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A Study of Local Sources of Support of Local Governmental Agencies in Twenty-Three Selected Tennessee Counties

William Bascom Stradley
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To the Graduate Council:

I am submitting herewith a dissertation written by William Bascom Stradley entitled "A Study of Local Sources of Support of Local Governmental Agencies in Twenty-Three Selected Tennessee Counties." I have examined the final electronic copy of this dissertation for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Doctor of Education, with a major in Educational Administration.

John W. Gilliland, Major Professor

We have read this dissertation and recommend its acceptance:

Galen N. Drewry, Orin B. Graff, Dale Wantling, Charles P. White

Accepted for the Council:

Carolyn R. Hodges

Vice Provost and Dean of the Graduate School

(Original signatures are on file with official student records.)

August 2, 1958

To the Graduate Council:

I am submitting herewith a thesis written by William Bascom Stradley entitled "A Study of Local Sources of Support of Local Governmental Agencies in Twenty-Three Selected Tennessee Counties." I recommend that it be accepted in partial fulfillment of the requirements for the degree of Doctor of Education, with a major in Educational Administration and Supervision.

John W. Gilliland
Major Professor

We have read this thesis and
recommend its acceptance:

Galen B. Henry
Charles P. White
Jim B. Leary
Nate Hanthorn

Accepted for the Council:

Nate Hanthorn
Dean of the Graduate School

**A STUDY OF LOCAL SOURCES OF SUPPORT OF LOCAL
GOVERNMENTAL AGENCIES IN TWENTY-THREE
SELECTED TENNESSEE COUNTIES**

A THESIS

**Submitted to
The Graduate Council
of
The University of Tennessee
in
Partial Fulfillment of the Requirements
for the degree of
Doctor of Education**

**by
William Basoom Stradley**

August 1958

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ACKNOWLEDGEMENT

As this report of extensive study nears completion there rises a strange mixture of satisfaction and humility--satisfaction at the completion of a task and humility that so many persons have had faith, and have shared so generously their time, energy, and creative ability toward the completion of this study.

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The research was made possible by the sustained efforts of Dr. Ralph B. Kimbrough who, together with Dr. Charles P. White, assisted in the planning of the study and the securing of permission to make use of information and necessary records in various state offices and in local offices.

The writer wishes also to express appreciation to the countless other members of the university staff and to fellow students for the many, many acts of encouragement and assistance.

Finally, the writer acknowledges his indebtedness to his wife. Her encouragement supported his decision to attempt advanced study. Without her faith and her contribution of time, energy, and long hours of work, the study would not now be completed. It is, then, with humble thanks to her, that this study is dedicated to my wife.

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CHAPTER I

THE PROBLEM

The common uplifting, integrating force of public schools, educational opportunities for all who are desirous and capable, is at least a partial fulfillment of the American dream of freedom.

From the first individually hired tutor in Virginia, and the first community-church sponsored school in the Plymouth Colony to the present time, there have been Americans who have believed in and demanded public schools. Local community responsibility for support of and the desire for local control of education were early recognized in New England and spread across the Midwest to the West Coast as the country was settled. Class distinctions, however, caused the development of private schools for the upper and upper-middle classes of the southeastern states. Some two hundred odd years passed after the settlement at Jamestown, Virginia, before public education supported by government began to make any headway. It is not strange that today in this same southeastern region, where local support is not traditional, one finds the greatest swing toward state support of education while the old attitude of local responsibility still prevails in the northeast, midwest, and western regions of the country.

Americans today are spending twice as much for alcoholic beverages and tobacco products as they are spending for education. It does not follow that they cannot afford better schools. Localities can afford

and will have the kind of schools they want, for they are willing to pay for what they want.

It is assumed that there is a need for greater local support of education in Tennessee. Two facts support this assumption. First, in 1956-57, Tennessee ranked sixth in the percentage of school funds furnished by the state when compared with all the states of the nation.¹ Second, the same year found Tennessee ranked in a tie with Kentucky for forty-fourth and forty-fifth place in total current expenditures per pupil when compared with all the states in the total support of education.² While this does not exclude the need for greater support on the state level, it does seem to indicate that Tennessee lags behind in support of education at the local level. This opens up the need for a look at the whole area of local support for all local governmental agencies, including education.

Statement of the Problem

The problem in this study was to examine the status of local sources of revenue and the allocation of local income to the various local governmental services for the 1956-57 fiscal year, to discover conditions in local fiscal policies of support for local governmental agencies, including education, in selected Tennessee counties.

¹Public Education (Grades 1 through 12) in Tennessee. A report to the Education Survey Subcommittee of the Tennessee Legislative Council, November 18, 1957, p. 25.

²Ibid., p. 25.

The solution of the problem involved the following subproblems:

1. What conditions exist in sources of local money for all local governmental services, including education, in selected Tennessee counties?
2. What are the practices in allocation of the local revenue dollar to the various local governmental agencies, including education, in selected Tennessee counties?
3. What is the relationship between the estimated true value of local property and local support of all governmental agencies, including education, in selected Tennessee counties?

Importance of the Study

Education, like almost every other branch of governmental services, has increased tremendously throughout the United States during the present century. Tennessee has attempted to keep pace. In 1925 an act of the legislature authorized the establishment of a shared minimum foundation program of education. In 1947 the Tennessee Legislature authorized the expenditure of greatly increased state funds for public education while not requiring local governmental units to increase their expenditures in support of education. This policy has continued through the past decade. The state now furnishes the majority of school funds, and most local units are providing comparatively little more in local school funds than they did ten years ago. In 1956-57, Tennessee provided 53.4 per cent, the federal government provided 4.2 per cent, and the

local units provided 42.4 per cent of local school receipts.³ The following table shows the general trend throughout the United States toward a combination of (1) the shrinkage of local support, and (2) the increase of state and federal support for education, percentage wise:⁴

Source	1929-30		1953-54	
	Amount	Per Cent	Amount	Per Cent
Federal	\$ 7,334,000	0.4	\$ 355,237,000	4.5
States	252,670,000	16.9	2,944,103,000	37.4
Local Units	1,727,553,000	82.7	4,567,512,000	58.1
Total	\$2,088,557,000	100.0	\$7,866,852,000	100.0

Southeastern states have tended to swing toward total state support while other sections of the nation have been increasing the support by local units.

Since, even with the greatly increased support on the state level, only three states are spending less in total support of education as measured by total expenditure per pupil in average daily attendance, many school people believe that there should be a greater effort made at the local level to give better support for education in Tennessee.

Numerous studies have been made which have compared local and state support of education. One of the most recent and most comprehensive

³Annual Statistical Report of the Department of Education, 1957, p. 58.

⁴United States Department of Health, Education and Welfare, Office of Education. Biennial Survey of Education in the United States, 1952-54, Chapter 2, p. 14.

studies of this nature was included as a part of the recent state survey of public education.⁵

No intensive study existed regarding how money is raised locally for the services of local government. It was important that existing practices in local support of governmental services, including education, be determined. There was a need to see what has happened to local sources of support of education as compared with other governmental services.

The study shows differences in fiscal policy among the counties studied. Such differences are important because they affect support of education. The study indicates how counties can improve local support of education from local sources.

Limitations of the Study

1. This was a study of the status of local support for local governmental agencies, including education, in selected counties in Tennessee. Municipalities were not included in the study since a related study on municipalities was in progress under the sponsorship of the Municipal Technical and Advisory Service, located at the University of Tennessee, Knoxville, Tennessee.

2. Twenty-three counties were selected by a random sampling process. The study was limited to twenty-three counties since:

⁵Tennessee State Survey, 1957, op. cit.

- a) At the beginning of the research for this study an attempt was made to study each of a group of counties over a period of years to discover trends in the sources and allocations of local funds to the various local governmental services, including education. Investigation revealed that funds were so confused and labels so misleading that it was impossible to identify either sources or itemized expenditures. It was discovered that trained accountants had attempted a similar analysis of earlier accounts of counties and cities, and had found that it was impossible to distinguish between sources or to identify expenditures. It was then decided that a study could be made of the audit reports completed by the staff of the Office of the State Comptroller for the State of Tennessee. This source was chosen because there was some uniformity of classification of funds.
 - b) Sixty-nine of these audits had been completed when the study was made. It was felt that one-third of these, or twenty-three counties, would give an adequate sample for the study.
- 3. Each selected county was studied for the fiscal year 1956-1957.
 - 4. Special attention was given to the analysis of:
 - a) Total funds available to county governments from state, federal, and local sources
 - b) Local detailed sources
 - c) Local allocation of funds
 - d) Local expenditures
 - e) Local ability as measured by the wealth of the county.

Sources of Data and Procedure

The following sources of data were used: the offices of the State Comptroller of Tennessee; the Department of Education of the State of Tennessee; the offices of the Judges, Trustees, Auditors, and Superintendents of Schools in the Tennessee counties selected; and the library of the University of Tennessee, Knoxville, Tennessee.

The chief procedures used in the study were:

1. The selection of a random sample of twenty-three counties.

By an Act of the Tennessee Legislature in 1937 each county must have an annual audit.⁶ Two options are listed in the Act: (1) The county may employ a private auditing firm which has been approved by the Office of the State Comptroller for the State of Tennessee; or (2) the county may request the staff of the state comptroller to perform this service, and the county must pay the Comptroller's office for the services of the staff. The names of the sixty-nine Tennessee counties with audits completed by the Office of the State Comptroller for the State of Tennessee were arranged alphabetically and numbered serially. Sixty-nine papers were numbered serially from one to sixty-nine. These were scrambled and a friend was asked to pick up approximately one-third of them in a single grab. That first grab yielded twenty numbers. Three more were drawn at random, bringing the total to twenty-three county numbers chosen at random.

⁶Act of Tennessee Legislature, 1937.

2. An analysis of the fiscal records and policies of each selected county, as reflected in the annual audit reports and other reports to determine conditions existing in sources of local income for all local governmental services, including education, in selected Tennessee counties.

3. An analysis of the fiscal records and policies of each selected county, as reflected in the annual audit reports and other reports to determine practices in allocation of the local revenue dollar to the various local governmental agencies, including education.

4. A series of correlation tests was run to determine the relationship between wealth and effort to support local governmental agencies, including education.

Organization of the Study by Chapters

Chapter I has introduced and stated the problem. It also discusses the importance of the study, the limitations of the study, sources of data and procedures, and the organization of the study.

Chapter II reviews related studies as the setting for the study.

Chapter III discusses the present sources of local support for all local governmental services, including education, in the selected Tennessee counties.

Chapter IV analyzes present local expenditures by all local governmental agencies, including education, in the selected Tennessee counties.

Chapter V contains findings, conclusions, and recommendations.

Bibliography

Appendixes

CHAPTER II

A REVIEW OF RELATED STUDIES

The purpose of this chapter is to review recent studies made in Tennessee which had findings pertinent to this thesis. The review of recent studies pointed out findings in two areas of relationship to this thesis. One was in the area of the administration of the general property tax. The other was in the area of local support for education. These two areas make a natural division of the material of this chapter.

Studies Related to the Administration of the General Property Tax

The chief source of local revenue in Tennessee was the general property tax even though it accounted for less than 7 per cent of all the taxes--federal, state, and local--paid by Tennesseans in 1955. In spite of this relative unimportance in the total tax structure, the general property tax was very important to Tennessee counties and cities since it was and probably will continue for some years to be the largest single source of local governmental revenue. The State of Tennessee in general did not claim any part of the proceeds of the property tax, but allowed this revenue to be used by the localities. To insure more equitable assessments of railroads and utilities the state had a commission which set these assessments and assisted in the administration of the assessments. However, in the areas of real property and personal property the state left the assessment, the rate of levy, and the

administration of the general property tax to the local governmental groups, with a few stated constitutional and statutory restrictions.

Most of the studies made recently in Tennessee which have any bearing upon local revenues and the fiscal operation of local governments, deal with the general property tax and its administration.

Increasing public interest caused by overcrowded conditions led to several studies of the educational situation in Tennessee. An inventory of resulting related literature disclosed several recent studies or surveys which were closely related to this study in both subject matter and the period of time under consideration.

The General Assembly of the State of Tennessee in 1945 authorized a study of public education in Tennessee.¹ The State Department of Education, with the help of lay and professional people, conducted the study and reported their findings in 1946.² This study included a "stock taking," an appraisal, and a formulation of a plan for an eventual ideal program of education. This survey found inequities of assessment existed within individual counties and among the several counties of the state. It found that public education in Tennessee was suffering from a lack of tax effort on the local level and from the relatively small per cent of its state revenues which were appropriated for all educational purposes. It found that local effort alone would

¹Tennessee Acts, Public (Nashville: Rich Printing Company, 1945), Chapter 121, pp. 376-80.

²State Department of Education, Tennessee's Program of Public Education (Nashville: Department of Education, 1948).

not be sufficient to insure adequate funds in the poorer counties, since by using estimated true evaluations in all the counties it was found that the richest county had a total property valuation that was more than eight times that of the poorest county. It recommended greater state support with an equalization plan based upon local effort.

In 1949 Davidson County, Tennessee, requested that the George Peabody College for Teachers conduct a survey of the Davidson County school system.³ This report covered all phases of the educational system. Among its findings was an irregular assessment of property. It recommended an equalization of assessment and an increase in the total tax levy.

In 1946, after a political upheaval, the McMinn County Court authorized an independent audit and survey of all phases of its county government.⁴ This survey revealed many things and made many recommendations. As a result of this report the personnel of the county school system made a lengthy and detailed study of all phases of the county government as it related to the schools. Several phases of this study were documented by Russell H. Bebb.⁵ In his study, Bebb

³George Peabody College for Teachers, Division of Surveys and Field Services, A Survey Report of the Public Schools of Davidson County, Tennessee, 1949.

