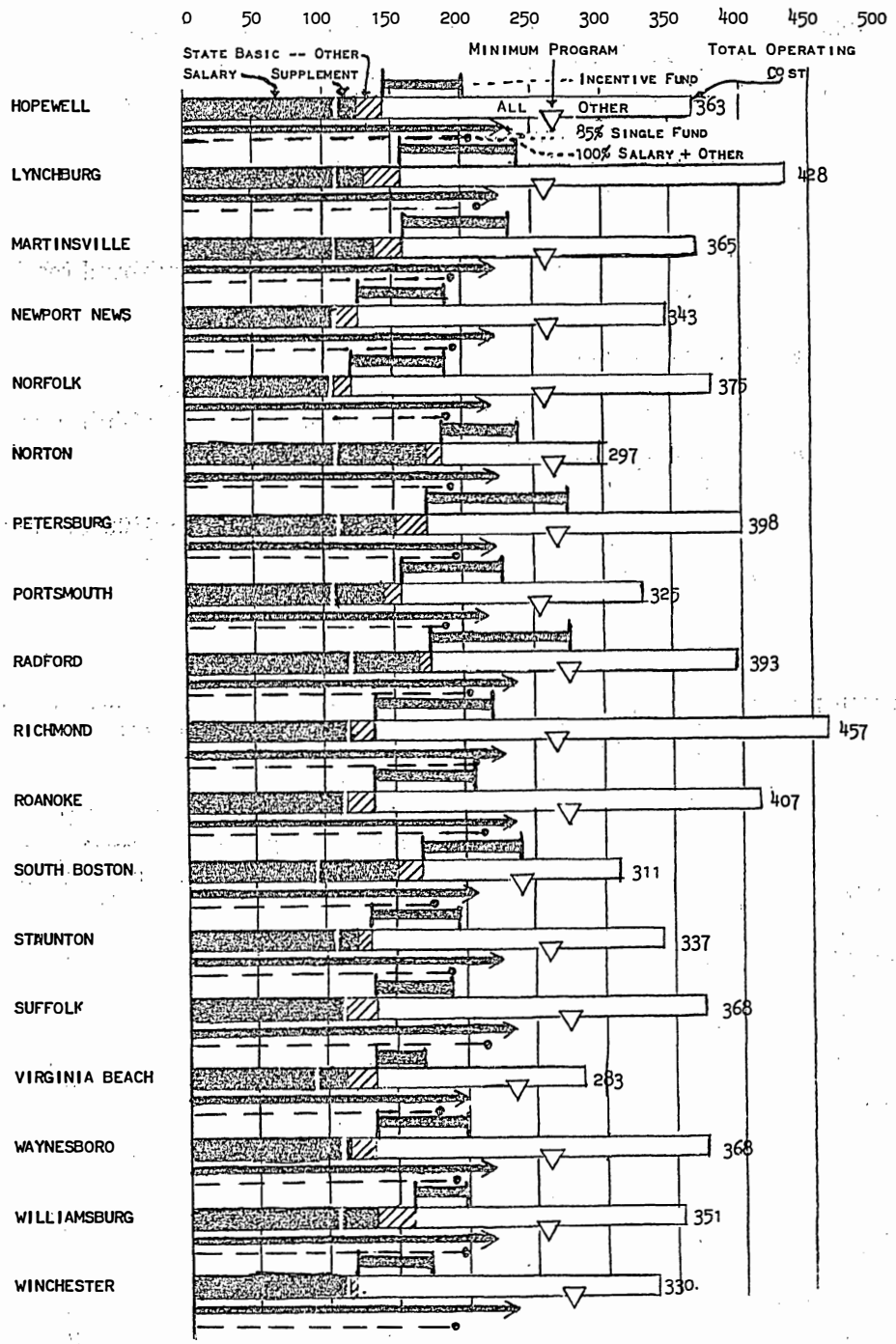
STATE BASIC -- OTHER
SALARY
SUPPLEMENT
MINIMUM PROGRAM
INCENTIVE FUND
TOTAL OPERATING
COST
ALL OTHER
85% SINGLE FUND
100% SALARY + OTHER
ALL CITIES
ALEXANDRIA
BRISTOL
BUENA VISTA
CHARLOTTESVILLE
CHESAPEAKE
CLIFTON FORGE
COLONIAL HEIGHTS
COVINGTON
DANVILLE
FALLS CHURCH
FRANKLIN
FREDERICKSBURG
GALAX
HAMPTON
HARRISONBURG
525
349
319
369
329
349
363
369
331
671
447
366
386
324
382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STATE BASIC -- OTHER SALARY -- SUPPLEMENT
MINIMUM PROGRAM
TOTAL OPERATING COST
-- INCENTIVE FUND
ALL OTHER
85% SINGLE FUND
100% SALARY + OTHER
HOPEWELL
363
LYNCHBURG
428
MARTINSVILLE
365
NEWPORT NEWS
343
NORFOLK
375
NORTON
297
PETERSBURG
398
PORTSMOUTH
325
RADFORD
393
RICHMOND
457
ROANOKE
407
SOUTH BOSTON
311
STAUNTON
337
SUFFOLK
368
VIRGINIA BEACH
283
WAYNESBORO
368
WILLIAMSBURG
351
WINCHESTER
330

