

A COMPARISON OF THE LEGAL STATUS OF
SCHOOL BONDS IN THE FORTY-EIGHT
STATES

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A COMPARISON OF THE LEGAL STATUS OF
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INTRODUCTION

During the last few years the financing of our schools has been one of the largest problems of school administration. In most cases means were not devised to handle the increased costs. As a result many communities have been forced to issue bonds.

The issuance of bonds has been the result of the increase of enrollment and the introduction of new courses which demanded the enlargement of the school plant. New buildings were erected to meet the arising conditions. The erection of new buildings and the securing of additional equipment required large expenditures.

Our schools were growing more rapidly than our income. In addition to this, the buying power of the dollar depreciated. As a result most communities were forced to issue bonds. Generally these were in such quantities that they were burdensome to the district.

If the bonded indebtedness continues to increase at the same rate that it has during the past few years the present generation will be forced to leave a part of their debt for the next generation to pay. This policy would be unwise. Financing the schools should be handled: (1) on a pay as you go basis whenever possible, or (2) on a well regulated system of laws controlling bonding.

Most states have realized the importance of regulating the issuance of bonds. Some state codes contain fairly complete laws controlling bond issues. Because of the widespread interest on the subject of bonding and a need of a guiding course of action for the issuance of bonds, this study is made.

The object of this study is to make a comparison of the legal status of school bonds in the forty-eight states; and to make a critical, interpretive, and constructive report on the subject of bonding for schools based on the material collected.

The Method of Attacking the Problem

In order to ascertain to what extent this subject had been dealt with, a thorough review was made of the literature that would be likely to contain material. Only the briefest of citations were found. However, one reference, by MacDowell, was found to be helpful.¹

This reference was used as a beginning for the study. MacDowell's work contains a brief discussion on the legislation concerning school bonds that was effective in 1915. By collecting the laws on bonding from the state codes, that are effective at the present time, it is possible to show the changes in the legislation pertaining to school bonds during the past eight years.

In compiling the data, the school codes of the states were read. All information on the subject of bonds was collected separately for each state.

¹ - MacDowell, Theodore, State Versus Local Control of Elementary Education, United States Bureau of Education, Bulletin, 1915, No. 22, pp. 33-48.

The information secured was sent to the various state departments for approval, supplementation, and correction. This was done because certain laws were indefinite and because it was thought that new laws might have been passed since the last edition of the school code. Complete replies were received from thirty-six of the forty-eight states.

In the interest of accuracy the school codes of the states that did not reply were reread to check the information that had been found previously.

Copies of the letters and the memorandum sent to the various state departments are given in the Appendix.

A SUMMARY OF THE LEGAL STATUS OF SCHOOL BONDS

The school codes of the different states vary greatly in the legal requirements of bonding. There are two possible extremes: (1) where everything relative to bonding is determined by law, and (2) where everything relative to bonding is left to the issuing district. There is no state that would come strictly under either classification.

The popularity of the different points on bonding cover a wide range. Certain points, as authority to issue, and the purposes for which bonds may be issued, are regulated by law in most states. Other points, as a deposit to accompany each bid, and the tax limit for bonding purposes, are usually determined locally.

The western states as a whole have more complete laws on bonding than the eastern states. This is undoubtedly due to the centralization of authority. Washington, and Utah have complete laws on bonding. Wyoming, and California omit one point only. The eastern states have less

centralization of authority with the result that more authority is placed in the individual districts. In addition the eastern states often regulate bonding by special enabling legislation to cover each case.

With a very few exceptions every state code prescribes: (1) the purpose for which bonds may be issued, (2) the authority to issue bonds, (3) the maximum debt limit, (4) the maximum percent of interest that can be paid, and (5) the period that bonds may run. The states that do not include these points on bonding are mainly eastern states.

Because of the variance in the legal requirements for school bonds a table is presented on the following page showing the items that each state includes in its code.

In the following table three letters are used to indicate whether or not the item is covered in the state law. X indicates that the state law specifies the conditions. N shows that there is nothing on bonding. B is used in case that nothing has been found in the school code and that the state department has not answered the inquiry on this point.