⁴Tennessee Taxpayers Association, A Report With Recommendations Covering a Survey of the Finances and Administrative Methods of the Government of McMinn County, Tennessee (Nashville: Research Report No. 69, 1948), page iv of Summary.

⁵Russell H. Bebb, "A Study of the Ability of McMinn County, Tennessee to Support its Schools" (Unpublished Master's thesis, University of Tennessee, Knoxville, 1951).

pointed out the need for increased support of education in the county as judged by the deflated dollar, and the many educational needs brought about by an increased school population and other factors. He cited a need for efficiency in the collection of local funds for the support of education in the county.

In his 1951 study of McMinn County property, in which he compared actual sales values of property in 1950 to assessed values of the same property in 1950, Bebb found that: (1) many pieces of property were not carried on the tax books and, therefore, were not assessed or taxed, (2) the per cent that assessed value was of actual value varied from 2.85 per cent to 26.8 per cent on individual parcels of real estate, (3) the average per cent that assessed value was of sale price on a county-wide basis was 12.7 per cent, and (4) McMinn County should be able to support its schools since its real property value was much greater than the present assessment would indicate.⁶

In 1953 the House Joint Resolution 13, adopted by the Seventy-eighth General Assembly, authorized a joint study of the Tennessee equalization plan then in use, the total distribution of educational funds, and the making of recommendations deemed to be in the public interest. The result was a report by the Education Finance Research Committee.⁷ This report has become known as the "Gibbs Report" due to the fact that Dr. James E. Gibbs, Research Director of the State

⁶Ibid., pp. 36 and 96.

⁷The Distribution of State Educational Funds in Tennessee, A Report of a Study by the Educational Finance Research Committee, November 16, 1954.

Department of Education, served as Executive Director of the Committee, and largely directed the preparation of the report. This report pointed up the following trends:

1. Population movements in the State of Tennessee have been from the rural to the urban and non-farm rural centers, especially between 1940 and 1950.

2. Financial support of schools has shown (1) a tremendous growth in state support, (2) the appearance of federal support, and (3) a tendency of local school units to allow state and federal funds to shoulder the staggering costs of an expanding educational program.

The report went into the area of comparisons of assessed values with actual values of property. It estimated that the actual value of property in Tennessee was \$6,271,089,517 as compared with the assessed value in 1954 of \$2,679,222,353.

In 1955 Bailey made a study in Claiborne County, Tennessee, to compare the assessed value of property to the real value of property.⁸ He found (1) many items of property not carried on the tax books and, therefore, not taxed; (2) the per cent assessed value was to real value on individual parcels of property varied from 2 per cent to 100 per cent; and (3) the average per cent of assessment on all parcels sold over the two-year period of 1953 and 1954 was slightly over 14 per cent of the sales value.

⁸L. D. Bailey, "The Ratio of Assessed Value to Real Value of Property in Claiborne County, Tennessee" (Unpublished Master's problem, University of Tennessee, Knoxville, 1955).

In a study of Monroe County's ability to support local schools, Stradley found that: (1) many pieces of property on the deed register could not be identified with property on the tax books, which meant that it had been divided or grouped with other property, or, had simply never been entered upon the tax books; (2) the per cent that assessed value was to actual sales value varied from a low of 2 per cent to a high of 64.9 per cent on individual items of property sold in 1953; (3) for the same year, the average assessment percentage by districts varied from a low of 14.8 per cent in District 2, to a high of 38.3 per cent in District 6; (4) the county wide average ratio of assessed values to the sales values was an assessment at the rate of 19.3 per cent of sales values; (5) due to the tendency to not change assessments even though repeated sales indicated a rapid change in sales values, Monroe County was exerting only 60 per cent as much effort to support local governmental agencies, including schools, in 1954 as it had in 1940; (6) it was pointed out that personal property was poorly assessed--so poorly that only about 6 per cent of personal property owners were assessed and they at less than 10 per cent of their personal property holdings.⁹

Mincey, in 1956, from a study of property sold in Loudon County during 1955 and early 1956, revealed (1) ratios of assessed value to sales value varied from a high of 100 per cent to a low of 0.3 per cent,

⁹W. B. Stradley, "Local Ability to Support Education Based on a Study and Comparison of Assessed Value to Real Value of Property in Monroe County, Tennessee" (Unpublished Master's thesis, University of Tennessee, Knoxville, 1955).

(2) inequities existed between assessment ratios within districts and among districts within the county, and (3) the county wide average ratio of assessed value to sales value was 17.4 per cent on real property. He found that (1) personalty assessments shrank 10 per cent from 1946 to 1955, and (2) approximately 140 persons or places of business out of Loudon County's 5,345 families, 23 industries, 247 retail stores, 3 banks, 3 utilities, and other sources, had been assessed for personalty tax.¹⁰

In 1957, from a study of properties sold since 1952 in Cooke County, Vinson found that (1) the ratio of assessed value to sales value was 24.7 per cent rather than the 33.3 per cent estimate of the county tax assessor; (2) the ratio of assessed value to sales value varied from a high of 69.7 per cent to a low of 6.7 per cent on a county wide base, and the average ratio in districts varied from a high of 36.4 per cent to a low ratio of 18 per cent. This indicated inequalities both within districts and among districts in Cooke County. (3) Another item of interest in this study was that although the Cooke County school levy was \$1.17 per \$100 assessed value in 1948 and in 1955, this represented a relative loss for school support since this levy was 45 per cent of the total levy in 1948 and only 37 per cent of the total levy in 1955.¹¹

¹⁰Homer F. Mincey, "A Study of the Effort and Ability of Loudon County, Tennessee, to Support its Program of Public Education" (Unpublished Master's thesis, University of Tennessee, Knoxville, 1956).

¹¹Lacy V. Vinson, "A Study of the Ability of Cooke County, Tennessee to Support its Schools" (Unpublished Master's thesis, University of Tennessee, Knoxville, 1957).

Large, in 1957, studied Sevier County¹² and Livesay, in 1953, studied Hancock County,¹³ and the results were very similar to those cited above.

The Morgan Study

The most significant and comprehensive study dealing with local administration of the general property tax in Tennessee is called the Morgan Study.¹⁴ This study pointed out many items concerning the status of property assessment in Tennessee. Among these items were: (1) The extremely small amount of funds provided to operate the assessment offices. (2) The low salaries (average \$2400) attracted, in most cases, only part time workers whose educational qualifications and practical training were at a minimum. (3) Perhaps 90 per cent of the taxpayers who should be paying the personalty tax were not paying it. That personalty assessments in nine counties accounted for 88.5 per cent of the total personalty assessment in the state. That of personalty assessments in these nine counties 90.5 per cent was assessed against

¹²Dewey Large, "A Study of the Ability of Sevier County, Tennessee, to Support its Schools" (Unpublished Master's thesis, University of Tennessee, Knoxville, 1952).

¹³Glen Quinton Livesay, "A Study of the Ability of Hancock County, Tennessee, to Support its Schools" (Unpublished Master's thesis, University of Tennessee, Knoxville, 1953).

¹⁴Property Assessment Administration in Tennessee, 1955-56. A Report to the County Tax Assessment Subcommittee of the Legislative Council Committee, July, 1956.

industrial or commercial concerns. (4) Among the twenty-one counties sampled, the median ratio of assessed value to sales value varied from 11 per cent to 49 per cent, with a median of 22 per cent. (5) Within these counties the percentage of property satisfactorily assessed (within 10 per cent above or below the county median) varied from 8 per cent to 44 per cent, while the per cent reasonably satisfactorily assessed (varied from median assessment by from 10 per cent to 20 per cent above or below) varied from 10 per cent to 29 per cent, and the unsatisfactorily assessed (more than 20 per cent above or below the county's median assessment ratio) varied from 31 per cent to 81 per cent. Only three of the twenty-one counties had half their property even reasonably satisfactorily assessed. (6) From eight counties estimates of the percentage of items of real property which were not listed on tax books varied from 2 per cent to 50.7 per cent, with the median being about 11.5 per cent of property items not being listed on tax books.

Chapter III of the Morgan Study listed and discussed the "Constitutional and Statutory Provisions" concerning the Tennessee general property tax. Chapter IV of the Morgan Study on "Law Versus Practice" pointed out that almost no part of the law was being fully complied with in some counties, and that in no county was there evidence of complete compliance. Practices commonly found to exist in lieu of full compliance with the law were detailed in the report. Almost every official in almost every office which is connected in any way with the administration of the general property tax is guilty of violating some phase of the law by acts of omission or commission.

Chapter V of the Morgan Study gave a summary review of what is being done by various states in reference to "State Participation in Property Tax Administration." In conclusion the Morgan Study states:

One or two general conclusions seem justified. First, despite the revival of interest in property tax administration, and despite increased participation by state agencies, it is doubtful if officials in any state are entirely satisfied with the results. Second, securing improved assessments is a continuing problem which is not to be solved by one major, "once-and-for-all" reform. Third, a many-sided approach, as illustrated in Kentucky appears much more promising than concentration on equalization or reappraisal alone. Finally, programs based on state guidance and assistance rather than on compulsion seem more likely to succeed.¹⁵

The preliminary reports from an educational survey currently being conducted in Scott County, Tennessee, by a survey team from the University of Tennessee's College of Education indicated (1) an extensive sample yielded an average ratio of assessed value to sales value of less than 7 per cent, (2) some property was not assessed, (3) assessment varied from a high of 307.7 per cent to a low of 0.6 per cent. In the City of Oneida a re-evaluation was recently made which placed an assessment of over \$2.4 million, which was based upon 60 per cent of true value. This assessment upon real property in the City of Oneida is almost one half of a million dollars more than the 1956 total assessment of all real and personal property in all of Scott County, including Oneida.

The studies cited above, with some of their findings which are pertinent to the administration of the general property tax, indicate

¹⁵Ibid., p. 13 .

the need for some kind of action by Tennesseans to salvage and make better use of this chief source of revenue on the local level.

Studies Related to the Support of Education

Schools represent the largest single item of local expenditure in each of the counties of Tennessee. Thus, it is important and pertinent to this study that recent studies made of the support of education in Tennessee be reviewed.

In 1945 the Tennessee Legislature authorized a comprehensive study of education in Tennessee.¹⁶ The study was made and after pointing out the very unsatisfactory condition of education in Tennessee, made recommendations for the establishment of a system of equalization of opportunity among the various counties of Tennessee, with the state assuming responsibility for a large portion of the total cost of public education.¹⁷

In 1947 the legislature enacted a 2 per cent general retail sales and use tax with the funds earmarked for distribution to the local governments in support of schools, on optional plans for purposes of equalizing educational opportunities.¹⁸

¹⁶Aots of Tennessee, 1945, Chapter 121, pp. 376-80.

¹⁷State Department of Education, A Study of Tennessee's Program of Public Education (Nashville: The Department, 1948).

¹⁸Aots of Tennessee, 1947, Chapter 3 and Chapter 8.

In 1953 the legislature authorized a study of the methods of distribution of state school funds.¹⁹ This study was conducted by Dr. James E. Gibbs and is referred to as the Gibbs Report.²⁰ The report reviewed the legislation of the years 1947 through 1953, showing the establishment of the equalization program, the method of financing it and subsequent efforts to improve it. The study revealed several inequities which had developed due to certain counties being guaranteed that their contributions to the total local school program would not have to be larger than those for the school year 1946-47. It also pointed out the inequities of the outmoded gasoline formula which was being used as a basis for the distribution of state funds for school capital outlay. The study developed a weighted economic index which it recommended for use in determining the relative taxpaying ability of all Tennessee counties. The relative taxpaying ability was in turn used to determine the state's part of the total cost of schools in each individual county, including both the minimum program and the capital outlay funds.

In 1955 the Tennessee Legislature approved the Gibbs Index with the addition of some amending clauses which preserved many of the existing inequalities of earlier years.²¹ The same legislature authorized

¹⁹Acts of Tennessee, 1953, Joint House Resolution, No. 13.

²⁰The Distribution of State Educational Funds in Tennessee, A Report of a Study by the Educational Finance Research Committee (Nashville: The Committee, 1954).

²¹Acts of Tennessee, 1955, Joint House Resolution.

another comprehensive study of the state school system. This study was completed and published in November, 1957.²²

The financial section of the above study had these recommendations in reference to financing the school system in the State of Tennessee:

1. The cost of the minimum foundation school program for the current operation of the public schools, Grades 1-12, should be computed by combining the following three allotments:
 - A. An allotment for salaries of professional personnel.
 - B. An allotment for pupil transportation.
 - C. An allotment for other current expense.
2. The provision of law (guarantee clause) relieving some favored counties of making their full share of local effort toward the cost of the partnership minimum foundation school program should be repealed.
3. The present local-state support relationship should prevail in providing the cost of any basic improvements in the state minimum foundation school program. The state should provide approximately eighty per cent of the cost of basic improvements, and approximately twenty per cent should be raised locally. Increased costs of maintaining the present level of educational opportunity resulting from enrollment increases and other factors should be borne by the state.
4. State laws requiring the continuance of locally financed salary supplements should be repealed.
5. Local school system budget planning procedures should include arrangements for appropriately involving the professional staff and other persons and groups in developing the school system budget.
6. In the event the county court, or city council or commission, as the case may be, fails in any year to adopt the school budget proposed by the local school board and tax levy necessary to support it, the school board should have the option of submitting the question to the people at a special school election.
7. Local units should be responsible for determining the local school budgets.
8. The foundation program for capital outlay should be increased to the level of \$20 per child in average daily attendance and additional capital outlay funds should be allotted to those school systems with rapidly increasing enrollment.
9. The guarantee clause in the law which appropriates increased amounts of state capital outlay aid to some favored counties should be repealed.

