

## CORPORATE WEALTH AS A CAUSE OF INEQUALITY AMONG SCHOOL DISTRICTS IN OKLAHOMA

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The most conspicuous finding of those who have investigated school support is the wide range of financial inequality existing in states, counties and in school districts. It is hoped that this examination of the corporate wealth of Oklahoma as related to the financial support of its schools will be of some value to the educational program of the state. The purpose was to determine: (1) whether, in general in Oklahoma, districts with corporate wealth are wealthier than districts without corporate wealth; (2) whether districts with corporate wealth are not already wealthier, without the corporate wealth, than districts that have no corporate wealth; and (3) whether the inequalities are made greater by this corporate wealth.

The wealth of the state is classified, for purposes of taxation, into personal, real estate and corporate. The corporate wealth, assessed at \$299,192,599.00 in 1933-34, constituted 24.27 per cent of the wealth of the state. Corporate wealth, as used in this study, is limited to those public utilities that are now assessed by the State Board of Equalization, upon the recommendation of the Oklahoma Tax Commission, and includes the following classes of wealth: telephone companies, express companies, telegraph companies, street and interurban railway companies, railroad companies, toll bridges, oil and gas pipe line companies, private car companies, and electric light, heat, water, power and gas companies. Such wealth does not belong exclusively to the district in which it is located nor is it entirely supported by that district.

An examination of the certified records of the more than 4,800 school districts in Oklahoma for the school year 1933-34 revealed: wide variations in the amount of wealth per child in the various school districts and counties; great differences in the amount of effort to support education, based upon the number of mills levied by districts; and great variations in the amount of corporate wealth in the various districts for the support of each enumerated child.

If equal opportunity for each child is even slightly related to equal wealth per child, there exist in Oklahoma vast differences in equal opportunity. In 1933-34 the wealthiest district in Texas County was 459.84 times as wealthy as the poorest district in Adair county. Among the independent districts of Oklahoma, Consolidated 5, in Pawnee County, with \$8,824 per child, was 18.9 times as wealthy as District 15, in Ottawa County, with only \$435 wealth per child. The state should be a unit to equalize completely; but many of the inequalities would be removed or lessened with the county as the unit. In Oklahoma this would reduce the ratio in wealth per child from 459.84 to 1 to 7.91 to 1.

The tax rate for the general fund levied by the districts in each county of Oklahoma for 1933-34 ranged from zero to 18 mills. One hundred and thirty-four districts made no local effort to support their schools, 72 levied less than 1 mill, 1,034 levied less than 4 mills, 1,963 levied 12-13 mills, 80 levied 14 mills, and 2,080 levying 12 or more mills. The mill rate for sinking fund purposes also varied greatly in Oklahoma. Many districts had no sinking fund tax and a number of districts had 50 or more mills. One district had 225 mills.

In 1933-34 there were in Oklahoma 1,321 school districts with 78,094 children that received not one penny of tax from local taxation of corporate wealth simply because no taxable corporation happened to be located directly in those districts. Part of the cost of the schooling of

the remaining 624,113 school children of Oklahoma was paid by corporate wealth, which received a portion of its income from the people in districts having no resident corporation.

In 1933-34 nearly three and one-half millions of the public utility wealth in Oklahoma paid no ad valorem tax for the support of schools. Five and eight-tenths millions were taxed at less than 1 mill. The amounts taxed at rates from 1 to 9 mills did not differ greatly, but there was a sudden increase in the amount taxed at 11 mills. Sixty per cent of the corporate wealth of the state was taxed for current expenses at 12 or more mills. In 1933-34 corporate wealth was taxed an average of 6.25 mills for sinking fund purposes. If the state had been taxing the corporate wealth, this amount would have had to be collected in addition to the rate determined for current expenses.