TABLE I

A Summary of the Legal Status of School Bonds
in the Forty-eight States

State	Petition or called by board	Notice of Vote	Authority	Purpose	Kind of bonds	Debt limit	Denomination	Percent of interest	Selling value	Registered	Time limit	Notice of sale	Deposit with bid	State loan	Sinking Fund	Who may vote	Recall provided	Tax limit
Alabama	B	B	X	X	B	B	B	X	B	B	B	B	B	B	B	B	B	B
Arizona	X	X	X	X	X	X	X	X	X	B	X	X	B	B	X	X	B	X
Arkansas	B	X	X	X	X	N	X	X	X	X	N	X	B	N	N	X	X	N
California	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	B
Colorado	X	X	X	X	B	X	X	X	B	X	X	B	B	N	X	X	X	X
Connecticut	X	X	X	X	X	X	X	X	X	X	X	X	N	X	X	X	N	X
Delaware	B	X	X	X	X	X	X	X	X	N	X	B	B	N	X	X	N	X
Florida	X	X	X	X	X	B	X	B	B	B	B	X	B	X	X	X	X	B
Georgia	X	X	X	X	X	B	X	X	B	B	B	B	B	B	B	X	B	B
Idaho	X	B	X	X	X	X	B	X	X	X	X	X	B	X	B	X	X	X
Illinois	X	X	X	X	X	X	X	X	X	X	X	N	N	N	X	X	N	N
Indiana	X	B	X	X	X	X	X	X	X	B	X	X	B	X	B	X	X	X
Iowa	X	X	X	X	B	X	X	X	X	X	X	X	B	B	B	X	B	X
Kansas	X	X	X	X	X	X	X	X	X	X	X	B	B	X	X	B	B	X
Kentucky	X	X	X	X	X	X	X	X	X	N	X	N	X	N	X	X	X	X
Louisiana	X	X	X	X	X	X	X	X	X	X	X	X	X	N	N	X	X	N
Maine	B	B	B	B	X	X	B	B	B	B	B	B	B	N	B	X	N	B
Maryland	B	B	X	X	B	B	B	B	B	B	B	B	B	B	B	B	B	B
Massachusetts	X	X	X	X	X	X	X	X	X	X	X	N	N	X	N	X	N	N
Michigan	X	X	X	X	B	X	X	X	X	B	X	N	N	N	X	X	N	X
Minnesota	X	X	X	X	X	X	B	X	B	N	X	N	N	X	N	X	X	N
Mississippi	X	X	X	X	X	X	B	X	X	B	X	B	B	N	N	X	B	N
Missouri	N	X	X	X	X	X	X	X	X	X	X	B	B	B	B	X	X	X
Montana	X	X	X	X	X	X	X	X	X	X	X	X	B	X	X	X	N	X
Nebraska	X	X	X	X	X	X	B	X	X	X	X	B	B	B	X	X	B	B
Nevada	X	X	X	X	X	X	X	X	X	X	X	X	N	X	N	X	X	X
New Hampshire	X	X	X	X	X	X	N	X	N	N	X	N	N	N	N	X	N	N
New Jersey	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	B	N
New Mexico	X	B	X	X	B	X	X	X	X	B	X	X	B	B	B	B	B	X
New York	B	X	X	X	X	X	X	X	X	X	X	X	X	N	N	X	N	N
North Carolina	X	X	X	X	X	X	X	X	X	X	X	B	B	X	X	X	X	N
North Dakota	X	X	X	X	X	X	X	X	X	X	X	B	B	X	B	B	X	X
Ohio	B	B	X	X	X	X	X	X	X	B	X	X	B	X	X	X	X	X
Oklahoma	X	X	X	X	X	X	X	X	X	X	X	B	B	B	X	X	N	B
Oregon	B	X	X	X	X	X	X	X	X	X	X	X	X	B	X	X	X	X
Pennsylvania	X	X	X	X	X	X	B	B	X	N	X	X	B	N	X	B	X	X
Rhode Island	N	X	B	X	X	X	X	X	X	X	X	N	N	N	X	X	X	X
South Carolina	X	X	X	X	X	X	B	X	X	B	X	B	B	X	X	X	X	N
South Dakota	X	X	X	X	X	X	X	X	X	X	X	X	B	B	X	X	X	N
Tennessee	B	B	X	X	X	X	X	X	X	B	X	X	B	B	X	X	X	X
Texas	X	X	X	X	X	X	X	X	X	X	X	B	B	X	X	X	X	X
Utah	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Vermont	X	X	X	X	X	X	X	X	X	X	X	X	N	N	X	X	N	N
Virginia	X	X	X	X	X	X	X	X	X	X	X	B	N	X	X	X	X	X
Washington	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
West Virginia	X	X	X	X	X	X	X	X	X	N	X	N	X	N	B	X	N	X
Wisconsin	B	B	X	X	B	X	B	X	B	B	X	B	B	X	B	B	B	B
Wyoming	X	X	X	X	X	X	X	X	X	X	X	X	B	X	X	X	X	X

I. Methods of Calling a Vote for the Issuance of Bonds

Before calling a vote of the people on the question of a bond issue it is generally customary to have a resolution passed for it by the majority of the Board of Education or a petition signed for it by a specified number of qualified electors. In a few states either one of the above methods is enough to demand that the question be submitted at either a special or regular election.

A petition signed by the voters is a good method of securing public interest in the issuance of bonds. This is especially true where the state law requires twenty-five percent or more of the voters names to appear on the petition. This petition is presented to the Board of Education requesting that the question of issuing bonds be decided at a special or general election.

A resolution passed by the Board of Education is used in fourteen states for calling a vote of the people on the question of a bond issue. School boards are generally in a much

better position to see the needs of the schools than the ordinary layman. If a community has a Board of Education which is not progressive they may refuse to pass a resolution calling for a vote on the issuance of bonds. This might occur when the community is progressive. For this reason the authority to call a vote on a bonding proposition should not be left entirely to the discretion of the Board of Education.

The codes should permit the calling of an election: (1) if the voters petition the Board of Education requesting that the issuance of bonds be submitted to the vote of the people, or (2) if the Board of Education passes a resolution calling for a vote on the issuance of bonds. If either of the above methods will permit the calling of a vote, the issuance of bonds can always be put before the voters whenever there is a demand for it.

On the following page the states are listed according to the method used for calling a vote on the issuance of bonds.

1. Petition by Voters

Colorado, Georgia, Indiana, Mississippi, Nebraska, New Hampshire, North Dakota, Oklahoma, South Carolina, and Texas.

2. Instigated by the Board of Education

Connecticut, Idaho, Illinois, Kentucky, Massachusetts, Michigan, Minnesota, Nevada, Pennsylvania, Vermont, Virginia, Washington, West Virginia, and Wyoming.

3. Petition by Voters or Instigated
by the Board of Education

Arizona, California, Florida, Kansas, Louisiana, Montana, New Jersey, North Carolina, South Dakota, and Utah.

II. Notice of Vote on a Bond Issue and How It Is Given

There are two general methods of giving the notice of election: (1) by posting one or more notices in the district, and (2) by publishing a notice one or more times in a local paper.

The legal requirements of most of the states on the notice of vote are very similar. However, it is unusual for any state to have exactly the same requirements as any other state. Posted notices are generally required in three or more conspicuous places for a period of twenty days. Published notices are generally given in a local newspaper once each week for a period of three weeks. The state laws usually require that both methods be used to notify the people of a vote on the issuance of bonds.

Both posted and published notices should be used in every state. All states have communities where a published notice would not reach every home. In these communities posted notices would be more likely to call the attention

of the electors to the issuance of bonds. In cities a posted notice would not reach the same number of voters as a published notice. When both methods are used simultaneously a greater number of the electors will be notified than if either method is used separately.

Below are listed the states with the methods that must be followed in notifying the electors.

Arizona: Notice must be given for twenty days in three public places, and once each week in a local newspaper for a period of three weeks.

Arkansas: Notice must be given for twenty days in one or more newspapers.

California: Notice must be given for twenty days in three places, and in a local paper once each week for a period of three weeks.

Colorado: Notice must be given for twenty days at each polling place, and three other places in the district. In addition to this a notice must be published once each week for four weeks in a local newspaper.

Connecticut: Notice must be given as called for in the enabling legislation. This cannot be for less than five days.

Delaware: Notice must be given for five days at all voting places, and once each week in two newspapers of the county for a period of two weeks.

Florida: Notice must be published once each week for a period of four weeks.

Georgia: Notices must be posted in three places for a period of ten days, except in county districts where a notice must be published once each week for eight weeks.

Illinois: Notices must be posted for ten days in three public places.

Iowa: If the Board of Education is petitioned by the electors a notice must be published once each week for a period of four weeks in a local newspaper.