²²Public Education (Grades 1 through 12) in Tennessee, A Report to the Education Survey Subcommittee of The Tennessee Legislative Council (Nashville: 1957, The Subcommittee), pp. 589-95.

10. Present legal provisions whereby counties are authorized to expend state capital outlay funds for pupil transportation equipment, or for the operation of privately owned pupil transportation equipment on a contract basis, should be repealed.

11. The State Commissioner of Education should prescribe for the use of local school systems a revised, uniform system of budgeting, accounting and reporting, which is sound, adequate and complete.

12. The State Department of Education should provide local school systems with adequate technical assistance in improving business management procedures and practices.

13. The annual audit of public school accounts conducted by the State Department of Audit should include an appraisal of the adequacy of safeguards for school funds deposited in local banks.

14. Local boards of education should establish acceptable standards and procedures for handling and accounting for individual school student-body activity funds.

The Tennessee State Department of Education's Annual Statistical Report for various years, the Tennessee Taxpayers Association's Annual Report for various years, and the Tennessee State Board of Equalization's Tax Aggregate Report for various years have furnished some of the statistics used in this study.

CHAPTER III

SOURCES OF SUPPORT FOR LOCAL GOVERNMENT

Following the statement of the problem in the first chapter, the second chapter reviewed recent studies related to the problem. Chapter III presents the sources of the income of selected Tennessee counties, with an analysis of the local sources of support for local governmental agencies, including education.

The first step was the random selection of twenty-three counties. It was interesting to discover that the random sample was so well distributed geographically across the state. The twenty-three Tennessee counties selected at random are shown in Figure 1, page 25. As the study progressed it was even more interesting to note how well the random sample of counties was distributed upon the various rankings of all the counties in Tennessee.

Once the random sample had been made, the annual audit reports prepared by the Tennessee State Comptroller's staff on each of the selected counties were studied as the chief source of information.

Total Revenue Income of Selected Counties

The study of local sources of support for local governmental services, including education, in the selected Tennessee counties began with a look at the place of local funds in the total picture of the combined state, federal, and local funds which were available for the support of all local governmental services.

Table I, page 27, presents the total revenue receipts of selected counties, with amounts of state, federal, and local funds available for local use. Column 3 shows that among the twenty-three selected counties the per cent which state funds were of the total varied from a high of 83.8 per cent to a low of 21.1 per cent, with the median as 71.1 per cent. Column 5 shows that the per cent which federal funds were of the total varied from a high of 6.5 per cent to a low of 0.8 per cent, with the median at 3.2 per cent. Column 7 shows that the per cent which local funds were of the total varied from a high of 77.4 per cent to a low of 13.6 per cent, with the median at 24.5 per cent.

It should be noted here that some federal funds were not so identified but were credited to state funds since the counties received these funds from state agencies which did not identify the funds as federal. The amount of such funds would be relatively insignificant. Such items would include the federal part of agricultural extension workers salaries and travel, and vocational teachers who received some federal aid on salaries, travel and materials. Wherever identification was possible in the audits these items were separated. However, since the failure to identify these items properly as federal aid or state aid did not affect the amount or percentage supplied locally it should not be significant in this study.

It is significant that the median per cent which the counties raised locally was only 24.5 per cent of all the revenue receipts expended locally. At the same time the state provided a median of 71.1 per cent of all revenue receipts available for support of local governmental services.

State Funds Received by Selected
Tennessee Counties

Table II, page 29, lists the various kinds and amounts of state aid and the total of state funds made available to each of the selected Tennessee counties. There are two major classifications of the state assistance to county government. These are grants-in-aid and shared taxes.

Grants-in-aid are the larger of the two groups in total amount. They include grants to schools, column 2; welfare grant--including aid for indigent hospital patients, column 3; rental of office space, column 4; and aid for rural road projects, column 5. The sources of funds for the assistance to schools, column 2, were all of the tobacco tax, approximately 86.2 per cent of the three-cent general retail sales tax, and other funds from the state general fund. State grants-in-aid for welfare purposes, column 3 and column 4, were largely raised from approximately 4.2 per cent of the three-cent general retail sales tax. Funds for rural road projects came from the state's share of the gasoline and motor fuel tax, and automobile and truck license fees.

There were four types of shared taxes in the second group of state assistances to county governments. The largest item in this group was the two cents of the state gasoline and motor fuel tax which was distributed to the counties. Then in order of importance, other shared taxes were the alcoholic beverage tax, state beer tax, and the income tax on dividends from stocks and bonds. It was interesting to note that in column 8 twenty-one of the twenty-three counties

received the minimum amount. Column 9, showing the distribution of the shared income tax, would indicate that three of the selected counties had no individual stock or bond holdings upon which income tax was paid.

Total state funds, column 10, distributed to the selected counties, varied from a high of \$2,455,932 to a low of \$351,753, with a median of \$607,464. Five counties received more than one million dollars while five received less than one-half million dollars.

Federal Funds Received by Selected Tennessee Counties

Table III, page 31, shows the federal funds distributed to the selected counties. Column 2 shows the amount distributed by the Tennessee Valley Authority as a replacement in lieu of tax, based generally upon the formula of one dollar payment for each \$100 appraised value of property preempted by the Tennessee Valley Authority. Three counties, Hardeman, Macon, and Pickett, received no Tennessee Valley Authority funds; however, Pickett did receive other funds for flood control. The amounts distributed varied from a high of \$45,843 to a low of zero, with a median of \$5,928.

Column 3 lists the sums of several federal aid programs for school. The chief items were the school lunch program, the school milk program, and the program of assistance in communities where federal projects had caused congestion in the public schools. These funds came from the general funds of the United States. The amounts distributed to the selected counties varied from a high of \$131,841 to a low of

FEDERAL FUNDS RECEIVED BY SELECTED
TENNESSEE COUNTIES, 1956-57^a

County	TVA Payments in-lieu-of Tax	Grants-in-Aid to Schools	Total Federal Aid
(1)	(2)	(3)	(4)
Anderson	\$16,974	\$108,399 ^b	\$125,373
Carroll	12	7,806	7,818
Coffee	2,699	47,227	49,926
Cumberland	1,035	36,529	37,564
DeKalb	107	15,048	15,155
Gibson	113	88,393 ^w	88,439
Grainger	14,155	12,583	26,738
Hamilton	45,843	131,841	176,684
Hardeman	--	21,628	21,628
Henry	4,148	21,537	25,685
Houston	2,501	11,207	13,708
Humphreys	22,759	21,749 ^{w1}	44,508
Johnson	5,928	18,860	24,788
Lauderdale	1,046	25,107	26,153
Lewis	11,067	4,561	15,628
Macon	--	14,033	14,033
Marshall	7,890	27,642	35,532
Pickett	4,979 ^{fo}	6,135	11,114
Rutherford	15,188	120,451	135,639
Sequatchie	7,376	11,079	18,455
Sevier	10,474	44,491	54,965
Union	15,474	10,891	26,365
Warren	48,233 ^c	21,492	69,725

^aSource: Compiled from reports of annual audits performed by the Office of the State Comptroller, Nashville, Tennessee, for the fiscal year 1956-1957.

^bDoes not include funds for operation of Oak Ridge School System.

^cIncludes the McMinnville Electric Co-operative (REA).

^{fo}Denotes federal funds for flood control.

^wIncludes \$639 federal assistance for indigent hospital patients.

^{w1}Includes \$14 from sale of wildlife.

\$4,561, with a median of \$21,537. Only three counties received over one hundred thousand dollars, and only three counties received less than ten thousand dollars.

Column 4 shows the total federal aid distributed to the selected counties. The totals for individual counties varied from a high of \$176,684 to a low of \$7,818, with a median of \$26,365.

Local Sources of Revenue

Table IV, page 33, gives a breakdown of the various local sources of revenue and non-revenue income, not including funds from the sales of bonds. Column 2 shows the amount raised locally by the property tax. The amount raised by the general property tax in each of the selected counties varied from a high of \$7,695,124 to a low of \$40,392, with a median of \$222,990. This tax was the chief source of local income in every county. The importance of the general property tax was reflected in column 3, which shows the per cent that the income from the property tax was of the total locally raised income. This per cent varied in the selected counties from a high of 88.5 per cent to a low of 53.3 per cent, with the median at 77.8 per cent.

Column 4 shows the amount of revenue raised in each of the selected counties by fines and court costs. The amounts varied in these counties from a high of \$92,769 to a low of \$1,782, with the median at \$8,180. This item was of less importance in the total local revenue as reflected in column 5 by the per cent which fines and court costs were of the total local income. This percentage varied from a high of

9.1 per cent to a low of 1.0 per cent, with the median at 2.4 per cent.

Column 6 shows the amount of revenue raised in each of the selected counties by licenses and permits. The amounts in individual counties varied from a high of \$639,306 to a low of \$2,522, with the median at \$19,704. This source of revenue was the second in importance as reflected in column 7 by the percentage that this source was to the total revenue income. This percentage varied from a high of 16.8 per cent to a low of 1.6 per cent, with the median at 6.1 per cent.

Column 8 of Table IV, page 33, shows the amounts of the sums of fees earned in excess of authorized salaries of county officers. The amounts varied from a high of \$366,546 to a low of zero in four of the selected counties. The median amount of excess fees was \$7,674. The relative minor importance of excess fees was reflected in column 9, which shows that the percentage which excess fees in individual counties were to the total revenues varied from a high of 7.8 per cent to a low of zero per cent in four of the selected counties, with a median of 2.3 per cent. The excess fees were the fourth item in importance in county income, yet usually more than half the total excess fees were earned by the trustee for handling the funds of the other local governmental agencies; thus, they really were not new revenue but only a change or transfer of funds.

Column 10 of Table IV lists amounts of miscellaneous and non-recurring revenue receipts, and non-revenue income for the selected counties. The amounts in the counties varied from a high of \$716,748 to a low of \$3,471, with the median at \$26,867. That this very undependable source of revenue was in a relatively high position of importance was

reflected in column 11 by the percentage that these sources were of the total local revenue. The percentages in the selected counties varied from a high of 25.7 per cent to a low of 2.8 per cent, and the median was 8.1 per cent. Column 12 shows that the total amounts of income from all local sources ranged from a high of \$9,510,493 to a low of \$60,271, with the median at \$300,179.

Table V, page 36, showing the breakdown of Table IV, column 6, Licenses and Permits, reveals that in general the largest single item is called the General Revenue from the County Court Clerk, column 2. This heading included a multiple of sources of revenue such as fees for handling fishing and hunting licenses, oar licenses, oar registrations, driver's licenses, marriage licenses, probating deeds and wills, business licenses, and the ad valorem tax on merchants, industries and professions. The ad valorem tax, which is a part of the general property tax, was approximately one-half of the total general revenue collected by the county court clerk. The amounts in column 2 varied from a high of \$632,814 to a low of \$2,522, with the median at \$17,854.

While not all counties' audits revealed the exact amount collected on a local beer license or other local beer tax, ten counties as shown in column 3 did identify this item. For the ten counties so identifying this source of revenue, the highest revenue was \$90,963, or more than two-thirds of all revenue received from all licenses and permits in that county, and the lowest was \$888, or approximately 23 per cent of all revenue from licenses and permits in that county. Some other counties had local beer taxes but did not so identify them. Only one of the

TABLE V

BREAKDOWN OF TABLE IV (COLUMN 6), LICENSES AND PERMITS
IN SELECTED TENNESSEE COUNTIES, 1956-57^a

County	General Revenue	County Beer Tax	Building Commission	Election Commission	Total
(1)	(2)	(3)	(4)	(5)	(6)
Anderson	\$ 44,021	\$90,963	\$ --	\$ --	\$134,984
Carroll	21,221	8,922	--	--	30,143
Coffee	29,359	15,630	--	--	44,989
Cumberland	17,512	17,752	--	--	35,264
DeKalb	5,262	--	--	--	5,262
Gibson	31,944	4,064	--	--	36,008
Grainger	4,533	--	--	--	4,533
Hamilton	632,814	--	4,470	2,022	639,306
Hardeman	9,963	--	--	--	9,963
Henry	42,617	--	--	--	42,617
Houston	2,980	888	--	--	3,868
Humphreys	20,640	--	--	--	20,640
Johnson	6,256	--	--	--	6,256
Lauderdale	14,503	16,867	--	--	31,370
Lewis	17,326	--	--	--	17,326
Macon	6,948	--	--	--	6,948
Marshall	17,854	--	--	--	17,854
Pickett	2,522	--	--	--	2,522
Rutherford	36,193	19,281	--	--	55,474
Sequatchie	4,271	--	--	--	4,271
Sevier	19,704	--	--	--	19,704
Union	3,179	8,080	--	--	11,259
Warren	37,836	3,286	--	--	41,122

^aSource: Compiled from reports of annual audits performed by the Office of the State Comptroller, Nashville, Tennessee, for the fiscal year 1956-1957.

twenty-three counties indicated revenue from the operation of a building commission. This one county also showed revenue from the operation of the election commission.