Table 29 compares the differences in the total amount of State aid that each county and city would receive from the 85 per cent plan, the 100 per cent salary plus "other" plan, and the Donnahoe incentive plan as compared to the present method of distribution.

The components of the four plans in summary are as follows:

1. *Present Grant-in-Aid*
   (a) Basic 60 per cent of State-aid teaching positions.
   (b) Supplementary basic if eligible.
   (c) Group of miscellaneous other funds.
   Total State aid to localities a+b+c.
2. *The 100 per cent Salary Plan*
   (a) 100 per cent of State salary scale for State-approved teaching positions.
   (b) "All other" fund as in 1 (c).
3. *The Single Fund Plan*
   (a) 85 per cent of the minimum program as defined.
   (b) Additional aid for areas which qualify as hardship cases.
4. *Donnahoe Incentive Plan*
   (a) Same as Plan 1.
   (b) Incentive fund (80 x local school effort per $100 of true value of real estate and public service property).
   Total State aid a + b.

Table 29

DIFFERENCES IN THE AMOUNT OF STATE AID TO LOCALITIES BETWEEN EACH OF THE THREE PLANS AND THE PRESENT PLAN FOR COUNTIES AND CITIES, VIRGINIA 1964-65

(in thousands of dollars)

	(1) Total Grants Present Plan	(2) 100% Salary Scale & Other minus Present Grants	(3) 85% Program minus Present Grants	(4) Donnahoe Plan minus Present Grants
STATE	$138,483	$37,199	$53,686	$57,025
Accomack	1,131	65	152	367
Albemarle	800	383	418	357
Alleghany	497	20	79	187
Amelia	329	56	66	122
Amherst	789	41	123	167
Appomattox	407	71	56	116
Arlington	3,213	1,824	2,349	1,617
Augusta	1,540	195	309	539
Bath	160	68	55	67
Bedford	1,312	67	184	389
Bland	252	— 2	— 5	62
Botetourt	649	158	222	243
Brunswick	893	84	106	240
Buchanan	1,567	—146	186	411
Buckingham	562	— 11	— 12	133
Campbell	1,724	77	215	501
Caroline	633	42	68	154
Carroll	956	10	111	227
Charles City	359	— 4	12	95
Charlotte	606	51	70	153

Table 29—Continued

	(1)	(2)	(3)	(4)
Chesterfield	2,866	657	1,224	1,137
Clarke	272	123	104	66
Craig	133	6	12	41
Culpeper	487	210	235	121
Cumberland	332	22	33	76
Dickenson	956	— 82	18	299
Dinwiddie	893	178	134	269
Essex	285	43	62	101
Fairfax	10,192	5,812	7,945	7,834
Fauquier	716	365	464	252
Floyd	435	31	37	156
Fluvanna	251	126	128	72
Franklin	1,118	1	81	266
Frederick	833	118	237	201
Giles	580	319	368	241
Gloucester	348	152	179	126
Goochland	310	125	111	85
Grayson*	690	17	17	217
Greene	193	5	16	50
Greensville	786	8	94	203
Halifax	1,608	13	131	417
Hanover	1,208	128	220	357
Henrico	4,345	1,360	1,440	1,954
Henry	2,067	— 32	197	542
Highland	102	49	36	35
Isle of Wight	753	117	171	244
James City	Included in Williamsburg City			
King & Queen	208	87	77	87
King George	242	103	125	109
King William*	310	71	74	116
Lancaster	286	137	149	84
Lee	1,194	22	104	498
Loudoun	827	489	639	295
Louisa	592	41	72	170
Lunenburg	634	40	22	147
Madison	317	47	53	101
Mathews	218	66	37	50
Mecklenburg	1,606	8	90	411
Middlesex	231	90	97	81
Montgomery	1,179	140	248	312
Nansemond	1,483	37	251	420
Nelson	536	37	63	206
New Kent	192	74	68	67
Northampton*	823	— 44	14	303
Northumberland	370	96	114	124
Nottoway	755	**	38	243
Orange	391	241	306	193
Page	614	42	104	210
Patrick	755	— 23	— 13	190
Pittsylvania	2,913	—194	7	749
Powhatan	211	63	7	33
Prince Edward***	241	—135	—241	0
Prince George	688	213	301	330
Prince William	1,957	838	1,264	993
Pulaski	1,155	68	196	423
Rappahannock	177	53	48	47
Richmond	256	65	58	84
Roanoke	2,681	371	684	869
Rockbridge*	821	129	199	345
Rockingham	1,640	178	343	483