Kansas: Notices must be posted in five places for a period of ten days, except for county high schools where the notice must be posted for twenty days. In cities a notice

must be published for four weeks in a local newspaper.

Kentucky: Notices must be posted in six places for a period of ten days, and published once in a local newspaper.

Louisiana: Notices must be published once each week for a period of four weeks.

Massachusetts: Notices must be posted for a period of seven days prior to the town meeting. In cities the question of issuing bonds must be passed at a stated number of meetings according to the city charter.

Michigan: Notices must be posted for ten days.

Minnesota: Notices must be posted for ten days in three or more places, and published twice in a local newspaper.

Mississippi: Notices must be published once each week for a period of three weeks. If there is no newspaper in the district notices must be posted in three public places for a period of three weeks.

Missouri: Notices must be posted in five places for a period of fifteen days; except notices for funding bonds which must be posted

in ten places for a period of twenty-eight days, and must be published once each week for a period of four weeks.

Montana: Notices must be posted in three places for a period of fifteen days, except in cities where a notice must be posted in each ward for fifteen days.

Nebraska: In county districts three notices must be posted for a period of twenty days, and notices must be published in a newspaper of the county.

Nevada: Notices must be published once each week for a period of two weeks in a local newspaper, except for county high school bonds when three notices must be posted in each voting precinct for a period of fifteen days.

New Hampshire: The notice must be posted for a period of four days.

New Jersey: Notices must be posted on each school house and other public place as designated by the Board of Education, seven in all, and the notice must be published in a local newspaper at least one week before the election.

New York: The notice of vote must be

included in the notice of the annual meeting.

North Carolina: A notice must be posted for thirty days at the Courthouse door, and be published for four weeks in some newspaper.

North Dakota: Notices must be posted in three conspicuous places for a period of fourteen days.

Oklahoma: In independent districts a notice must be given for ten days in a local newspaper. In other districts notices must be posted in five places for a period of ten days. Funding bonds require a notice to be published in a newspaper of the county seat.

Oregon: Notices must be posted in three public places for a period of twenty days, one of which shall be the place of election.

Pennsylvania: Notices must be published once each week in a newspaper of the county.

Rhode Island: The enabling legislation determines how the notice of vote shall be given.

South Carolina: Three notices must be posted for a period of ten days, and a published notice must be given in a county paper for the same length of time.

South Dakota: In common districts three notices must be posted for twenty days. In independent districts a notice must be published in a local newspaper for a period of four weeks. If there is no newspaper in the district then a notice must be posted in three places for a period of thirty days.

Texas: Three notices must be posted for a period of three weeks, and published in some county newspaper for the same length of time.

Utah: Notices must be published for ten days in some newspaper of the district.

Vermont: Five notices must be posted for a period of two weeks in public places, and published once each week for three weeks in a local or state newspaper.

Virginia: Ten notices must be posted for fourteen days, and published for the same period in a local newspaper.

Washington: Five notices must be posted for a period of twenty days, and published in a local newspaper. In first class districts a notice must be posted in each ward for a period

of twenty days, and published three times in two local newspapers. If there is no daily newspaper in the district then it must be published in the three issues prior to election. Second and third class districts must post notices for a period of ten days.

West Virginia: Notices must be published for a period of two weeks in two newspapers of different political parties.

Wyoming: Thirty days notice must be given.

III. Authority or Result of Vote Necessary to Issue

Bonds are issued in various manners. The two most popular methods are: (1) by a vote of the people, and (2) by a board approving the issue of bonds.

When the authority to issue bonds is determined by the voters, state codes specify that a majority to two thirds of those voting, or those eligible to vote, must favor the issue. In a few states the debt limit resulting from the bond issue determines the percent of voters that must favor the issuance of bonds.

Some states authorize certain municipal boards, or municipal boards and school authorities together, to issue bonds. This type of authorization occurs mainly in the eastern section of the United States.

The authority to issue bonds should not be controlled by a municipal board. To place the financing of our schools at the mercy of a municipal board is likely to introduce many undesirable elements in our educational system.

'Politicians' would be able to dominate the politics of any school.

The people should control the issuing of bonds. A majority of those voting in favor of the issue should permit the issuance of bonds up to a certain debt limit. In case that the people desire to bond above the fixed limit, a two thirds vote favoring the question should permit an additional issue. However, every state code should prescribe a definite maximum debt limit which cannot be exceeded under any conditions, so that any district may not become too heavily indebted.

The states are listed below according to the method used for authorizing the issuance of bonds.

1. When a Majority of Those Voting Are
in Favor of the Issue

Alabama, Arizona, Colorado, Delaware, Florida, Illinois, Kansas, Minnesota, Mississippi, Montana, Nevada, New Hampshire, New Mexico, North Carolina, Oregon, Pennsylvania, South Carolina, South Dakota, Texas, Utah, Virginia, and Wyoming.

2. When Two Thirds of Those Voting Are
in Favor of the Issue

California, Connecticut, Idaho,
Kentucky, and Vermont.

3. Exceptions

Arkansas: In the rural districts authority is given by a majority of those voting in favor of the issue. In towns and cities the Board of Education determines whether or not bonds shall be issued.

Georgia: Two thirds of those voting must favor the issue and these must constitute a majority of those qualified to vote.

Indiana: Bonds are issued on the authority of the Township Trustees and the Advisory Board. In cities, bonds are issued on the authority of the Board of Trustees of the school corporation.

Iowa: The Board of Directors may issue bonds up to one and one fourth percent of the assessed valuation without a vote of the people. If the debt limit will be between one and one fourth percent and five percent of the

Assessed valuation then a majority of those voting must favor the issue.

Louisiana: The majority of the taxpayers must be in favor of the issue. The taxpayers favoring the issue must hold a majority of the assessed property.

Massachusetts: Bonds may be issued by the authority of two thirds vote of the people or by a two thirds vote of the City Council.

Michigan: A majority of the electors must favor a bond issue. If the debt limit is over the charter limit then a three fifths favorable vote is necessary to issue bonds.

Missouri: A two thirds favorable vote is necessary to issue bonds, except funding bonds which require a majority of those voting to favor the issue.

Nebraska: A three fifths favorable vote is necessary to issue bonds, except in the case of those for a rural high school where two thirds must favor, and in the case of those for a county rural high school where a majority must favor.

New Jersey: A majority of those voting

must favor a bond issue, except in the case of first class cities where the City Council authorizes the issuance of bonds.