Table VI, page 38, breaks down the reported excess fees which Table IV, column 8, reported in the selected counties, and credits them to the various offices reporting that such excess fees were earned. Column 2 shows that although no excess fees were earned by the trustee in six counties, the office of the trustee was the most frequent reporter of excess fees earned since seventeen counties reported excess fees earned. The amounts in column 2 are not true income since they are merely funds transferred to the trustee's office from some other county fund.

In column 3 only two counties reported excess fees in the office of the trial justice court clerk, or in the office of the criminal court clerk. In column 4 only three counties reported excess fees earned by the office of the registrar of deeds. In column 5 seven counties reported excess fees earned in the office of the county court clerk. In columns 6 and 7, respectively, only one circuit court clerk and one clerk and master reported fees earned in excess of salaries. Column 8 shows that only one sheriff's office indicated excess fees, while in a second county sheriff's deputies reported excess fees.

Column 9 shows that five of the counties reported no excess fees earned. The total amounts in excess fees varied from a high of \$366,546 to a low of zero in five counties, with the median at \$7,674.

Column 10 shows the per cent which trustees excess fees, column 2, was of total revenue available for local use, (Table I, column 8).

This per cent varied from a high of 1.34 to a low of zero in six counties, with the median at 0.64.

Table VII, page 40, lists all the various miscellaneous headings found in the audits for miscellaneous and non-recurring revenue receipts, and non-revenue income. It would appear that some of these items could have been more properly reported in other columns of Table IV had they been placed there by the audit reports. For instance, the items in column 12, Judgment in Tax Suit, and column 15, Local Utilities Taxes, of Table VII should have been included in Table IV, under column 2, the General Property Tax.

One additional source of non-revenue income was not included in Table IV. This was income from the sale of bonds. Table VIII, page 41, lists a summary of bonds reported sold in the selected counties during the fiscal year 1956-1957.

Another Look at the General Property Tax

Several items mentioned in Table IV, page 33, justified a more detailed look at the place of the general property tax as a means of supporting local governmental services, including education. One item was found in column 3 which revealed that the per cent which the property tax was of all locally raised income, except bond sales, varied from 88.5 per cent to 53.3 per cent. A second item was found in column 7 which shows that the percentage which the total of licenses and permits was to the total of all locally raised income, except bond sales, varied from 16.8 per cent to 1.6 per cent. Approximately one-half of the

TABLE VIII

INCOME FROM BOND SALES IN SELECTED
TENNESSEE COUNTIES, 1956-57^a

County	Amount
Anderson	\$ 267,668
Carroll	--
Coffee	270,953
Cumberland	134,673
DeKalb	50,179
Gibson	--
Grainger	198,039
Hamilton	1,000,000
Hardeman	--
Henry	--
Houston	191,000
Humphreys	211,652 ^b
Johnson	11,500 ^c
Lauderdale	--
Lewis	--
Macon	--
Marshall	500,000
Pickett	--
Rutherford	555,436
Sequatchie	100,404
Sevier	--
Union	--
Warren	117,000

^aSource: Compiled from reports of annual audits performed by the Office of the State Comptroller, Nashville, Tennessee, for the fiscal year 1956-1957.

^bIncludes \$25,200 of interest bearing warrants.

^cInterest bearing warrants.

general revenue collected by the county court clerk was ad valorem tax, which is a portion of the general property tax. In columns 12 and 13 of Table VII, page 40, are some additional items which belong in the general property tax.

When all these items are summed up, the importance of the general property tax in support of local governmental agencies, including education, becomes even more apparent.

Appendix A, page 102, shows the 1957 Tax Aggregate for selected Tennessee counties and for the state. Of the twenty-three selected counties (1) two showed a net decrease in acreage assessments, (2) three showed a net decrease in lot assessments, (3) seven showed a net decrease in personalty assessments, and (4) seven had their net public utilities assessments lowered. This resulted in a net decrease in total assessments in four counties, each of which had a heavy decrease in net utilities assessments. However, seven counties which had net decreases in assessments of real or personal property had such large increases in net utility assessments that the decrease in realty or personalty assessments was more than made up, and resulted in net gains in total net assessments by shifting the burden to utilities.

In connection with assessments of property it was found that the Tennessee Taxpayers Association provided some interesting figures. Appendix B, page 103, shows the per cent which assessed value of locally assessed property was to estimated true values of the locally assessed property for the years 1955 and 1956. When these ratios of assessment were multiplied by the tax levy for each of these years the

results were the estimated effective tax levies for the years 1955-1956. While seven counties maintained their estimated effective tax levy, the estimated effective tax levy of the other sixteen counties fell. The significant facts are that (1) the estimated ratio of assessment to actual value dropped an average of slightly over four per cent per county, and (2) the effective tax rate dropped an average of thirteen cents. Both of these facts point up the fact that the county officers who determine ratios of assessment and rates of levy either cannot or will not increase local property taxes according to law.

Strangely enough, while the ratios of assessment to actual values had been decreasing, the total amount of assessment in most counties had been increasing. This is reflected among the selected counties by Pickett County, which even though it is the smallest in area and population, and which Appendix C, page 104, shows last in total assessed value, has had the greatest per cent of increase in amount of local assessment, as shown by Appendix D, page 105.

An additional result of failure on the part of local tax officials to administer the present general property tax adequately is reflected in Appendix E, page 106, which shows (1) the per cent of change in indebtedness between 1950 and 1956 and the current per capita debt, and the ratio of indebtedness to total assessment. This shows that while four counties have reduced indebtedness, and four others have made no change in their indebtedness, the other fifteen counties have increased their indebtedness.

Chapter Summary

In this chapter an attempt was made to analyze the sources of revenue receipts from all sources, with special attention being given to the local sources of support for all local governmental agencies. Two facts stood out in this analysis. One fact was that local sources provided a median of approximately 25 per cent of all revenue receipts, and that of all local revenue receipts approximately 75 per cent was the median portion from the general property tax. The second fact was that accounting procedures and governmental structure were awkward and inefficient.

CHAPTER IV

LOCAL ALLOCATIONS OF INCOME

In this chapter an effort is made to determine how local income was allocated to the various governmental agencies, including the schools. It was felt that the proper procedure for showing the allocations of local income was in the total allocation of all income available for allocation to local agencies. The total income, including revenue from bond sales, was studied. This total income was made up of state, federal, and local funds. The state funds were partially restricted in use; however, some of the state funds could be used as desired by the local governments. Federal funds, with the exception of Tennessee Valley Authority funds, were definitely labeled as to use. Tennessee Valley Authority funds in most counties were treated as general property tax funds and were so distributed to the various local agencies according to the formulae of the individual counties for dividing the yield of the local tax levy.

Local Allocation of State Funds

Table II, page 29, listed the grants-in-aid and the shared taxes. These were the two chief sources of state assistance to the county governments. In order to show how these funds were allocated, each column was designated by a letter and where a particular county did not follow the general pattern the item in question was given a letter designating where that item was allocated by the particular county. These state funds, so

marked for distribution on Table II, page 29, are shown in Table IX, page 47, distributed to the five general areas which were used throughout the study. An analysis of this distribution follows:

(1) All state grants-in-aid were designated for specified purposes.

One item in the grants-in-aid, that of school capital outlay, was all entered under column 4, schools. However, the law permits the use of school capital outlay funds to reduce or to pay off indebtedness previously incurred in the capital improvement of schools. For this reason, at a later point in the study this type of transfer of funds was reflected.

(2) State shared taxes could be used by the local governments as they decide, except for the two-cent gasoline and motor fuel tax, which was designated for use of the counties in building or maintaining their roads.

Column 2 shows state funds allocated to the general fund in all twenty-three of the twenty-three selected counties. The per cent which general fund was to the total state fund ranged from a high of 5.1 per cent to the low of 0.1 per cent, with the median at 1.6 per cent.

Column 4 shows all counties with heavy allocations to schools, ranging from a high of \$1,851,759 to a low of \$202,407. The median amount was \$382,451. The importance of this was reflected in column 5 where the per cent of total ranged from a high of 77.2 per cent to a low of 52.2 per cent, with the median at 63.6 per cent. School funds thus were the largest single item of state assistance to local governments.

Column 6, roads, shows large allocations by each of the twenty-three counties. The per cent which allocations of state road funds were to the total state funds varied from a high of 45.7 per cent to a low of

19.4 per cent, with the median at 32.5 per cent. Roads were the second item in importance in state aid to the twenty-three selected counties.

Column 8, welfare, shows that only fifteen of the twenty-three counties allocated one or more of the shared taxes and/or the rent or assistance to indigent patients to welfare. Most counties had welfare activities buried in the general fund. The per cent which this item was of the total was very low, ranging from a high of 3.4 per cent to the low of zero per cent (in eight counties), with the median at 1 per cent.

Column 10 shows that two counties allocated state shared tax funds directly to debt service. It should be remembered that each of the twenty-three counties may use its school capital outlay funds from the state for debt service.

Column 12 shows the total of state funds received by the counties. The amounts ranged from a high of \$2,455,932 to a low of \$351,753, with the median at \$607,464.

Local Allocation of Federal Funds

Table X, page 49, details the allocation of federal funds shown in Table III, page 31, to the various county funds, showing the amount and per cent of the federal funds allocated to each local fund. It should be noted that there were three major types of federal funds, (1) assistance to schools (milk fund, school lunch fund, veterans training aid, and congested area aid), (2) Tennessee Valley Authority payments in lieu of taxes, and (3) repayments for local expenses (chiefly right-of-way purchases). All counties received some federal school aid. Two of

the twenty-three selected counties, Hardeman and Macon, received no Tennessee Valley Authority funds. Sixteen of the twenty-three counties distributed Tennessee Valley Authority funds according to their property tax distribution formulae. Four counties, Anderson, Carroll, Pickett, and Union, put the Tennessee Valley Authority funds into the county general fund. One of the twenty-three selected counties, Lauderdale, put all the Tennessee Valley Authority funds into its debt service fund. Three of the twenty-three counties put no federal funds in the county general fund. Most of the federal funds were earmarked for the school funds. In twelve counties the allotments to schools ranged between 41.7 per cent and 89.2 per cent, and eleven counties allocated from 91.4 per cent to 100 per cent of all federal funds to schools. Eleven counties made no allocation of federal funds to the local road fund. Seven counties made no allocation to the welfare fund, and six counties made no allocation of federal funds to the debt service fund.

Local Allocation of Local Funds

In Chapter III it was shown that the largest single local source of revenue was the general property tax. It seems proper to look at how it was allocated. Table XI, page 51, shows the wide variety of individual appropriations into which the various selected counties broke down their total tax levy. One county had nineteen separate allocations of funds. One item, sinking fund or debt service, has been consolidated since it would have been impractical to attempt to list each separate bond fund as many of the selected counties did. The number of separate

items of appropriation for debt service in one of the selected counties was seven, another had six, and yet another had five. Even with the debt service consolidated there were still twenty-three items of appropriations.

One county had only three items of appropriations, (1) general county fund, (2) schools, and (3) debt service. This simply meant that all local expenditures, other than school and debt service items, were to come out of the general fund. General fund included roads and welfare. Thus, it became necessary to sort the general fund expenditures, item by item.

The wide variety of items or columns in Table XI, page 51, appeared to be the result of several conditions: (1) the carry over of the necessary wide division of functions in pre and post Civil War days when transportation and communication were rudimentary in the counties of Tennessee; (2) the general reluctance to change or to increase an old established item of appropriation (for example, the very common forty cent general fund appropriation), and so a new item is added instead of increasing an existing item; and (3) the gradual recognition of new phases of governmental responsibility, such as the newer branches of the general welfare services, and a reluctance to consolidate them.

In order to achieve some degree of uniformity the several headings mentioned above were grouped into five areas, and throughout the study a constant effort was made to sort and classify each item of appropriation or expenditure into the proper area. The five areas chosen were: (1) general fund, (2) schools, (3) roads, (4) welfare, and (5) debt service.

It, therefore, was necessary to group the items in Table XI, page 51. The first nine columns were consolidated under (1) general fund; the next three columns were put under (2) schools; the next four columns were put under (3) roads; the next six columns were put under (4) welfare; and the last column, (5) debt service, had previously been consolidated. This consolidation is shown in Table XII, page 54. Throughout the remainder of the study the allocations, appropriations and/or expenditures will be dealt with in these five areas.¹

Table XIII, page 55, shows the amounts of local revenue and non-revenue allocated to each of the five areas by appropriation of levy and other local actions. The interesting fact found in this Table was the way the counties ranked the five areas in importance. The ranking of the per cent medians gave the clearest and perhaps the most important ranking: (1) schools--38.7 per cent, (2) general fund--21 per cent, (3) debt service--20.7 per cent, (4) welfare--6.8 per cent, and (5) roads--2.3 per cent. This differed from the generally accepted order of importance of local governmental function which is: (1) schools, (2) roads, and (3) welfare. Debt service and general administration are ordinarily accepted without rank.

The relative unimportance of roads, as shown in Table X, page 49, reflected the developing general policy of letting the state take care

¹Pages 1, 2, and 3 of Appendix F, found on pages 107, 108, and 109, give the details of the sources of the income allotted to the five areas, and the total of each area is reported in Table X, page 47. The columns headed "Miscellaneous" in Appendix F were explained previously in Table VII, page 40.