Table 29—Continued

Russell	1,260	335	38	184
Scott	998	109	218	319
Shenandoah	825	175	175	247
Smyth*	1,294	73	192	319
Southampton	866	109	168	336
Spotsylvania	655	61	107	198
Stafford	598	153	212	151
Surry	195	12	33	27
Sussex	536	85	129	148
Tazewell	2,048	— 68	196	694
Warren	287	141	184	92
Washington*	1,748	164	108	377
Westmoreland*	479	69	94	158
Wise	2,231	—235	— 84	738
Wythe	975	59	74	281
York*	839	418	550	346
Total Counties	93,476	18,027	26,448	34,897
Cities				
Alexandria	1,768	1,331	1,816	966
Bristol	572	122	221	288
Buena Vista	250	3	46	102
Charlottesville	697	408	553	294
Chesapeake	3,657	725	1,238	1,483
Clifton Forge	155	60	94	85
Colonial Heights	414	118	183	155
Covington	370	102	158	189
Danville	1,416	481	774	660
Fairfax	Included in Fairfax County			
Falls Church	230	142	199	162
Franklin	293	6	51	129
Fredericksburg	317	194	252	161
Galax	156	73	72	53
Hampton	2,807	1,222	1,856	1,305
Harrisonburg	293	196	260	151
Hopewell	610	256	354	332
Lynchburg	1,647	577	720	940
Martinsville	708	185	297	354
Newport News	3,211	1,775	2,447	1,678
Norfolk	6,024	3,585	5,152	3,420
Norton	218	8	44	67
Petersburg	1,277	218	362	739
Portsmouth	3,382	701	1,375	1,523
Radford	328	55	113	189
Richmond	4,956	2,688	3,464	3,183
Roanoke	2,413	1,495	1,884	1,317
South Boston	243	16	54	104
Staunton	539	247	381	276
Suffolk	276	171	214	111
Virginia Beach	4,081	1,393	2,070	1,179
Waynesboro	478	239	323	240
Williamsburg	550	153	210	131
Winchester	334	227	336	162
Total Cities	44,668	19,172	27,577	22,128

* Includes a town with separate school district.
** Less than .5.
*** Figures, because of pending court action, are not comparable with other areas.

There are other plans which have been advocated by different groups studying Virginia's educational needs. Most of them are variants of the four plans outlined. During the deliberations of the Committee a memorandum was prepared analyzing the purposes and provisions of the current plan of the State Board of Education and the 85 per cent Single Fund Plan. The recommendations of the State Board for the next biennium make no important modifications in the mechanics and basic conditions of the present program. The comparisons presented here are based on 1964-65. Each plan would be similar for the next biennium.

On October 3, 1965 a suggested incentive plan developed by Alan S. Donnahoe appeared in the *Richmond Times-Dispatch.* The first step of the Donnahoe plan accepts the present distribution formula of the State Board of Education. Step two provides that all counties and cities will receive in addition an incentive fund from the State. The amount from the incentive fund is 80 times the local true tax rate per $100 of the true value of real estate and public service property times ADA. The amounts per pupil in ADA vary from $24 in Surry County to $100 in the city of Petersburg. The average for all counties and cities combined is $63.34, for counties only, $61.57, and cities only $66.34.

Next is a comparison of the current plan of State aid to localities and the 85 per cent Single Fund Plan.

Comparison of the Present Program of Distributing State Aid to Localities for Public Schools and the Recommended Single Fund Plan

Under both plans the minimum or foundation program for public free schools is defined by the State Board of Education and approved by the General Assembly. For the current year the minimum program is defined as 100% of the salaries of State-approved teaching positions according to the State salary scale plus $80 per pupil in ADA. To facilitate comparison of the two plans the features and characteristics of the present plan are shown on one side of the page and those of the single fund plan are shown on the other.