New York: In cities under four hundred thousand, bonds are issued by the Common Council and the Board of Estimate and Apportionment. In cities of four hundred thousand to one million, bonds are issued by a four fifths vote of the Council. In cities over one million, bonds are issued by the Board of Estimate and Apportionment. Outside of cities a majority voting for the issuance of bonds carries the question, unless the debt limit would be above fifteen percent of the assessed valuation when a two thirds favorable vote is necessary.

North Dakota: A majority voting for the bond issue carries it, except refunding bonds which call for a two thirds vote of the Board of Education, and Agricultural Training school bonds which are issued by the County Commissioners.

Ohio: A majority voting must favor the issuance of bonds. Up to a debt limit of two mills a two thirds favorable vote of the Board of Education legalizes the issue.

Oklahoma: Three fifths of those voting must favor the issue.

Tennessee: If the population is under one hundred and ninety thousand the Quarterly County Court authorizes the issuance of bonds.

Washington: Bonds may be issued up to one and one half percent of the assessed valuation on the authority of a majority favorable vote of the people. A debt limit of one and one half percent to five percent of the assessed valuation requires a two thirds favorable vote of the people.

West Virginia: Bonds may be issued if three fifths of those voting favor the issue.

Wisconsin: A majority favorable vote will issue bonds, except in cities where bonds are issued by the approval of the Common Council.

IV. The Purposes for Which School Bonds May Be Issued

The purposes for which bonds may be issued are different in nearly every state. A few of these purposes are included in most codes because of their widespread need. The remaining purposes occur in a few states because of local conditions.

If the following table is compared with MacDowell's report¹, a few changes will be seen. With the exception of the points mentioned in the two following paragraphs, the purposes for which bonds may be issued have not changed a great deal during the last eight years.

Eight states have passed laws permitting bonds to be issued for the purpose of buying and the improving of sites. The number of states permitting the issuance of bonds for playgrounds, gymnasiums, and auditoriums has increased from one state to ten states since 1915.

¹ - MacDowell, Theodore, State Versus Local Control of Elementary Education, United States Bureau of Education, Bulletin, 1915, No. 22, pp. 33-48.

There are two purposes for which bonds may be issued that are gradually being eliminated from the school codes. These two purposes are maintenance and teachers' salaries. Only four states, Nevada, North Dakota, South Carolina, and Wisconsin, at the present time, permit bond issues for the purpose of maintenance. There is one state, Nevada, that permits bonding for the payment of vocational teachers' salaries. It is unwise to bond a district for teachers' salaries or maintenance. This debt must be paid at a time when no value can be received from the bond issue. Only those purposes which will be of value during the period of payment should be permitted.

There are several purposes for which bonds may be issued that occur in a majority of the states. Forty-three states permit the issuance of bonds for the purchase of sites or the improvement of the same, forty-six states for the erection or purchase of buildings, thirty-seven states for furnishing, twenty-seven states for additions to buildings, twenty-eight states for renewing and refunding bonds, and twenty-seven states for

repairs.

There are a few purposes for which bonds may be issued that are a result of local conditions. New Hampshire permits bonding for transportation, and Missouri, and Nevada for dormitories.

The purposes for which bonds may be issued are given in tabular form, on the following page, for convenience in comparing one state with another.

The Purposes for Which Bonds May Be Issued

State	Transportation	Dormitories	Necessary Expenses	Teacherages	Renewing Bonds, etc. 2	Insurance of property	Playgrounds, Gymnasiums, Auditoriums.	Vocational Education	Libraries	Maintenance	Furnishings	Additions to Buildings	Repairs to Buildings	Erection and Purchase of Buildings	Sites and Improvement of the same
Alabama					X		X		X			X	X	X	X
Arizona				X	X						X			X	X
Arkansas			X								X		X	X	X
California					X	X					X	X	X	X	X
Colorado					X						X			X	X
Connecticut					X							X	X	X	X
Delaware														X	
Florida			X								X	X		X	X
Georgia											X			X	X
Idaho					X		X				X	X	X	X	X
Illinois												X	X	X	X
Indiana					X			X	X		X	X	X	X	X
Iowa				X	X		X				X	X	X	X	X
Kansas					X							X	X	X	X
Kentucky			X		X						X	X	X	X	X
Louisiana				X			X				X			X	X
Maine															
Maryland											X	X	X	X	X
Massachusetts											X	X		X	X
Michigan				X	X		X	X			X			X	X
Minnesota				X	X			X			X	X	X	X	X
Mississippi				X							X	X	X	X	X
Missouri				X	X		X				X	X	X	X	X
Montana				X	X						X	X	X	X	X
Nebraska					X		X				X			X	X
Nevada					X		X		X		X			X	X
New Hampshire					X	X					X	X	X	X	X
New Jersey					X						X	X	X	X	X
New Mexico					X						X	X	X	X	X
New York					X		X	X			X	X	X	X	X
North Carolina					X						X	X	X	X	X
North Dakota					X				X		X	X	X	X	X
Ohio					X		X				X	X	X	X	X
Oklahoma					X						X	X	X	X	X
Oregon					X						X	X	X	X	X
Pennsylvania					X						X	X	X	X	X
Rhode Island															
South Carolina					X				X		X	X	X	X	X
South Dakota					X						X	X	X	X	X
Tennessee					X						X	X	X	X	X
Texas					X						X	X	X	X	X
Utah					X						X	X	X	X	X
Vermont					X						X	X	X	X	X
Virginia											X	X	X	X	X
Washington					X		X				X	X	X	X	X
West Virginia					X						X	X	X	X	X
Wisconsin					X		X		X		X	X	X	X	X
Wyoming					X						X	X	X	X	X

1-The special enabling legislation determines the purpose for which bonds may be issued.
 2-Renewing bonds, etc. includes all that permits the issuance and extension of the time limit on bonds.

V. Method of Payment of Bond Issues

The kinds of bonds that can be issued are: (1) serial bonds, (2) sinking fund bonds, and (3) bonds with or without coupons attached. There is a difference of opinion in the various states as to the best type of bonds. This can be seen by reviewing the conditions in the different states.

The serial method of payment has many advantages. The simplicity of management makes it very desirable. The Board of Education knows exactly the amount of money needed to meet maturing bonds each year. Provisions can be made to include this item of expense in the school budget. Another favorable feature of serial bonds is that a part of the maturing obligation can often be paid when the entire amount can not be met.

The sinking fund type of bond is more difficult to understand. This is especially true when the money needed for each year must be computed. Many Boards of Education may make errors in computing the amount of money to be placed in the sinking fund each year with the result that

often they are unable to meet bonds at maturity.