TABLE XII

TOTAL TAX LEVY AND ITS ALLOCATION TO
COUNTY AGENCIES IN SELECTED
TENNESSEE COUNTIES^a

County	Total Levy	General Fund	Schools	Roads	Welfare Fund	Debt Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Anderson	\$3.00	\$.40	\$1.70	\$ --	\$.20	\$.70
Carroll	2.55	.57	.85	--	.32	.81
Coffee	2.28	.28	1.01	.24	.19	.56
Cumberland	4.70	.70	2.00	--	.15	1.85
DeKalb	3.29	.13	1.50	.30	.06	1.30
Gibson	2.84	.32	1.16	.40	.29	.67
Grainger	3.40	.40	1.05	.05	.40	1.50
Hamilton	2.39	.36	1.32	.11	.09	.51
Hardeman	3.50	.35	2.29	.05	.05	.76
Henry	3.21	.50	1.50	.15	.31	.75
Houston	2.95	.60	1.15	--	.45	.75
Humphreys	2.00	.40	.94	--	.15	.51
Johnson	5.40	.40	2.30	1.00	.10	1.60
Lauderdale	5.06	.48	1.80	.16	.42	2.20
Lewis	3.20	.85	1.30	--	.15	.90
Macon	2.85	.45	1.25	--	.50	.65
Marshall	3.23	.40	2.05	.10	.18	.50
Pickett	3.00	1.36	.64	--	--	1.00
Rutherford	2.34	.26	1.15	.23	.18	.52
Sequatchie	3.26	.77	1.50	--	.36	.63
Sevier	4.25	.40	1.37	--	.35	2.13
Union	3.50	.40	2.40	--	.10	.60
Warren	3.90	.75	1.80	.10	.20	1.05
High	5.40	1.36	2.40	1.00	.50	2.13
Median	3.21	.40	1.37	.05	.19	.75
Low	2.00	.13	.64	.00	.00	.50

^aSource: Compiled from reports of annual audits performed by the Office of the State Comptroller, Nashville, Tennessee, for the fiscal year 1956-1957.

of the roads. Column 6 shows that three counties made no allocation of local funds for roads, but further investigation shows that seven other counties allocated none of their tax levy to roads, and the small amounts shown came from miscellaneous services performed by the county road departments. Upon further examination it was found that of the sixty-nine completed audit reports available that thirty-four of the sixty-nine counties had not appropriated any tax money to support the county road departments.

The relatively high portion of local funds set aside for debt service was startling. Then it was remembered that there had been a tremendous increase in construction of school plants and purchase of replacement equipment in the years since the war. Since little change in tax income had occurred, there followed the common practice of financing improvements by the sale of bonds.

Tables XIV to XVIII, found on pages 57 to 61, total up the local allotments of state, federal, and local funds to each of the five areas, and the per cent that each level of government furnished to each of the five areas.

The majority of funds for the general fund, Table XIV, page 57, are local. Two counties each showed the high of local funds being 96.8 per cent and the low was 50.0 per cent. The median was at 86.5 per cent. The low of 50.0 per cent local is the extreme example of where the county took much of the shared taxes for general county purposes.

The majority of school funds, Table XV, page 58, came from state funds, ranging from a high of 91.8 per cent to a low of 29.5 per cent,

TABLE XIV

GENERAL COUNTY FUNDS--TOTALS OF LOCAL ALLOCATIONS
OF STATE, FEDERAL, AND LOCAL FUNDS IN
SELECTED TENNESSEE COUNTIES^a

County	State	Per Cent of Total	Federal	Per Cent of Total	Local	Per Cent of Total	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Anderson	\$40,520	9.5	\$16,974	4.0	\$ 368,522	86.5	\$426,016
Carroll	14,663	12.4	12	--	102,610	87.6	117,285
Coffee	4,183	3.2	253	0.2	127,412	96.8	131,848
Cumberland	5,450	5.5	149	0.2	93,777	94.3	99,376
DeKalb	27,386	50.0	4	--	27,433	50.0	54,823
Gibson	5,778	3.6	652	0.4	149,558	96.0	155,988
Grainger	12,290	25.0	1,665	3.4	35,266	71.6	49,221
Hamilton	86,591	4.1	7,149	0.3	2,031,468	95.6	2,125,208
Hardeman	30,473	25.0	--	--	92,305	75.0	121,778
Henry	5,707	4.9	625	0.5	109,345	94.6	115,677
Houston	7,688	25.9	383	1.3	21,583	72.8	29,664
Humphreys	3,868	6.3	4,638	7.5	53,104	86.2	61,608
Johnson	3,737	7.1	3,438	6.6	45,311	86.3	52,486
Lauderdale	3,297	3.2	--	--	83,177	96.8	86,474
Lewis	3,299	6.0	2,940	5.3	51,066	89.7	55,305
Macon	12,305	24.6	--	--	37,796	75.4	50,101
Marshall	3,294	3.9	984	1.2	80,392	94.9	84,670
Pickett	4,116	12.7	4,979	15.4	23,291	71.9	32,385
Rutherford	18,555	10.7	1,481	0.9	144,871	88.4	164,907
Sequatchie	8,253	20.3	1,336	3.3	30,952	75.4	40,541
Sevier	26,547	33.2	963	1.2	53,429	65.6	79,939
Union	9,968	18.2	15,474	28.8	29,262	53.0	54,704
Warren	879	0.8	9,276	7.9	106,502	91.3	116,657
High	86,591		16,974		2,031,468	96.8	2,125,208
Median	7,688		984		80,392	86.5	84,670
Low	879		--(3)		21,583	50.0	29,664

^aSource: Compiled from reports of annual audits performed by the Office of the State Comptroller, Nashville, Tennessee, for the fiscal year 1956-1957.

TABLE XVI

ROAD FUNDS--TOTALS OF LOCAL ALLOCATIONS OF STATE,
FEDERAL, AND LOCAL FUNDS IN SELECTED
TENNESSEE COUNTIES, 1956-57^a

County	State	Per Cent of Total	Federal	Per Cent of Total	Local	Per Cent of Total	Total Road Funds
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Anderson	\$276,275	95.5	\$ --	--	\$ 12,921	4.5	\$289,196
Carroll	229,844	100.0	--	--	--	--	229,844
Coffee	256,431	86.1	222	0.1	41,016	13.8	297,669
Cumberland	288,083	99.98	--	--	62	0.02	288,145
DeKalb	175,236	93.4	11	--	12,331	6.6	187,578
Gibson	282,788	73.7	16	--	100,941	26.3	383,745
Grainger	182,144	98.8	208	0.1	2,034	1.1	184,386
Hamilton	475,582	76.1	1,525	0.3	147,642	23.6	624,749
Hardeman	296,035	95.6	--	--	13,548	4.4	309,583
Henry	233,905	90.4	200	0.1	24,761	9.5	258,666
Houston	177,012	97.6	--	--	4,399	2.4	181,411
Humphreys	228,141	100.0	14	--	--	--	228,155
Johnson	186,859	90.4	631	0.3	19,215	9.3	206,705
Lauderdale	205,000	91.3	--	--	19,563	8.7	224,563
Lewis	197,292	97.0	--	--	6,026	3.0	203,318
Macon	183,962	99.6	--	--	748	0.4	184,710
Marshall	177,820	93.9	246	0.1	11,227	6.0	189,293
Pickett	143,765	100.0	--	--	--	--	143,766
Rutherford	243,362	78.6	1,370	0.4	65,062	21.0	309,794
Sequatchie	155,979	99.0	--	--	1,609	1.0	157,588
Sevier	283,861	96.3	447	0.2	10,346	3.5	294,654
Union	148,001	100.0	--	--	40	--	148,041
Warren	252,124	96.0	1,237	0.5	9,170	3.5	262,531
High	475,582	100.0	1,525	0.5	147,642	26.3	624,749
Median	228,141	96.0	11	0.1	10,348	3.5	228,155
Low	143,766	73.7	--(11)	--(11)	--(3)	--(3)	143,766

^aSource: Compiled from reports of annual audits performed by the Office of the State Comptroller, Nashville, Tennessee, for the fiscal year 1956-1957.

TABLE XVII

WELFARE FUNDS--TOTAL OF LOCAL ALLOCATIONS OF STATE,
FEDERAL, AND LOCAL FUNDS IN SELECTED
TENNESSEE COUNTIES, 1956-57^a

County	State	Per Cent of Total	Federal	Per Cent of Total	Local	Per Cent of Total	Total Welfare Funds
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Anderson	\$ 2,151	4.8	\$ --	--	\$ 42,518	95.2	\$ 44,669
Carroll	18,684	29.1	--	--	45,626	70.9	64,310
Coffee	14,770	31.8	202	0.4	31,564	67.8	46,536
Cumberland	--	--	30	0.3	8,795	99.7	8,825
DeKalb	--	--	2	0.1	1,877	99.9	1,879
Gibson	26,928	25.7	11	--	77,825	74.3	104,764
Grainger	--	--	1,665	9.5	15,864	90.5	17,529
Hamilton	--	--	1,840	0.9	210,394	99.1	212,234
Hardeman	17,340	52.5	--	--	15,701	47.5	33,041
Henry	13,085	23.6	407	0.7	41,968	75.3	55,460
Houston	480	3.8	323	2.5	11,863	93.7	12,666
Humphreys	10,987	33.4	1,739	5.3	20,146	61.3	32,872
Johnson	8,619	81.2	63	0.6	1,937	18.2	10,619
Lauderdale	16,455	16.6	--	--	82,857	83.4	99,312
Lewis	5,797	47.5	519	4.2	5,891	48.3	12,207
Macon	628	2.9	--	--	29,390	97.1	30,018
Marshall	12,923	40.2	443	1.4	18,808	58.4	32,174
Pickett	--	--	--	--	--	--	--
Rutherford	11,987	18.2	1,237	1.9	52,583	79.9	65,807
Sequatchie	--	--	714	8.4	7,806	91.6	8,520
Sevier	--	--	12,634	39.5	19,577	60.5	32,211
Union	--	--	--	--	1,958	100.0	1,958
Warren	18,675	39.5	2,473	5.2	26,132	55.3	47,280
High	26,928	81.2	12,634	39.5	210,394	100.0	212,234
Median	5,797	16.6	202	0.6	19,577	75.3	32,211
Low	--(8)	--	--(7)	--	--(1)	--	--(1)

^aSource: Compiled from reports of annual audits performed by the Office of the State Comptroller, Nashville, Tennessee, for the fiscal year 1956-1957.

DEBT SERVICE--TOTALS OF LOCAL ALLOCATIONS OF STATE,
FEDERAL, AND LOCAL FUNDS IN SELECTED
TENNESSEE COUNTIES, 1956-57^a

County	State	Per Cent of Total	Federal	Per Cent of Total	Local	Per Cent of Total	Total Debt Services
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Anderson	\$	--	\$	--	\$ 108,536	100.0	\$ 108,536
Carroll		--		--	107,899	100.0	107,899
Coffee		--	707	0.7	94,060	99.3	94,767
Cumberland		--	410	0.5	87,806	99.5	88,216
DeKalb	2,827	6.4	43	0.1	41,107	93.5	43,977
Gibson	--	--	27	--	170,018	100.0	170,045
Grainger	--	--	6,246	8.3	68,962	91.7	75,208
Hamilton	--	--	9,274	0.6	1,537,177	99.4	1,546,451
Hardeman	--	--	--	--	279,603	100.0	279,603
Henry	--	--	978	0.9	106,538	99.1	107,516
Houston	--	--	810	2.5	32,036	97.5	32,846
Humphreys	--	--	5,911	10.1	52,640	89.9	58,551
Johnson	--	--	504	5.7	8,202	94.3	8,706
Lauderdale	--	--	1,046	0.4	241,922	99.6	242,968
Lewis	--	--	3,113	6.2	47,439	93.8	50,552
Macon	--	--	--	--	36,375	100.0	36,375
Marshall	--	--	1,176	2.1	54,831	97.9	56,007
Pickett	--	--	--	--	17,938	100.0	17,938
Rutherford	22,000	12.7	3,300	1.9	147,846	85.4	173,146
Sequatchie	--	--	1,943	14.7	11,295	85.3	13,238
Sevier	--	--	4,922	4.2	112,690	95.8	117,612
Union	--	--	--	--	10,956	100.0	10,956
Warren	--	--	12,986	14.7	76,026	85.3	89,012
High	22,000	12.7	12,986	14.7	1,537,177	100.0	1,546,451
Median	--	--	810	0.7	76,026	99.1	88,216
Low	--(21)	--(21)	--(6)	--(7)	8,202	85.3	8,706

^aSource: Compiled from reports of annual audits performed by the Office of the State Comptroller, Nashville, Tennessee, for the fiscal year 1956-1957.

with the median at 77.3 per cent. Local school funds centered around the median of 18.7 per cent. However, one county furnished 68.2 per cent of all school funds from local sources and two were very low in local support, with local funds being only 5.4 per cent and 4.3 per cent of all school funds.

Table XVI, page 59, shows that the per cent furnished by the state to the total of all road funds varied from a high of 100 per cent in three counties to the low of 73.7 per cent, with the median at 96.0 per cent. Local per cent for roads was above 20 per cent in only three of the twenty-three counties.

On page 60, Table VII, welfare funds, the only significant fact noted was that there was an extensive range of state and local contributions to this fund. This seemed to indicate the need for additional study and planning for handling this, the third most important function of local government. Perhaps it needs a separate department.

Table XVIII, page 61, indicated what would be expected in reference to debt service. The low per cent of local support was 85.3 per cent and the high was 100 per cent, with 99.1 per cent being the median.

Table XIX, page 63, was constructed by bringing forward the total columns from Tables XIV through XVIII, pages 57 through 61, and consolidating a Table of area totals in which the area totals are respectively shown in columns 2, 4, 6, 8, and 10, and their sums shown in column 12. This Table shows how the local governments allocated their total income from all sources.