Present Program	*Recommended Single Fund Plan*
1. Provision for administration and centrally-administered Statewide programs.	
2. Provision for payment of the employer's share of social security and teacher retirement from the budget of the State Board. The amounts for 1964-65 and 1965-66 from the General Fund are:	
1964-65 $14,923,729	
1965-66 16,841,755	
Estimated amounts needed for each year of the next biennium are:	
1966-67 22,889,280	
1967-68 25,730,740	
3. Definition of State Minimum Program: a + b a. 100% of salaries of State-aid teaching positions according to State salary scale.	3. Definition of State Minimum Program: a + b a. 100% of salaries of State-aid teaching positions according to State salary scale.

Present Plan	*Recommended Single Fund Plan*
b. \$80 x pupils in ADA.	b. \$80 x pupils in ADA for *high* estimate; **or** If the State Board changes the amount per pupil in ADA to \$100, this would be incorporated in the minimum program.
Request for 1966-68 expands the definition of teaching positions and increases *b* from \$80 to \$100 per pupil in ADA.	
4. Additional State aid for: (1) transportation of pupils (2) vocational education (3) local administration (4) local guidance positions (5) local supervision of instruction (6) special education (7) teachers' sick leave with pay (8) providing free text books (9) twelve-month principals (10) maintaining libraries of teaching materials (11) purchase of mathematics, science, and foreign language equipment (12) in-service training.	4. Combine all present forms of State aid into a single fund—(a + b under 3. and 4. of present program).
5. Total State aid in each locality consists of: a. a basic grant of 60% of the minimum State salary scale for all State-approved teaching positions; b. a supplemental basic appropriation if the following conditions prevail, namely, the sum of the 60% salary distribution plus two-thirds of any federal aid for operation only, plus the amount appropriated locally for the support of public schools, is less than the minimum defined program, provided that the local appropriation is at least equal to the yield from a 60¢ per \$100 of true value of real estate and public service property. c. additional State grants-in-aid under the preceding twelve programs under 4. above.	5. Distribute 85% of minimum program to all localities regardless of ability and effort.

Present Plan	*Recommended Single Fund Plan*
6. Same as recommended single fund plan.	6. The total amounts of State aid from all sources now received by all localities under the new formula will not be less than the amount received during 1965-66.
7. The financial responsibility of all localities in education includes the following:	7. The financial responsibility of all local governments in education includes the following items:
(a) a local appropriation for maintenance and operation of public schools equal to a true tax rate of 60¢ per $100 of the latest true value of real estate and public service properties. (If this requirement is not met the State aid is reduced);	(a) 15% of the amount required to finance the State-aid teaching positions;
(b) all costs connected with debt service and capital outlay;	(b) 25% of the total costs of maintenance and operation except under conditions of hardship; and
(c) local appropriations for maintenance and operation shall not be less than 30%.	(c) all costs connected with debt service and capital outlay.
8. *Hardship.* The 30% requirement, 7(c), may be relaxed to 25% under exceptional conditions if recommended by the State Board of Education and approved by the Governor.	8. *Hardship.* For this purpose hardship is measured by the ratio of taxable income per pupil in ADA for the local area to the corresponding figure for the State for the latest year for which data are available. Localities which are finding it difficult to finance a satisfactory level of schools may apply for State grants-in-aid up to 90% of the minimum program. If the local taxable income per pupil in ADA is less than 60% of the State ratio, such locality will qualify for that year, with the provision that the local share of maintenance and operation is 20% and 30% of total costs including debt service and capital outlay.

A comparison of the Incentive Plan and the 85 per cent Single Fund Plan follows.

The Incentive Plan of Alan S. Donnahoe and the Single Fund Plan of Lorin A. Thompson for Distributing State Grants-in-Aid to Localities for Public Schools

The following statements of purpose and fact have been considered in developing each proposal.

1. State aid to localities is designed to enable all localities in Virginia at the very least to meet the costs of a minimum or foundation program of education.

2. Localities differ greatly with respect to their financial ability:
   a. Per capita incomes among the cities and counties of Virginia range from about $800 to $3,600. The average for the State in 1964 was $2,240. This has much to do with the amount of money the community can afford to spend on schools and other public services.
   b. Taxable wealth per pupil in ADA ranges from $8,266 in Wise County to $57,450 in Arlington County. The average of all localities in Virginia in 1964-65 was $22,989. (Taxable wealth in this instance is the true value of real estate and public service property.)