In the sinking fund type of bond the cost the first year is the same as the last. Usually the upkeep of a building, or other purpose for which the bonds were issued, is greater in the last few years than the first. If sinking fund bonds are issued the expense of the school will be greater the last few years of the bond issue.

Coupons should be attached to bonds so that they may be clipped without destroying the original bond. The interest on a bond issue will be greatest the first year and gradually diminish each year, providing the bonds are paid as they mature. The expense of a bond issue paid in this manner will be greatest the first year and smallest the last year.

Taking into consideration the advantages and disadvantages of each type of bonds, serial bonds with interest coupons attached appear to be the most desirable type.

On the following page the legal provisions, as to the types of bonds that may be issued, are given.

TABLE III

Method of Payment of Bond Issues in
the Forty-eight States

State	Method		State	Method	
	Coupon	Sinking Fund		Coupon	Sinking Fund
Alabama			Nebraska		X
Arizona	X	X	Nevada	X	
Arkansas	X	X X	New Hampshire		X
California	X		New Jersey	X	X
Colorado			New Mexico		
Connecticut		X	New York	X	X
Delaware	X	X	North Carolina	X	X
Florida	X	X	North Dakota	X	X
Georgia		X	Ohio		X
Idaho	X	X	Oklahoma	X	X
Illinois	X		Oregon	X	X
Indiana	X	X X	Pennsylvania		X
Iowa			Rhode Island		
Kansas	X	X	South Carolina	X	X
Kentucky	X	X	South Dakota	X	
Louisiana	X	X	Tennessee	X	X
Maine		X X	Texas	X	X
Maryland			Utah	X	
Massachusetts		X	Vermont		X
Michigan			Virginia	X	
Minnesota	X		Washington		X
Mississippi		X	West Virginia		X
Missouri	X	X	Wisconsin		
Montana		X	Wyoming	X	X

VI. The Maximum Debt Limits Permitted by State Codes

The debt limit of each state is expressed in percentages of the assessed valuation. A few states assess property at its full value, and others at a fraction of its real worth. Assessors do not value property according to legal specifications. This can be shown by referring to a study made in Iowa² on this subject. Property was assessed at forty-four percent of the selling price although the state code of Iowa requires that property be assessed at its full value. If the condition in other states is the same as in Iowa, it can be seen that no trustworthy comparison is possible.

During the past eight years there has been an upward trend in the debt limit permitted by state codes. The maximum debt limit has been increased from one percent to five percent of the assessed valuation in Idaho, Kansas, Michigan, New York, and South Carolina. Virginia has

² - Russell, William F., The Financial Situation in Iowa Schools, Elementary School Journal, Vol. 22 pp. 189 - 193.

decreased the debt limit from eighteen percent to seventeen percent of the assessed valuation. Since 1915, eleven states have added to their codes, restrictions on the debt limit.

No definite maximum debt limit can be established because of the inaccuracy of assessing property. The debt limit should never be so high that bonds will become burdensome to the community.

The states are listed below according to the maximum debt limit, permitted by law, in percentages of the assessed valuation of taxable property.

1. Two Percent

Kentucky, and New Hampshire.

2. Two and One half Percent

West Virginia.

3. Three Percent

Montana, Rhode Island, and Tennessee.

4. Four Percent

New Mexico.

5. Five Percent

California, Connecticut, Delaware, Illinois, Iowa, Kansas, Maine, Missouri, North Carolina, North Dakota, Oklahoma, Oregon, South Dakota, Texas, and Washington.

6. Six Percent

Arizona, and Ohio.

7. Seven Percent

Pennsylvania.

8. Eight Percent

South Carolina.

9. Ten Percent

Louisiana, Nevada, New Jersey, and Vermont.

10. Fifteen Percent

Michigan, Minnesota, and New York.

11. Seventeen Percent

Virginia.

12. Exceptions

Colorado: The debt limit is three and

one half percent of the assessed valuation in third class districts, and five percent of the assessed valuation in second class districts.

Idaho: The debt limit is six percent of the assessed valuation, except in joint rural high school districts where it is four percent.

Massachusetts: The debt limit is three percent of the assessed valuation, except in cities where it is two and one half percent.

Mississippi: The debt limit is fifteen percent of the assessed valuation in cities over eight thousand population; in other districts the debt limit is five percent.

Nebraska: The debt limit is ten percent of the assessed valuation, except in districts having less than one hundred children where it is five percent.

Utah: The debt limit is four percent of the assessed valuation, except in cities where it is three percent.

Wyoming: The debt limit is four percent of the assessed valuation in common districts, and two percent in high school districts.

VII. The Denominations in Which Bonds May be Issued

There are two methods of determining the denominations in which bonds may be issued. These methods are: (1) as specified in the school law, and (2) as determined by the Board of Education.

Seventeen states specify that bonds must be issued in denominations of one thousand dollars or less. The denominations are usually in multiples of fifty or one hundred dollars. Only three states, Massachusetts, Michigan, and New Jersey, permit the denomination of any bond to be in excess of one thousand dollars.

Seventeen states permit the Board of Education to determine the denomination of bonds.

If the denomination of any bond is too large, refunding of bonds is likely to occur. If the bonds are in small denominations it is often possible for a Board of Education to pay a part of the indebtedness maturing, and refund the remainder. For this reason it seems advisable to have state laws specify a maximum denomination

of one thousand dollars.

The restrictions on the denomination in which bonds may be issued in the various states are listed below.

1. One Thousand Dollars and Under

California, Colorado, Connecticut, Illinois, Indiana, Iowa, Kansas, Missouri, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah, Vermont, Washington, and Wyoming.

2. May Be Above One Thousand Dollars

Massachusetts, Michigan, and New Jersey.

3. Determined by the Governing Board of the Local District

Arkansas, Delaware, Florida, Georgia, Indiana (cities only), Kentucky, Louisiana, Montana, Nevada, New York, North Carolina, Ohio, Oregon, Rhode Island³, Tennessee, Virginia, and West Virginia.

³ - In Rhode Island the enabling legislation determines the denomination of bonds.

VIII. The Highest Rate of Interest That Bonds May Bear

The methods used by the different states in specifying the rate of interest are: (1) by percentages, (2) legal rate, (3) market rate, and (4) optional with the Board of Trustees.

States specifying percentages and legal rate of interest have established a maximum rate of interest that can be paid. Thirty-nine states can be classified in this list. There is nothing in the codes of any of these states which prevent bonds from bearing a smaller rate of interest.