Table XIX, page 63, shows under column 4, schools, that allocations to schools ranged from a high of \$6,768,888 to a low of \$222,049, with the median at \$893,298. The schools' first place of importance was reflected in column 5 in the per cent which the amounts allotted to schools were of total funds. This per cent varied from the high of 67.2 per cent to the low of 49.1 per cent, with the median at 57.1 per cent. Roads, the item of second importance, is shown under column 6, where the amounts of allocations varied from a high of \$624,749 to a low of \$143,766, with the median at \$228,155. The per cent which allocations to roads were to total allocations varied from a high of 36.0 per cent to a low of 5.5 per cent, with a median of 23.0 per cent. Strangely, the county with the lowest per cent allocated to roads was the county allocating the largest amount of money.

The third item of importance in allocations was column 2, general funds, which varied in amounts from a high of \$2,125,208 to a low of \$29,664, with the median at \$84,670. The per cent of total which the general fund received varied from the high of 20.3 per cent to the low of 5.2 per cent, with the median at 7.8 per cent.

The fourth item of importance in allocations was column 10, debt service. The amounts for debt service ranged from a high of \$1,546,451 to a low of \$8,706, with the median at \$88,216. The per cent allocated to debt service varied from a high of 17.4 per cent to a low of 1.2 per cent, with the median at 7.6 per cent.

Column 8, welfare, was the item of least importance in the allocations. The amounts allocated varied from the high of \$212,234

to a low of zero, with the median at \$32,211. The per cent for welfare ranged from a high of 6.0 per cent to a low of zero per cent, with the median at 2.4 per cent.

It was enlightening to compare the planned local distribution or disbursement of all funds available as shown in Table XIX, page 63, and discussed above, with the actual disbursement as shown in Table XX, page 66.

The comparisons of columns 2 of Table XIX, page 63, and Table XX, page 66, revealed that in the general fund only three counties, Coffee, Houston, and Sequatchie, actually spent more than was planned. These three counties floated general county bond issues for capital improvements or construction of such facilities as hospitals, school buildings, or rights-of-way, which should have been charged in other areas than the general fund. The twenty other counties did not spend all that was planned for general fund purposes, but transferred some general funds to other areas.

Comparisons of amounts in columns 4 of Tables XIX, page 63, and XX, page 66, showed that twelve counties spent smaller amounts for schools than was planned, while eleven counties spent more than had been planned for schools.

Comparisons of amounts in columns 6 of Tables XIX, page 63, and XX, page 66, showed that nine counties spent less for roads than had been planned, while the other fourteen counties spent more than had been planned for roads.

Comparisons of amounts in columns 8, Tables XIX, page 63, and XX, page 66, revealed that while five counties spent slightly less than

had been planned for welfare purposes, eighteen counties had spent more than had been planned for welfare. Most of the eighteen counties had spent considerably more than planned for welfare.

Comparisons of amounts in columns 10, Tables XIX, page 63, and XX, page 66, revealed that nine counties spent less than was planned for debt service and the other fourteen spent more than was planned for debt service.

The comparisons of column 12, Table XIX, page 63, total allocated funds, with column 14, Table XX, page 66, total funds spent, revealed that eight counties spent less than the allocated revenues, while fifteen counties spent more than they received. The latter fifteen counties were forced to reduce existing balances, or to borrow funds. These fifteen counties thus practiced deficit spending. Further study of the audit reports indicated that of these fifteen counties, thirteen floated bond issues and two issued interest bearing warrants. One of the eight counties which operated within its income also floated a bond issue rather than transfer funds on hand from one fund to another. The net result, then, was that fourteen counties floated bond issues and two counties issued interest bearing warrants, while only eight counties operated within their income. Table XXI, page 68, shows the funds from bonds and interest bearing warrants used during the fiscal year 1956-1957 by the selected counties.

A very common practice, discovered from studying the "changes of fund balances" sheets from the audit reports, was that each of the twenty-three selected counties had made transfers from at least one

TABLE XXI

FUNDS FROM BONDS AND INTEREST BEARING WARRANTS,
INCLUDING AMOUNTS IN TABLE XII, USED IN
SELECTED TENNESSEE COUNTIES, 1956-57^a

County	General Fund	Schools	Roads	Welfare (Hospital)	Total
(1)	(2)	(3)	(4)	(5)	(6)
Anderson	\$ 722	\$ 398,667	\$ 78,174	\$ --	\$ 477,563
Carroll	--	905,485	--	--	905,485
Coffee	--	10,153	102,205	3,000	115,358
Cumberland	--	5,522	67,565	--	73,087
DeKalb	--	--	--	--	--
Gibson	--	--	--	--	--
Grainger	--	139,887	--	--	139,887
Hamilton	--	1,174,332	53,023	141,595	1,368,950
Hardeman	--	--	--	--	--
Henry	--	--	--	--	--
Houston	146,204	--	--	--	146,204
Humphreys	--	388,827	--	--	388,827
Johnson	3,000 ^w	5,500 ^w	3,000 ^w	--	11,500
Lauderdale	--	164,527	--	--	164,527
Lewis	--	--	--	--	--
Macon	--	220,846	--	--	220,846
Marshall	24,094 ^w	--	--	--	24,094
Pickett	--	--	--	--	--
Rutherford	--	44,806	117,727	--	122,533
Sequatchie	90,068 ^f	--	--	29,857	119,925
Sevier	--	--	62,090	--	62,090
Union	--	--	--	--	--
Warren	--	127,329	--	--	127,329

^aSource: Compiled from reports of annual audits performed by the Office of the State Comptroller, Nashville, Tennessee, for the fiscal year 1956-1957.

^fFactory.

^wInterest bearing warrants.

fund to at least one other fund. The most common transfer was from capital outlay to debt service. Some counties, however, transferred freely in almost every direction. This practice was the chief explanation of why there was not too much recognizable similarity between the various corresponding amounts found in Table XIX, page 63, and Table XX, page 66.

Column 13, Table XX, page 66, shows that the actual amounts of difference between allotment of income and actual expenditures varied from a deficit of \$3,089,998 to a savings of \$191,207, with a median of \$89,247 deficit. Percentagewise the range was from 77.3 per cent of overspending to a savings of 11.8 per cent, with the median at 5.3 per cent deficit.

Figure 2, page 70, shows a simple method of illustrating the relationship of the rank-change in per capita taxable wealth to rank in the estimated effective tax rate. After listing the twenty-three counties in order of rank according to estimated taxable wealth per capita, each county was assigned another rank in order of estimated effective tax levy. The list of counties was then separated into two parts. The left portion of the Figure included the eight counties which operated within their incomes, and the right portion of the Figure included the fifteen counties which practiced deficit financing. The computations at the bottom of the Figure show: (1) that eight counties had an average net change of rank of plus 2.25 ranks, and (2) fifteen counties had an average net change of minus 1.13 ranks. This appeared to be a significant difference.

Some Rank Correlation Coefficients
in Selected Counties

A series of rank-change tests was run. The rankings and test results are shown in Table XXII, page 72.

1. There was significant rank correlation at the 1.0 per cent level between estimated per capita taxable wealth and only the two following items: (a) total assessed wealth, and (b) per cent that local part was of total receipts. This could indicate either that rank in estimated per capita taxable wealth was not soundly taken, or that the other rank items could not be related to this item.

2. Total assessed wealth showed significant rank correlation at the 1.0 per cent level to each of these: (a) estimated per capita taxable wealth, (b) per cent that local part was of total receipts, (c) relative taxpaying ability, and (d) population in 1955. The only other item, estimated effective tax levy, showed significant rank correlation at the 5.0 per cent level.

3. Per cent that local part was of total receipts showed significant rank correlation at the 1.0 per cent level to all other rankings except estimated effective tax levy.

4. There was no significant rank correlation between estimated effective tax levy and any of the other ranks at the 1.0 per cent level; and at the 5.0 per cent level the only one was total assessed value.

5. Relative taxpaying ability showed significant rank correlation at the 1.0 per cent level to: (a) total assessed wealth, (b) per cent

SOME RANK CORRELATION COEFFICIENTS IN
SELECTED TENNESSEE COUNTIES^a

County	Rank in Estimated Per Capita Taxable Wealth	Rank in Total Assessed Wealth	Rank in Per Cent That Local Part was of Total Receipts	Rank in Estimated Effective Tax Levy	Rank in Relative Taxpaying Ability	Rank in Popu- lation in 1955
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Anderson	23	4	10	22	4	2
Carroll	9	8	3	18	6	7
Coffee	11	5	5	4.5	5	6
Cumberland	20	13	14	8	13	12
DeKalb	6	18	17	20	17	18
Gibson	5	3	13	12	2	3
Grainger	22	17	16	4.5	16	15
Hamilton	1	1	1	2	1	1
Hardeman	7	7	8	16	11.5	9
Henry	3	6	2	6.5	8	11
Houston	18	19	19	13.5	22	22
Humphreys	4	11	15	19	14	17
Johnson	19	20	20	10.5	18	16
Lauderdale	10	9	6	3	7	5
Lewis	13	16	7	6.5	19	20
Macon	12	14	12	15	15	14
Marshall	2	10	4	10.5	11.5	13
Pickett	20	23	23	1	23	23
Rutherford	8	2	9	9	3	4
Sequatchie	17	22	22	13.5	21	21
Sevier	16	15	18	17	10	8
Union	15	21	21	23	20	19
Warren	14	12	11	21	9	10

2 to 3 = .571	2 to 7 = .344	3 to 7 = .899	5 to 6 = .101
2 to 4 = .627	3 to 4 = .809	4 to 5 = .151	5 to 7 = .148
2 to 5 = .029	3 to 5 = .439	4 to 6 = .731	6 to 7 = .979
2 to 6 = .475	3 to 6 = .947	4 to 7 = .662	

Significant at .05 level when $> .413$; and at .01 level when $> .526$.

^aCompiled from Appendixes A, B, C, and D.

that local part was of total, and (c) population; and at the 5.0 per cent level to estimated per capita taxable wealth.

6. Population showed significant rank correlation at the 1.0 per cent level to: (a) total assessed wealth, (b) per cent that local was of total receipts, and (c) relative taxpaying ability.

In summary, estimated per capita taxable wealth and estimated effective tax levy show comparatively less rank correlation significance than do the other four items. This could mean either that estimated per capita taxable wealth was unsound, or, as seemed more probable, that the present system of property assessment on the local level had so deteriorated that there existed little true correlation between total taxable wealth on the one hand and local effort on the other hand.

Chapter Summary

The uses made of revenue receipts and the portion which local funds were of total funds were significant. Local effort to support roads showed a definite tendency to let the state bear the burden. The smaller the county the more it allowed the state to assume the burden for support of schools. There appeared to be no significant consistent pattern of effort to support welfare programs, except social security payments which were fairly common. There appeared to be a tendency for the smaller counties to spend a larger portion of their total local revenue receipts in the operation of the general fund account--or, in the operation of the courthouse offices. It appeared that there was

high direct relationship between size of population and per cent which local contribution was to the total receipts for the support of local governmental agencies.

CHAPTER V

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

It has been stated that the purpose of this study was to examine and analyze the local sources of revenue and their local allocation in support of local governmental agencies, including the schools. That there was need for greater local support for schools appeared to be a justified assumption. In the face of frequently expressed opinions that there were many localities in Tennessee which were not able to provide greater local support for education, this study was undertaken in an effort to determine what was the status in 1957 of local revenue receipts and how these revenue receipts were allocated locally to support local governmental agencies.

It was decided that an analysis of the annual audit reports should provide the desired information. Since a related study was under way in reference to municipalities, this study was restricted to county units of government. For uniformity of audit reporting it was further decided to restrict the study to counties which had been audited by the staff of the Office of the Tennessee State Comptroller. Sixty-nine such audits had been completed when this study was begun. It was decided that one-third of this number would be adequate for this study. A random sample of twenty-three counties was selected. A study of the sample has shown that it was adequate in terms of geographical location, population, assessed wealth, estimated taxable wealth and relative tax-paying ability.

The first part of this thesis has dealt with stating and defining the problem, and reviewing some pertinent related studies. The middle part contained an analysis of local revenue receipts and their expenditure in support of local governmental agencies. This last part of the study lists the significant findings, draws conclusions, and makes recommendations.

Findings Concerning Revenue Receipts

Random Sample

1. The random sample was well distributed across the state, with each of the grand divisions having a reasonably equal numerical representation: East Tennessee had eight of thirty-four counties. Middle Tennessee had ten of forty counties. West Tennessee had five of twenty-one counties.

2. According to the most recent revision of the Gibb's formula, the distribution of the selected counties according to taxpaying ability, while not perfect, was adequate.

3. The distribution of selected counties in the sample, according to the Tennessee Taxpayers Association's estimated taxable wealth per capita ranking, was adequate.

Total Revenue Income of Selected Counties

1. State funds varied from a high of 83.8 per cent to a low of 21.1 per cent, with the median at 71.1 per cent.

2. Federal funds varied from a high of 6.5 per cent to a low of 0.8 per cent, with the median at 3.2 per cent.

3. Local revenue receipts varied from a high of 77.4 per cent to a low of 13.6 per cent, with the median at 24.5 per cent.

4. Total amounts available for local use varied from a high of \$11,628,982 to a low of \$420,136, with the median at \$1,101,545. The high was 10.5 times as much as the median, and 27.7 times as much as the low county.