Table I gives the indirect or corporate tax aid received in the five richest and five poorest dependent districts in the richest, the median and the poorest counties respectively of Oklahoma in 1933-34. The mean rate for the entire group included in the original study\*, of the ten

TABLE I. *Comparison of the effort made and the indirect aid received by the five richest and the five poorest dependent districts in selected Counties of Oklahoma, 1933-34.*

| County and rich district | General fund mill rate | Indirect aid | County and poor district | General fund mill rate | Indirect aid |
|--------------------------|------------------------|--------------|--------------------------|------------------------|--------------|
| <b>Grant</b>             |                        |              | <b>Grant</b>             |                        |              |
| 57                       | 0.98                   | \$ 0         | 37                       | 7.19                   | \$ 0         |
| 56                       | 4.05                   | 0            | 62                       | 12.50                  | 0            |
| 114                      | 3.74                   | 289          | 63                       | 8.53                   | 0            |
| 85                       | 4.67                   | 236          | 61                       | 15.00                  | 0            |
| 41                       | 3.80                   | 152          | 84                       | 6.44                   | 0            |
| <b>Murray</b>            |                        |              | <b>Murray</b>            |                        |              |
| 18                       | 14.00                  | 1,828        | 2                        | 13.24                  | 22           |
| 29                       | 16.90                  | 1,669        | 28                       | 6.05                   | 0            |
| 3, C.                    | 13.50                  | 3,398        | 7                        | 12.86                  | 12           |
| 2, C.                    | 15.40                  | 22           | 5                        | 12.86                  | 0            |
| 1, C.                    | 14.75                  | 3,575        | 6                        | 11.488                 | 0            |
| <b>McCurtain</b>         |                        |              | <b>McCurtain</b>         |                        |              |
| 89                       | 11.90                  | 467          | 69                       | 12.86                  | 0            |
| 75                       | 13.50                  | 698          | 12                       | 12.86                  | 0            |
| 59                       | 6.20                   | 566          | 47                       | 12.86                  | 0            |
| 85                       | 12.86                  | 0            | 46                       | 12.86                  | 0            |
| 16                       | 12.86                  | 718          | 14                       | 12.86                  | 12           |

\*C. F. Dally, *Corporate Wealth in Oklahoma as a Basis of Common School Support*, Unpublished Doctor's dissertation (Univ. of Oklahoma, 1934).

wealthiest districts in each of the seventy-seven counties was 8.398 mills, and that for the group of the ten poorest districts was 10.183 mills. The indirect aid or taxes received from corporate wealth was largely in the richest districts. The amount of this per child was \$9.48 in the rich districts, while in the poor districts it was \$1.35 per child, or only about one-seventh as much. Thus the inequalities were made greater rather than less by this indirect aid.

Table 2 is a comparison of corporate wealth in the five richest and in the five poorest dependent districts of selected counties in Oklahoma in 1933-34. The complete study shows that in almost every county the wealth of the ten richest districts is composed largely of corporate property, and that of the ten poorest is composed almost entirely of personal and real estate valuation.

TABLE 2. Comparison of corporate wealth in the five richest and the five poorest dependent districts of Selected Counties in Oklahoma in 1933-34.

| County and rich district | Total valuation per child | Corporate valuation per child | Per cent corporate | County and poor district | Total valuation per child | Corporate valuation per child | Per cent corporate |
|--------------------------|---------------------------|-------------------------------|--------------------|--------------------------|---------------------------|-------------------------------|--------------------|
| <b>Grant</b>             |                           |                               |                    | <b>Grant</b>             |                           |                               |                    |
| 57                       | \$33,833                  | \$ 0                          | .00                | 37                       | \$1,934                   | \$ 0                          | .00                |
| 56                       | 15,311                    | 0                             | .00                | 62                       | 1,788                     | 0                             | .00                |
| 114                      | 12,427                    | 4,543                         | 36.55              | 63                       | 1,676                     | 0                             | .00                |
| 85                       | 11,127                    | 3,370                         | 30.31              | 61                       | 1,667                     | 0                             | .00                |
| 41                       | 10,047                    | 2,849                         | 28.36              | 84                       | 972                       | 0                             | .00                |
| <b>Murray</b>            |                           |                               |                    | <b>Murray</b>            |                           |                               |                    |
| 18                       | 3,014                     | 1,978                         | 65.63              | 2                        | 916                       | 15                            | 1.61               |
| 29                       | 2,831                     | 1,763                         | 62.27              | 28                       | 872                       | 0                             | .00                |
| 3, C.                    | 2,346                     | 1,339                         | 57.11              | 7                        | 608                       | 11                            | 1.80               |
| 2, C.                    | 2,273                     | 1,482                         | 65.20              | 5                        | 534                       | 6                             | 1.13               |
| 1, C.                    | 1,770                     | 848                           | 47.88              | 6                        | 414                       | 0                             | .00                |
| <b>McCurtain</b>         |                           |                               |                    | <b>McCurtain</b>         |                           |                               |                    |
| 89                       | 4,527                     | 2,617                         | 57.80              | 50                       | 225                       | 0                             | .00                |
| 75                       | 2,284                     | 1,615                         | 70.73              | 23                       | 217                       | 0                             | .00                |
| 59                       | 2,033                     | 1,323                         | 65.07              | 65                       | 215                       | 3                             | 1.39               |
| 85                       | 1,755                     | 0                             | .00                | 72                       | 210                       | 15                            | 6.19               |
| 16                       | 1,521                     | 537                           | 35.31              | 52                       | 131                       | 0                             | .00                |