When the rate of interest that bonds may bear is determined by the Board of Trustees, or is specified as the market rate, no maximum rate of interest has been established. The four states, Georgia, Maryland, Massachusetts, and Rhode Island, coming under this classification have not protected the local Board of Education. If a definite maximum rate of interest is established that can not be exceeded under any condition the local Board of Education would be

protected.

Since 1915 there have been very few changes in the maximum rate of interest that can be paid. The few changes that have occurred, have a slight upward trend.

Every state should include in their codes a maximum rate of interest that can be paid on bonds. Very few communities will find it necessary to pay a greater rate of interest than six percent. A majority of the states will be able to sell bonds bearing a lower rate of interest than six percent.

The states are listed below according to the maximum rate of interest permitted by the code.

1. Five Percent

Connecticut, Iowa, Tennessee, Utah,
and Vermont

2. Six Percent

Alabama, Arizona, Arkansas, Delaware,
Kentucky, Louisiana, Mississippi, Montana, Nebraska,
Nevada, New Jersey, New Mexico, New York, North

Carolina, Ohio, South Carolina, Texas, Washington, West Virginia, Wisconsin, and Wyoming.

3. Seven Percent

Illinois, Minnesota, and South Dakota.

4. Exceptions

California: Bonds may not bear a greater rate of interest than six percent, except fifth class districts where they may bear eight percent.

Colorado: Bonds may not bear a greater rate of interest than six percent, except third class districts where they may bear eight percent.

Georgia: The rate of interest that is paid is optional. This is determined by the Board of Trustees.

Idaho: Six percent is the rate of interest for all bonds, except refunding which may bear seven percent.

Indiana: The rate of interest for common districts is four percent; for high schools, four and one half percent; for refunding bonds, five and one half percent; for emergency, six percent.

Kansas: Bonds may not bear a greater rate of interest than six percent, except bonds for county high schools and for first class districts which may bear five percent.

Massachusetts: The interest allowable is the market rate.

Michigan: The rate of interest is eight percent, except for teacherages and in districts having a population over two hundred and fifty thousand where it is six percent.

Missouri: Bonds must not bear a greater rate of interest than eight percent, except refunding bonds which cannot bear a higher interest than five percent.

North Dakota: Bonds for common districts, and cities may not bear a higher rate of interest than seven percent; bonds for agricultural schools may not bear a greater rate of interest than six percent; independent districts and refunding bonds may not bear a higher rate of interest than five percent.

Oklahoma: Bonds for independent districts may not bear a greater rate of interest

than five percent; funding bonds may not bear a greater rate of interest than six percent; bonds for other than independent districts may not bear a greater rate of interest than seven percent.

Oregon: Bonds must bear the legal rate of interest.

Virginia: Bonds up to three thousand dollars taken from the Literary fund may not bear a higher rate of interest than three percent, above three thousand dollars they may bear four percent; bonds for county districts may not bear a higher rate of interest than six percent.

In Maryland and Rhode Island the rate of interest is determined by the special enabling legislation.

IX. Selling Value of Bonds

Thirty one states require that all bonds be sold at par or better. In the past eight years nine of these states have included such a law in their codes. The states are realizing the importance of requiring all bonds to be sold at par or better.

There are seven states that permit bonds to be sold for other than par value. However, in these states bonds bring par, and it is an exceptional case when they are not sold for at least their face value.

Codes should require all bonds to be sold for par or better so that each district will know the minimum amount of money that it may receive from the sale of bonds. If a state permits bonds to be sold for any price they will bring, it is often necessary to issue additional bonds to secure the funds needed.

The states are listed below according to the selling value of bonds.

1. Par or Better

Arizona, Arkansas, California, Connecticut, Delaware, Idaho, Illinois, Iowa, Kentucky,

Louisiana, Massachusetts, Michigan, Mississippi, Montana, Nebraska, Nevada, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Virginia, Washington, West Virginia, and Wyoming.

2. To the Highest Bidder

Utah, and Vermont.

3. Exceptions

Indiana: Library bonds may be sold for ninety-four percent of the face value, all other bonds must be sold for par or better.

Missouri: Funding and refunding bonds may be sold for ninety percent of the face value plus the expense of the issue; all other bonds must be sold for par or better.

New Hampshire: There are no specifications in the code as to the selling value of bonds.

Rhode Island: Bonds are sold at the market price.

South Carolina: Bonds must be sold for par or better, except in Greenville where the purchaser may realize six percent on the investment, and in School District 3B where the investor is allowed seven percent.

X. Registration of Bonds

Twenty-four of the state codes require that bonds be registered. The remaining states make the registration of bonds optional with the purchaser, or omit this subject in the school code.

The officers registering bonds differ in nearly every state. The official registering bonds may be local, county, or state officers according to the legal provisions. There are a few states that require more than one officer to register bonds. This occurs frequently in the case of refunding bonds.

The County Treasurer should be selected to register all bonds. He is in closer touch with the financial situation of each district, and will be able to use information regarding bonded indebtedness better than any other county officer.

Registering with local officers affords no advantages that are not offered when bonds are registered with the County Treasurer. In addition local officers are not in a position to use the information that registration of bonds gives.

Registration with the State Auditor should be required when refunding bonds are issued. In many cases the validity of refunding bonds is questioned and when they are registered with a state officer this objection is removed.

The states are listed below according to the registering officer.

1. County Treasurer

Arkansas, California, Montana, Nevada, Oregon, Washington, and Wyoming.

2. City or Town Treasurer

Connecticut, Massachusetts, and Vermont.

3. Treasurer of the District

Illinois.

4. Secretary of State

Louisiana.

5. State Auditor

Missouri

6. County Auditor

Nebraska.

7. District Clerk

New Jersey.

8. School District Clerk

New York.

9. Clerk of the Board of Education

Utah

10. Exceptions

Colorado: Bonds are registered by the County Auditor, except county high school bonds which are registered by the County Clerk.

Idaho: Bonds are registered by the Clerk of the County, except funding bonds which are registered by the Clerk of the County and the Auditor of State. City funding bonds must be registered by the Clerk of the Board of Education in addition to the officers mentioned above.

North Dakota: In cities, bonds are registered by the City Clerk and the County Auditor. Agricultural training bonds are registered by the County Auditor. In special and independent districts, bonds are registered by the Clerk of the

School Board.

Oklahoma: In independent districts, bonds are registered by the Clerk of the Board of Education. In other than independent districts, bonds are registered by the Clerk of the County and the State Auditor. All funding bonds are registered by the Clerk of the District and the Clerk of the County.