State Funds Received by Selected Counties

1. State funds received by the counties were of two types: grants-in aid and shared taxes.

2. Grants-in-aid were, in order of importance, for: schools, roads, and welfare.

3. Shared taxes were, in order of importance: gas tax, alcoholic beverage tax, state beer tax, and income tax on stock and bond dividends.

4. Total state fund amounts varied from a high of \$2,455,932 to a low of \$351,754, with the median at \$607,464. The high county received four times as much as the median, and seven times as much as the low county.

Federal Funds Received by Selected Counties

1. Federal funds to counties were of two major types: assistance to schools and Tennessee Valley Authority payments.

2. Tennessee Valley Authority payments should really be treated as a part of the local general property tax.

3. The total of federal funds amounts varied from a high of \$176,684 to a low of \$7,818, with the median at \$26,365. The high county

received 6.8 times as much as the median county, and 26.3 times as much as the low county.

Local Funds, Not Including Bond Sales

1. Local funds, not including bond sales, came from property tax, fines and court costs, licenses and permits, excess fees, and miscellaneous sources.

2. Using the median percentages, these sources furnished these per cents: general property tax--77.8 per cent, fines and court costs--2.4 per cent, licenses and permits--6.1 per cent, excess fees--2.3 per cent, and miscellaneous--8.1 per cent. Miscellaneous was a misleading and undependable source.

3. Local amounts ranged from a high of \$9,510,493 to a low of \$60,271, with the median at \$300,179.

A Closer Look at Local Sources

The Property Tax

1. Of all local revenue income, the general property tax yielded from a high of 88.5 per cent to a low of 53.3 per cent. The median per cent was 77.8.

2. The property tax revenue in "1" above did not include all property tax funds. Some funds were incorrectly reported under other headings: some local public utilities, ad valorem tax, and the Tennessee Valley Authority funds (whose actual status is debatable).

3. The records showed that the general property tax administration was failing, due to the failure of assessments to keep up with

current property values. While realty was poorly assessed, personalty was almost ignored, and the load was being shifted to utilities.

4. In the selected counties there was an average drop of 4.0 per cent in the ratio which assessed value was to market value in the single year from 1955 to 1956. This resulted in an average drop of thirteen cents in the effective tax levy rate. The state average effective tax rate was sixty-six cents for 1956. The effective tax rate of the selected counties ranged from the high of \$1.09 to a low of forty-two cents, with the median at sixty-two cents.

5. The total of assessment had been increasing slightly in spite of the general tendency to lower rates of assessment. This was due to construction on and improvement of realty, largely in urban and suburban areas.

Fines and Costs

1. In most counties this was an item of comparatively small importance since the per cent it was of total local revenue receipts ranged from a high of 9.1 per cent to a low of 1.0 per cent, with the median at 2.4 per cent. However, it must be remembered that much court cost, such as justice of the peace fees and deputy fees, was not reported in most counties. This could have been a sizeable sum.

Licenses and Permits

1. This was the second most important local source of revenue receipts. Amounts ranged from a high of \$639,306 to a low of \$2,522, with the median at \$19,704. Its importance was reflected in the per

cent of total, which ranged from a high of 16.8 per cent to a low of 1.6 per cent, with the median at 6.1 per cent.

2. While licenses and permits are the second most important item of local revenue receipts, the median per cent of total was only 6.1 per cent.

3. Approximately half of the total amount included in this item of licenses and permits came from ad valorem tax, which was part of the general property tax.

4. From a county beer tax, one county realized \$90,963, or more than two-thirds of all revenue receipts from all licenses and permits, including ad valorem.

Excess Fees

1. In the twenty-three selected counties a total of only thirty-three offices of a minimum of 184 offices, or 18 per cent, reported earning fees in excess of office expenses.

2. Half of this thirty-three, seventeen trustees, did not actually bring in revenue receipts. They simply transferred funds from special accounts to their commission account and then transferred the excess to the general fund.

3. Since trustees excess fees accounted for more than half of all excess fees, and since trustees fees are not real revenue, the importance of this item should be reduced percentagewise to where the median would be at about 1.1 per cent, a place of relatively little importance.

Miscellaneous and Non-Recurring Revenue Receipts and Non-Revenue Sources

1. More than seventy items were grouped into the Table VII, page 40, under twenty-two headings. This undependable catch-all of odds and ends of revenue receipts accounted for an amazing portion of the total income of the selected counties. Percentagewise it ranged from a high of 25.7 per cent to a low of 2.3 per cent, with the median at 8.1 per cent. This was the second highest median from Table IV, page 33.

Findings Concerning Local Allocations of Revenue Receipts

The study of the reports of annual audits performed by the Office of the State Comptroller of Tennessee revealed the following significant fact;

The median of the twenty-three selected Tennessee counties showed that the median per cent of local revenue receipts provided by the counties as compared with the total revenue receipts available for the support of local governmental agencies, including education, was 24.4 per cent. This indicated that Tennessee counties depend upon the central governments--state and federal-- to provide approximately three-fourths of the funds for support of local governmental agencies, including education.

Local Allocations of State Funds

1. The largest item of state support of county agencies was the schools. The median per cent of total state support which went to schools

was 63.6 per cent. The median per cent that state funds were of total school funds was 77.3 per cent.

2. The second largest item of state support of county agencies was roads. The median per cent of total state support which went to roads was 32.5 per cent. The median per cent that state funds were of total road funds was 96.0 per cent. Thirty-four of sixty-nine counties allocated no local revenue to roads.

3. State funds used for the general fund ranged from a high of \$86,572 to a low of \$7,605. This amount did not include the trustees commission for handling state funds, which probably exceeded this amount in each county.

4. State aid funds locally assigned to welfare funds had a median of 1.0 per cent of the state funds.

5. Total state aid amounts varied from a high of \$2,456,932 to a low of \$351,753, with the median at \$607,456.

Local Allocations of Federal Funds

1. The largest item of federal support of county agencies was schools. The median per cent of total federal funds which went to schools was 89.2 per cent. The median per cent that federal funds were of total school funds was 4.4 per cent.

2. Other federal funds, mostly Tennessee Valley Authority replacement payments in lieu of tax, were largely distributed to local funds according to the local distribution formulae for local tax levies.

3. Total amounts of federal support for the counties varied from a high of \$176,684 to a low of \$7,818, with the median of \$26,365.

Local Allocations of Local Funds

The largest single source of local revenue receipts was the general property tax.

1. The formulae for the division of the property tax levy differed widely between the selected counties. One county broke the levy into nineteen separate fund allocations, while another divided the levy into three fund allocations. For purposes of uniformity in this study the various numbers of allocations were grouped into five broad areas; and funds and expenditures were grouped wherever possible into these five broad areas: (1) general fund, (2) schools, (3) roads, (4) welfare, and (5) debt service.

2. There was an unusual order of importance as judged by the rank of median per cent which each area received of total local funds. This ranking was: (1) schools--38.7 per cent, (2) general fund--21.0 per cent, (3) debt service--20.7 per cent, (4) welfare--6.8 per cent, and (5) roads--2.3 per cent.

3. The relative unimportance of the position of roads is shown as follows: three counties allocated no local funds to roads; seven other counties allocated only service fees earned by road departments; and of sixty-nine counties with completed audits thirty-four were found which made no allocation of local revenue receipts to roads.

4. The relatively high portion of funds allocated to debt service was due largely to two factors: (1) the need for new or reconditioned school plants, and for equipment after the war years of scarcity of materials, and (2) the unwillingness on the part of local government to

pay higher taxes when the construction could be financed through bond issues and payments postponed.

5. In general, the counties supplied most of the money for the general fund. Two counties had 96.8 per cent local funds and one county had 50.0 per cent local funds. The median per cent of local funds was 86.5. Some counties allocated undesignated state shared taxes for their general fund.

6. Funds for schools were chiefly from state funds. The per cent of school funds which were furnished by the state varied from the high of 91.8 per cent to a low of 29.5 per cent, with the median at 77.3. Local funds for schools centered around the median of 18.7 per cent. One county furnished the high of 68.2 per cent, while one county provided only 5.4 per cent and another 4.3 per cent.

7. State funds allocated to roads were 100 per cent of the total road funds in three counties. The median was at 96.0 per cent of state funds, and the low in state per cent was 73.8 per cent. Only three of the twenty-three selected counties furnished more than 20.0 per cent for roads.

8. Welfare funds showed no definite pattern as to source of funds, most counties only doing some of what had to be done.

9. Had not some localities allocated some small item of state shared taxes to the debt service fund, the debt service fund would have read 100 per cent from local sources. The debt service column failed to show what actually happened when state school capital outlay funds were applied to debt service.

10. Table XIX, page 63, dealing with the local allocations of total revenue receipts from all sources, placed the five areas in the following order: (1) schools--median 57.1 per cent, (2) roads--median 23.0 per cent, (3) general fund--median 7.8 per cent, (4) debt service--median 7.6 per cent, and (5) welfare--median 2.4 per cent.

11. Table XX, page 66, breaks down actual expenditures to the five areas in this order: (1) schools--median 56.8 per cent, (2) roads--median 21.6 per cent, (3) debt service--median 7.6 per cent, (4) general fund--median 6.1 per cent, and (5) welfare--median 3.4 per cent.

12. Comparison of Tables XIX and XX, pages 63 and 66, respectively, show a variation between planned allocation of income funds and actual expenditures in each area for each county. Column 14 of Table XX, page 66, shows that the net total difference between the total columns of these two Tables varied from a high of \$3,089,998 deficit to a low of \$191,207 of savings, with the median difference being \$89,247 deficit. The percentage of change was shown in column 15 of Table XX, page 66, to vary from a high of 77.3 per cent deficit to a low of 11.8 per cent savings, with the median at 5.3 per cent deficit.

13. Eight counties operated within their income, while fifteen counties practiced deficit financing.

14. The change in rank test, when applied to the twenty-three selected counties, appeared significant. After arranging the twenty-three counties in order of rank of estimated per capita taxable wealth and in order of rank in estimated effective tax levy, the eight counties which operated within their income were calculated separately from the

fifteen counties which used deficit financing. The average net change in rank for each of the two groups was computed. The group of eight counties averaged plus 2.25 changes in rank, while the group of fifteen counties averaged minus 1.13 changes in rank.

Conclusions

Random Sample

The random sample was adequate for the purposes of the study.

Total Revenue Income of the Selected Counties

Total revenue income of the selected counties varied widely among the counties. There were definite and significant relationships between population, assessed wealth, ratio of local to total receipts, and tax-paying ability. There was little or no significant relationship between these four and the effective tax levy.

State Funds Received by Selected Counties

State funds constituted approximately seven-tenths of all the funds spent locally. The State of Tennessee aided the counties by methods which were apparently in conflict. (1) School aid attempted to equalize educational opportunity by giving greater aid to poorer counties, yet made so many legal exceptions that equalization by the formula was impossible. (2) Road construction and maintenance aid was intended to allow all areas to have equally satisfactory roads. The chief source of state aid to the counties for roads was from the two cents of shared tax on gasoline and motor fuel. The state divided this fund thus: one-half

equally among the counties, one-fourth according to area, and one-fourth according to population. It appeared that the basis of the equal division of the first half was the assumption that it cost as much to administer a road program in the little, sparsely settled counties, such as Pickett, as it does in the larger area of metropolitan Hamilton County. This formula for the distribution of state road aid to counties is antiquated and should be replaced.

State aid to counties was so poorly divided that the most heavily populated county received only seven times as much aid as the smallest county although the larger county had forty-seven times as large a population, and was several times as large in area. It would appear that a revision of the formulae for distribution of state assistance to the counties was overdue.

Federal Funds Received by Selected Counties

Federal aid is a very small part of the total local available funds. This probably was as fairly distributed as possible.

Local Revenue Receipts, Not Including Revenue From Bond Sales

Local funds made up approximately one-fourth of all funds available for local expenditures.

General Property Tax

The general property tax provided about three-fourths of local revenue receipts. Thus, the general property tax provides about

three-sixteenths of all the locally spent revenue receipts. It was poorly administered. It could have been supplemented by additional tax sources in most counties. Better local administration and accounting could have yielded greater income from present local sources.

The pressure of local politics made it unpopular for the locally elected tax assessor to attempt to do an adequate administration of the present laws concerning assessment.

Local revenue receipts from fines and court costs were a comparatively small item. Proper accounting might have changed this situation. (1) In some counties court clerks were allowed to withhold enough fees to pay a stated expense of office operation. (2) In some counties justices of the peace, constables, and deputy sheriffs were not required to make an accounting of fees collected.

Licenses and Permits

There was indication of lack of initiative by some counties in the area of imposition of some licenses and permits which other counties imposed. The audit reports failed to give an adequate breakdown of revenue receipts from the various licenses and permits issued. It appeared that the ad valorem tax should have been collected by the trustee, along with the other parts of the general property tax.

Excess Fees

Less than one-fifth of the various county offices supported by fees reported earning fees in excess of authorized office expenses. Half of the offices reporting excess fees were the trustees. Their

commissions were not revenue receipts. These were simply transfers of funds from one county fund to another, and no real revenue was received.

It appeared logical to assume that perhaps half of the county offices did not take in enough fees to pay all of the authorized office expenses. Perhaps there are too many offices for the amount of business. Reorganization appeared to be indicated as desirable.

Miscellaneous and Non-Recurring Revenue Receipts

Most of the items in this grouping could have been adequately accounted for in the other areas of revenue receipts. Irregularity and poor accounting created this blind heading which, for the median county, accounted for the second largest source(?) of revenue receipts.

The above conclusions have dealt with the revenue receipts in the twenty-three selected counties. The next section of conclusions will deal with local administration and conversion of the revenue receipts into services.