3. Due to the wide variations in financial ability among localities the most practical way of providing a minimum or foundation program of education for every child in Virginia is for the State to underwrite a substantial share of the cost of the minimum program.

4. Each recommends:
   a. The enactment of a Statewide sales tax.
   b. Donnahoe would grant all local governments the option of imposing a local sales tax of 1% in addition to the State sales tax. Thompson prefers a prohibition against local sales taxes and an increase in the State sales tax with the provision that 1% would be distributed to localities as follows:
   ½ of 1% on volume of retail sales, and ½ of 1% on the basis of

The total amount of additional State funds for each proposal is:

Donnahoe for 1963-64	$57,025,000
Thompson for 1964-65	$53,686,000

The Donnahoe plan has two essential features:

1. Continuation of the current plan of distributing State aid to localities. The principal features are described below.
2. An incentive fund in addition to all present forms of State aid to be distributed to localities on the basis of local effort.

The Thompson plan is based on the propositions:

1. That the role of the State should be limited to the minimum or foundation program in all localities.
2. That localities with average or above average per capita incomes or taxable wealth can finance not only a minimum or foundation program but a high quality educational program if they choose, especially if the State underwrites a substantial share of the minimum program.
3. The *State's share* of the cost of the *minimum program* in all localities should be in the vicinity of 85% or 90%. If the preceding steps are taken the educational program in all communities,

wealthy and poor, can be improved without undue stress or strain on local resources even in areas of low per capita income and/or taxable wealth.

The essential features of each plan are as follows:

Donnahoe

1. Total grants-in-aid under the current program include three main parts.
   a. 60% of the State minimum salary scale for State-approved teaching positions.
   b. Supplementary basic if the sum of the following items is less than the minimum defined program:
      (1) the basic State grant of 60% for teachers' salaries;
      (2) ⅔ of federal funds for operating aid;
      (3) local appropriation for public schools.

   If the local appropriation is equal to 60¢ per $100 of true value, there is no penalty, and the supplemental basic grant is the difference.
   c. Grants from the special group of funds for transportation, vocational education and ten other smaller funds. The total amount distributed in 1964-65 was about $21.6 million. The grants to localities vary from $5 per pupil in ADA in Winchester to $95 in Powhatan. The average amount per pupil in ADA for the counties in 1964-65 is $28, for the cities, $17, and for all counties and cities, $24.

Thompson

1. All current State aid—basic salary fund, 60% of State salary scale for State-approved teaching positions, supplementary aid, and the other funds which include pupil transportation, vocational education, and ten other smaller funds, would be combined into a single local aid fund.

Donnahoe

2. Additional State aid. The Incentive Fund will be given to each locality according to the formula:

   80 x local school effort per $100 of true value of real estate and public service property x ADA.

Thompson

2. Each locality would receive 85% of the amount defined as the minimum program of the State Board of Education.

   (The minimum program is currently defined as 100% of the State salary scale for State-approved teaching posi-

Local effort for 1963-64 per $100 of true taxable value was $.78 for all counties, and $.84 for all cities. The low county was Surry, with $.30, and the high locality was Petersburg, with $1.25. The incentive funds would range from $24 per pupil in ADA in Surry to $100 in Petersburg. The relative yield from the incentive fund is proportional to the local effort per $100 of true taxable value.

tions plus $80 per pupil in ADA.)

For 1964-65 the cost of the minimum program was $226,081,000, or $253 per pupil in ADA for the State as a whole. The corresponding average for all counties was $250; for all cities, $257. The lowest amount was $226 in Buchanan and Stafford counties and the highest was $306 in King and Queen County.

The variations in the minimum program among localities is due to the experience and professional qualifications of those in State-aid teaching positions, since the other component of the defined program is a constant $80 per pupil in ADA.

3. Localities must provide from local tax funds:
   a. 15% of the amount needed for the defined minimum program.
   b. 30% or more of the total costs of local public schools, which includes total costs of operation and maintenance, debt service, and capital outlay, exclusive of bond issues for capital improvements in school plant.
4. Additional State aid will be available to localities in which the amount of taxable income per pupil in ADA is less than 60% of the corresponding amount for the State as a whole. Such localities may receive up to 90% of the minimum program provided that such locality appropriate from local tax sources not less than 25% of the total cost of local public schools.
5. The true tax rate as a measure of local effort will be abandoned as a basis for determining State aid to localities for public schools.