South Dakota: All bonds are registered by the Clerk and Treasurer of the district.

Texas: All bonds are registered by the County Treasurer and the Comptroller of Accounts, except in independent districts where it is not necessary to register the bonds with the County Treasurer.

XI. Time Bonds May Run

Most state codes are fairly definite on the period that bonds may run. The same state may have several periods for different bonds depending on the purpose of the issue. Other states have one time limit for all bonds. This is usually twenty years. In nearly every case the maximum period is given in the school code. A few states mention a minimum limit for the issuance of bonds.

It is wrong to have one time limit for all bonds, because the life of the purpose, for which they were issued, varies. To illustrate this the following example is used. If the life of a wooden building is twenty years, the period of the bonds issued should be twenty years or less. Under no conditions should the period be longer than twenty years, or the district will have a part of the debt to pay after the building is no longer useful.

The states are classified on the following page according to the period for which bonds may be issued.

1. Twenty Years or Less

Arizona, Idaho, Illinois, Iowa,
Massachusetts, Montana, Nevada, New Hampshire,
New York, Oregon, South Carolina, Utah, Vermont,
and West Virginia.

2. Twenty-five Years or Less

Delaware, Mississippi, and Tennessee.

3. Thirty Years or Less

Pennsylvania.

4. Forty Years or Less

California, and Louisiana.

5. Exceptions

Colorado: Bonds may run twenty to
forty years, except refunding bonds which must be
paid in twenty years.

Connecticut: There is no time limit
for which bonds may run.

Indiana: All bonds must be paid in
twenty years, except the following: Library bonds,
forty years; high school bonds, forty-five years;
bonds of cities of one thousand to two thousand

population, township bonds, and funding bonds, fifteen years; bonds of cities of one thousand to five thousand population, ten to twenty-four years.

Kansas: Bonds must be paid in fifteen years, except refunding bonds which may run thirty years. Bonds in first class cities, and for county high schools must be paid in twenty years.

Kentucky: Bonds must be paid in thirty years, except refunding bonds which may run twenty years.

Michigan: Bonds must be paid in thirty years, except township bonds which must be paid in fifteen years, and cities of one hundred thousand to two hundred thousand population, twenty years.

Minnesota: Bonds may run from five to twenty years.

Missouri: Bonds must be paid in twenty years, except funding bonds which must be paid between five and thirty years.

Nebraska: Bonds must be paid in thirty years.

New Jersey: Bonds issued for lands must be paid in forty years; bonds for buildings: frame, twenty years; non-fireproof, thirty years; fireproof, forty years; additions, and reconstructions for frame buildings, fifteen years; non-fireproof, twenty years; fireproof, thirty years; equipment, ten years; refunding, twenty years.

New Mexico: Bonds may run from twenty to thirty years.

North Carolina: Bonds for cities may run from three to thirty years; bonds for county farm life schools must be paid in fifteen years; all other bonds must be paid in twenty years.

North Dakota: Bonds for common school districts may run from five to twenty years; for cities, ten years; for agricultural training schools, and special districts, five to twenty years; for independent districts, twenty-five years.

Ohio: Bonds for refunding must be paid in twenty years; fireproof buildings, twenty-five

years; non-fireproof buildings, fifteen years. Bonds for current expenses must be paid in ten years. Under no conditions may bonds run longer than forty years.

Oklahoma: The principal on bonds must be paid within twenty years; principal and interest combined, or funding bonds must be paid in twenty-five years.

South Dakota: All bonds must be paid between five and twenty years.

Texas: Bonds for wooden buildings may run twenty years, and for fireproof buildings, forty years.

Virginia: Bonds must be paid in fifteen years, except counties where bonds may run for thirty years.

Washington: Bonds must be paid in twenty-three years, except in first class districts where bonds may run for forty years if the improvement is of a permanent type.

Wisconsin: Refunding bonds may run twenty years; district bonds, fifteen years.

Wyoming: All bonds must be paid in
twenty-five years, except refunding bonds which
may run from five to thirty years.

XII. Notification for the Sale of Bonds

No notice of the sale of bonds is required when bonds are sold to any state commission. However, if the state commission refuses to buy the bonds, or a state has no commission that buys bonds, a public notice must be given.

States specifying a notice, require that it be given in a published form. Indiana, Nebraska, New York, and Virginia require a posted notice in addition to a published notice.

There is a great similarity in the requirements of the state codes on the notice of sale. Notice is generally given by advertising in a local newspaper for three weeks, and sometimes in a state or financial paper of wide circulation, for the same period.

Some states have nothing in their codes on the notice of sale. However, Boards of Education usually give a published notice. There is a possibility of selling bonds at a private sale when no notice is required. This is likely to cause a lower selling price than if the

notice of sale was published.

Below the states are listed with the legal requirements for the notice of sale.

Arizona: Notice of sale must be given for twenty days in one or more newspapers in the county.

California: Notice of sale must be given in some county newspaper. If there is no county newspaper then it must be given in some newspaper of another county.

Connecticut: Reasonable notice of sale must be given in a newspaper having a good circulation.

Florida: Notice of sale must be given for thirty days in some newspaper of the county.

Idaho: Four notices of sale must be given in a local newspaper once each week.

Indiana: Notice of sale must be given in some newspaper for three weeks, except funding bonds. Notice of sale for funding bonds must be posted for two weeks in five places, and published in one newspaper of general circulation, and in one

newspaper in the city of Indianapolis for a period of two weeks.

Iowa: Notices of sale must be given in at least one official newspaper of the county, and in at least one newspaper of general circulation in the state for two or more successive weeks.

Louisiana: Notices of sale must be given once a week for three weeks in a paper of the county, and in a city paper of Louisiana with a population of twenty thousand or better, or in a financial paper of New York or Chicago.

Montana: Notice of sale must be given once a week for four weeks, or thirty days in some paper of the state.

Nevada: Notice of sale must be given once in a local newspaper ten days before the sale, or posted in three places if there is no newspaper. For county high school, notices must be given for three weeks in a newspaper of general circulation.

New Jersey: Notice of sale must be given two times within a period of ten days in a newspaper of the municipality, and once in one financial newspaper selected by the Board of

Education.

New Mexico: Notice of sale must be given for four weeks in four issues of a weekly newspaper.

New York: Notice must be given ten days before the sale in a newspaper two times, or a notice must be posted in ten of the most conspicuous places.