Table 3 gives the relation of corporate wealth to the total wealth in the independent districts of Oklahoma counties. Here also, with few exceptions, the greater part of the corporate wealth is located in districts

that are already wealthy; also the corporate wealth per child in the richer, independent districts is generally more than the total wealth per child in the poorer districts.

TABLE 3. *Relation of corporate wealth to total wealth in the independent districts of Oklahoma Counties, 1933-34.*

| District   | County           | Total valuation per child | Corporate valuation per child | Per cent corporate |
|------------|------------------|---------------------------|-------------------------------|--------------------|
| Terlton    | Pawnee .....     | \$8,224                   | \$7,576                       | 92.12              |
| Ramona     | Washington ..... | 7,275                     | 1,340                         | 18.11              |
| Nelagoney  | Osage .....      | 6,230                     | 4,812                         | 77.24              |
| Capron     | Woods .....      | 5,362                     | 2,575                         | 48.02              |
| Amorita    | Alfalfa .....    | 4,963                     | 778                           | 15.66              |
| Harrah     | Oklahoma .....   | 4,882                     | 4,167                         | 85.35              |
| .....      | .....            | .....                     | .....                         | .....              |
| Spiro      | LeFlore .....    | 577                       | 206                           | 35.70              |
| Bethany    | Oklahoma .....   | 572                       | 81                            | 14.16              |
| Haworth    | McCurtain .....  | 570                       | 250                           | 43.86              |
| Oilton     | Creek .....      | 528                       | 237                           | 44.84              |
| Broken Bow | McCurtain .....  | 477                       | 88                            | 18.45              |
| Picher     | Ottawa .....     | 435                       | 159                           | 36.55              |

**CONCLUSIONS.** From the data collected in this study the following conclusions seem justified:

1. It would be an almost impossible task to equalize the educational offering among the 4,816 school districts in Oklahoma, and an economic waste to do so.

2. The inequalities in effort are not due entirely to inequality in ability. Many rich districts levy high rates, and many poor districts, low rates.

3. Corporate wealth in Oklahoma is an important cause of inequality in ability and, therefore, of effort. It tends to increase rather than decrease the differences.

4. In a large part of the cases the districts that have corporate wealth are already more wealthy than those that have none. The corporate wealth thus increases the chasm between rich and poor districts.

5. Corporate taxes are paid more promptly and more fully than personal and real estate taxes. This condition saves interest on unpaid warrants and is an added aid to districts with corporate wealth.

6. Since corporate taxes do not justly belong exclusively to the districts in which the corporate property is located, they constitute a form

of aid which those districts alone receive. More than 1,300 districts, most of them poor ones, do not share but should share in these taxes.

7. Since corporate taxes as now used make inequalities greater rather than less, they should be levied and collected by the state and used in districts where need is greatest.

8. A state levy on public utilities would do much to emphasize the tax burden among them. Some pay no tax but others pay as much as 17 mills.

9. In 1933-34, 134 districts made no levy. This number increased in 1934-35 to 304. All districts in the state should have to levy a tax for schools.