Much has been said about maintaining the independence of local government. However, there is some question as to the independence of a local governmental system that provides a median of 24.4 per cent of its revenue receipts and depends upon the central governments for 75.6 per cent of its finances.

Local Allocations of State Funds

1. The chief recipient of the state's assistance to the counties was the schools. Schools are considered the chief service responsibility of the local government.

2. State funds to help the county road programs were the second item of importance in state assistance to local governments. The state is providing so much of this item that it should take over operation of road departments.

3. State assistance to the general fund would be unnecessary if county governments were well organized and administered.

4. State aid for welfare purposes was very small. Either a larger aid to counties or a larger state program should be considered.

5. In line with the idea of independence of local government, some adjustments are suggested by the 77.3 per cent median which funds furnished by the state were to the total available revenue receipts of the counties.

Local Allocations of Federal Funds

1. The largest item of federal assistance was aid to the schools. These funds were definitely earmarked.

2. Tennessee Valley Authority funds furnished as replacement payments in lieu of tax should be placed in the local formulae for distribution of local levies.

3. Other federal assistance which is distributed through state offices should be definitely identified as federal, and earmarked as to local use. The time may not be far away when the states must make a decision to: (1) assume greater financial responsibility and expand school and welfare programs, or (2) ask the federal government to assume these two areas of service.

Local Allocations of Local Funds

1. Present local philosophies of governmental aims and policies, as reflected in the distribution of the tax levies of the various counties, are rather nebulous and reflect a general failure to recognize the changing requirements of a modern society.

2. Schools, the largest operation of the local governments, received far too little local support in most counties. The 38.7 per cent median of total local revenue receipts which was spent for schools did not buy the kind of schools wanted and needed by the children and their parents.

3. It appeared that local governments had little in common as to policy concerning road programs. About half of the twenty-three selected counties simply spent what the state gave them, while the other half varied from token expenditures to substantial local contributions to the total road funds. It further appeared that the total road program within the state could be administered more efficiently by one agency--the State Department of Highways.

4. Local debt service took too large a slice of local revenue receipts. One way this slice can be reduced percentagewise and dollarwise would be to increase revenue receipts, reduce indebtedness, and reduce the deficit spending.

5. The general fund in most counties was out of proportion to the population and locally assessed wealth. Many counties are not large enough or populous enough to justify the present antiquated, cumbersome form of local government.

6. The records showed that a few counties operated county farms--most counties abandoned this form of institution years ago. Some have county hospitals, while others paid private and state hospitals to care for indigent patients. The most common form of funds put into the welfare records were the social security payments. Some greater degree of uniformity is needed.

7. With all the state and federal aid, the fact that fifteen of the twenty-three selected counties had not enough revenue receipts to operate their programs and had to borrow money, points up the almost desperate need for more local revenue receipts. This increased need can only be met in a permanent manner by better administration of present taxes, and/or imposition of new taxes, and/or elimination of local waste.

Recommendations

This last part of the final chapter presents the writer's recommendations. These recommendations are presented in conformity with the original belief of the writer that there should be greater local effort to support education in Tennessee, and are based upon the findings of the study.

The first section deals with schools. The first three items affect present practices and concur with some of the recommendations made in the recent survey of education in Tennessee, Public Education (Grades 1 through 12) in Tennessee, and are supported by the study. The fourth item is based upon the findings of the study.

Schools

1. The elimination of all clauses in the formulae for distribution of state school funds which would place any county in a favored position due to any previous law.

2. Increase of state aid for equalization purposes, and improvement of the minimum program.

3. Elimination of required local supplements above the minimum program, thus making all local supplements above the minimum program completely voluntary and without requirement that they be continued.

4. A minimum levy of fifty cents per \$100 of market value assessment for school operating purposes should be required for the counties to participate in the state equalization funds for schools. This would more than double most present local level requirements.

The other sections of the recommendations are based upon the findings of the study.

Roads

1. Eliminate all county and city road and street departments.

2. Reorganize the State Highway Department and give it the total responsibility for all highways, secondary roads, and city streets. The savings from the elimination of duplications of the present two hundred odd systems should provide more roads from state revenue receipts now designated for roads. The state would assume all present outstanding local road bonds, and accept transfer of all local road equipment.

Welfare

Abolish all locally financed public health, welfare, and library services. Place them in a coordinated department under the state government, with civil service requirements for all employees.

General Reforms

There were definite indications of the need for several reforms in local governmental organization and administration. There was significant positive correlation between population and taxable wealth per capita; between population and assessed value of property; and between population and relative taxpaying ability. Table I, page 27, shows that one-half of the twenty-three selected counties provided locally less than 25 per cent of the total revenue receipts available for local expenditures. Perhaps they do not justify continued existence as separate counties. This same half (actually twelve counties) included ten of the counties whose population fell in the lower twelve. The other two which furnished low percentages of the total local expenditures rated third and eighth high, respectively, in population.

It is recommended that study be given to the possibility of combining some of the counties with low population and small relative taxpaying ability with either neighboring stronger counties or other counties which are fiscally weak, in the expectancy that two or more weak counties could perhaps support one fairly strong local government.

It is recommended that the present form of local county government be radically revised:

1. Abolish the present office of county tax assessor. Establish a state system of property assessment under the direction of a State Office of Property Assessment. All employees of the state assessment system should be required to qualify by passing rigid examinations; and by so doing they would become eligible for civil service appointment, not subject to any political pressure. The cost of maintaining a state-wide, uniformly equitable assessment of property as detailed by present assessment laws, should be divided proportionately among the counties, based upon assessments.

2. Abolish the office of constable. With modern communications and transportation the sheriff and his deputies could perform all duties of the constable.

3. Eliminate the judicial and clerical duties of the justices of the peace. A trial judge or sessions judge could hold all preliminary hearings, try cases of misdemeanors, and perform the probate duties.

4. The elimination of fees paid to justices of the peace as jurists, and to deputies and constables as arresting officers, would allow all such items to go into the county's coffers and be disbursed in payment of established salaries.

5. The elimination of the appointive power of the county court would make it a purely legislative body without the present patronage implications.

6. The election of the school board by the people, and the selection of the superintendent of schools by the school board, would tend to remove some of the "pork barrel politics" from the local school systems and turn the operation of the schools over to qualified

administrators. The school board should be restricted to policy making and supervision of the superintendents' administration of the schools. The school board should be given fiscal independence.

7. The offices of county court clerk, circuit court clerk, clerk and master, and registrar of deeds, should be consolidated into one office of the general county clerk, with adequate clerical assistance.

8. The general county clerk and his staff should be paid stated salaries. All fees and other revenue received by them would then be reported, and there would be no such term as "excess fees."

9. The collection of ad valorem tax should be transferred from the county court clerk's office to the office of the county trustee, treasurer, or auditor (any one of these titles would fit), where the remainder of the general property tax is collected.

10. The trustee's commission should be eliminated, and he and his staff should be paid stated salaries.

11. A county administrator, with powers of general purchasing agent and business manager, should replace the office now entitled county judge. It should be a full time job.

12. The county sheriff and his deputies should be placed on definite salaries, and should not be eligible to receive any fees for any services.

Summary

The above recommendations would transfer roads, health and welfare, and assessment of property into state functions. They would eliminate some of the fiscally weaker counties by combining them into larger stronger units.

They would reduce the county election slate to: (1) county administrator, (2) county trustee, or treasurer, or auditor, (3) general county clerk, (4) sheriff, (5) trial judge or sessions judge, (6) members of the county legislative body, and (7) members of the county school board.

These reforms should provide better service at lower cost by stronger local governmental units, with a much broader base for the property tax, and other local revenue receipts would be better administered.

The county units would have limited responsibilities: (1) administration of tax laws to secure revenue levied by the county legislative body and state legislature, (2) operation of adequate public schools, and (3) police duties in connection with the courts to enforce the criminal code and promote general safety and welfare.

A minimum levy of fifty cents per \$100 of market value assessment for school operating purposes should be required for the counties to participate in the state equalization funds for schools. this would more than double most present local level requirements.

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APPENDIXES

APPENDIX C

SELECTED COUNTIES RANKED AS TO TOTAL ASSESSED VALUE, 1957^a
WITH RANKS OF RELATIVE TAXPAYING ABILITY^b

County In Rank Assessed Wealth	Popu- lation 1955	Total Value of Assessed Wealth	County Tax Rate	Relative Taxpaying Ability	
				State Rank	Sample Rank
(1)	(2)	(3)	(4)	(5)	(6)
Hamilton	222,204	\$337,928,686	\$2.33	3	1
Rutherford	44,367	29,436,137	2.48	13	3
Gibson	48,948	29,090,899	2.84	9	2
Anderson	64,402	17,020,009	2.90	22	4
Coffee	25,456	15,769,840	3.12	27	5
Henry	21,800	15,190,778	3.21	35	8
Hardeman	23,581	14,985,906	3.50	47	11.5
Carroll	26,212	12,274,985	2.45	32	6
Lauderdale	26,525	11,389,943	4.90	33.5	7
Marshall	16,232	10,573,133	3.61	47	11.5
Humphreys	11,007	7,659,260	2.00	67	14
Warren	22,814	6,848,152	4.20	39	9
Cumberland	20,158	5,994,252	4.82	58	13
Macon	12,620	5,754,358	2.80	68	15
Sevier	25,246	5,589,104	4.50	45	10
Lewis	6,434	3,781,671	3.20	83	19
Grainger	12,511	3,704,104	3.40	74	16
DeKalb	10,700	3,138,753	2.84	76.5	17
Houston	5,388	2,529,322	2.95	91	22
Johnson	11,900	2,142,126	5.30	79	18
Union	8,402	1,863,733	3.50	84	20
Sequatchie	5,988	1,870,812	4.03	88	21
Pickett	4,721	1,495,104	3.40	94	23
State		\$3,266,038,977			

^aSource: Tennessee Taxpayers Association Annual Survey Report, 1957.

^bSource: Gibb's Index Formula for 1957-59 Biennium.

APPENDIX D

SELECTED TENNESSEE COUNTIES RANKED IN ORDER
OF PER CENT OF INCREASE IN LOCAL
ASSESSMENT, 1950-56^a

County in Rank of Per Cent of Increase	Population 1955	State Rank in Order of Per Cent of Increase	Per Cent of Change in Assessed Value 1950-56	
			Increase or (Decrease) Locally Assessed	(Decrease) Public Utilities
(1)	(2)	(3)	(4)	(5)
Pickett	4,721	1	128	59
Hamilton	222,204	4	69	24
Coffee	26,456	5	61	43
Anderson	64,402	6	42	17
Sequatchie	5,988	10	35	48
Humphreys	11,007	11	32	94
Rutherford	44,367	13	29	50
Cumberland	20,158	15	25	25
Lewis	6,434	20	23	470
DeKalb	10,700	21	21	141
Gibson	48,948	23	20	44
Warren	22,814	29	16	45
Henry	21,800	30	15	20
Sevier	25,246	34	13	141
Carroll	26,212	39	11	(17)
Houston	5,388	40	11	45
Grainger	12,511	46	10	53
Lauderdale	26,525	52	9	36
Johnson	11,900	59	8	28
Marshall	16,232	63	7	26
Hardeman	23,581	70	6	54
Union	8,402	77	5	29
Macon	12,620	80	4	1,239

^aSource: Tennessee Taxpayers Association Annual Survey Report, 1957.

APPENDIX E

SELECTED COUNTIES RANKED AS TO CHANGES
IN INDEBTEDNESS, 1950-1956^a

County in Rank of Per Cent of Change	Popu- lation 1955	Per Cent of Change 1950-1956 Increase or (Decrease)	1956 Per Capita		1956 Per Cent Debt is of Assessment	
			Total Debt	Net Debt	Total Debt	Net Debt
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Piokett	4,721	-(14)	\$37.92	\$34.30	\$12.58	\$ 1.38
Rutherford	44,367	-(10)	41.99	36.56	6.61	5.76
Henry	21,800	-(8)	39.91	37.40	6.47	6.07
Houston	5,388	-(6)	119.71	112.31	24.85	23.31
DeKalb	10,700	0	39.72	38.84	13.69	13.39
Anderson	64,402	0	40.43	39.03	18.13	17.50
Grainger	12,511	0	50.92	45.65	17.35	15.55
Humphreys	11,007	0	97.76	94.02	14.30	13.75
Gibson	48,948	4	34.27	30.33	6.75	5.97
Sevier	25,246	7	58.90	55.54	29.14	27.48
Macon	12,620	10	24.09	21.58	5.55	4.97
Hardeman	23,581	17	33.71	27.67	5.17	4.25
Marshall	16,232	18	79.10	74.23	12.88	11.34
Lewis	6,434	19	32.74	27.89	5.59	4.76
Sequatchie	5,988	25	55.95	55.95	18.08	18.08
Lauderdale	26,525	27	105.56	100.13	24.77	23.49
Carroll	26,212	28	43.34	40.69	9.06	8.51
Hamilton	222,204	34	60.78	54.12	4.27	3.81
Cumberland	20,158	34	82.80	82.80	33.98	33.98
Johnson	11,900	35	62.69	64.45	40.20	41.33
Union	8,402	40	6.90	7.93	3.37	3.87
Warren	22,814	50	47.95	45.28	16.09	15.20
Coffee	26,456	67	45.59	43.34	8.15	7.75
Average in State			59.85	56.81	6.85	6.50

^aSource: Tennessee Taxpayers Association Annual Survey Report, 1957.