Ohio: Notice of sale must be given once a week for three weeks in a county newspaper. If the bond issue is over twenty thousand dollars notice must be given in a statewide newspaper in addition to the above.

Oregon: Notice of sale must be given at least two weeks in a newspaper printed in the county.

Pennsylvania: Notice of sale must be given once a week for three weeks in a newspaper of the county.

South Dakota: Notice of sale must be given for two weeks.

Tennessee: Notice of sale must be given for thirty days.

Utah: Notice of sale must be given for ten days in a newspaper in the county.

Vermont: Notice of sale must be given in a local or state newspaper once a week for three weeks, and five notices of sale must be posted for two weeks in public places.

Washington: Notice of sale must be given in four issues of a newspaper published at the county seat.

Wyoming: Notice of sale must be given in a county and state newspaper for four weeks.

XIII. Requirements Concerning the Deposit
That Must Accompany a Bid for the
Purchase of Bonds

The amount that must be deposited with a bid, if required at all, is left to the discretion of the Board of Education, except in New Jersey, Utah, and Washington. New Jersey requires two percent of the bid to be deposited. Utah requires five percent of the par value of bonds to be deposited with the bid. Washington requires one percent of the bid to be deposited.

Usually every Board of Education safeguards itself by requiring a certified check to accompany each bid for bonds. Every state should arrange to protect the Boards of Education by passing a law requiring every bidder to make a deposit with bids. This deposit might represent two percent of the par value of bonds. This amount would be large enough to protect every board. Special provisions should be included to release all state commissions from the requirement.

XIV. State Loans for Bonding Purposes

Many states have seen the advantages of a central board for the purpose of loaning money to the various communities for bonding. Often the permanent school fund is used for this purpose. By adding the interest to the principal some states are increasing their loan fund and aiding districts that need assistance. Other state funds are often used in addition to the money mentioned above.

A very few states require that all bond issues be submitted to a central authority for their approval or rejection. Usually rejection is the result of an indebtedness exceeding the legal limit or a lack of funds on the part of the state board.

There are advantages in having a state board loan money to the districts of the state for school bonding purposes. These advantages are: (1) the validity can be determined, (2) the revenue derived from the loan of money to the districts may be used to increase the permanent school fund,

(3) the burden of the district will be smaller, because the rates of interest will be decreased.

Every state should have a board or commission for the purpose of loaning money to the districts for school bonds. This commission should have control of all state school funds. Often the states could add money to this fund for a temporary period when they have a surplus. In time a reasonably large fund for the purpose of aiding districts could be developed.

The states maintaining such boards are listed in the following table with the title of each commission, the officer in charge, and the fund used for the purpose of buying bonds.

TABLE IV

The Authority Loaning Money to the Districts
for Bonds, or Fund from Which This Money
Is Taken

State	Authority, or Fund
California	State Board of Control
Connecticut	State Treasurer
Florida	State Board of Education
Idaho	Department of Public Investments
Indiana	Permanent Endowment Fund
Massachusetts	State Treasurer
Minnesota	State Investment Board
Montana	State Board of Land Commissioners
Nevada	State Board of Finance
New Jersey	Trustees for the Support of Public Schools, Teachers' Pension, and Annuity Fund
North Carolina	State Board of Education
North Dakota	Board of University School Lands (Agricultural Training only)
Ohio	State Industrial Commission
South Carolina	State Sinking Fund
South Dakota	Commissioner of School and Public Lands
Texas	State Board of Education
Utah	Board of Loan Commissioners
Virginia	State Board of Education from Literary Fund
Washington	State Board of Finance
Wyoming	Permanent School Funds

XV. The Sinking Fund

The states providing for a sinking fund usually name the officer that is to take charge, and prescribe how the fund may be invested. The County Treasurer or the Town Treasurer are the officers usually selected to handle the sinking fund. The laws prescribing how the money shall be invested are fairly uniform. The following investments are generally prescribed: (1) in redeeming outstanding bonds, (2) in bonds of the United States, (3) in bonds of the state, and (4) in bonds of a city, town, county, or district of the state, providing their indebtedness is below the legal limit.

Twenty-six states have laws regulating sinking funds. A majority of these states prescribe who shall be responsible. Nearly all of these states regulate the purposes in which the sinking fund may be invested.

The County Treasurer should be selected to handle the sinking fund because, (1) his technical knowledge fits him to make the best

investments, and (2) he will be able to deduct enough money for the sinking fund each year from the regular school funds.

Codes should regulate the purposes for the investments of the sinking fund. These investments should be: (1) in redeeming outstanding bonds, (2) in bonds of the United States, (3) in bonds of the state, and (4) in bonds of the city, town, county, or district of the state, providing their indebtedness is below the legal limit.

The states that prescribe a sinking fund are listed below according to the officer in charge of the sinking fund, method of appointing these officers, or where no officer is prescribed.

1. County Treasurer

Arizona, California, Colorado, South Carolina, Washington, and Wyoming.

2. Town Treasurer or Treasurer of District

Connecticut, Illinois, Oklahoma, Vermont, and Virginia.

3. Superintendent of Special District or
County Superintendent

Delaware, and Florida.

4. Board of Education

Michigan, Pennsylvania, Texas, and Utah.

5. Appointed by Common Pleas Court

Ohio.

6. State School Land Board

Oregon.

7. Sinking Fund Commission

Rhode Island, and Tennessee.

8. No Officer Selected

Kansas, Kentucky, Montana, Nebraska,
and New Jersey.

XVI. Qualifications for Electors on School Bond Issues

There are three general methods of determining who shall vote on a bond issue: (1) all qualified electors, (2) all taxpayers of a property tax, and (3) those who have paid a property tax, and electors who are parents or guardians of children of school age.

There are twenty-three states that permit all electors to vote on the question of issuing bonds. Thirteen states require all voters on a bond issue to be taxpayers on property. Two states, Idaho and Nebraska, require all voters on a bond issue to be taxpayers on property, or to be parents or guardians of a child of school age.

During the past eight years there have been few changes in state laws as to who may vote on the issuance of bonds. Trends show a slight increase in the number of states permitting all qualified electors to vote on a bond issue.

The holding of a property tax receipt should not be considered the only qualification for voting on a bond issue. In states where this is required the parents are not permitted to vote. The

parents as a whole are more likely to be directly interested in education than the taxpayers as a whole. Every person pays a property tax directly or indirectly. All electors should be permitted to vote on the question of issuing bonds.

The states are listed below according to the qualifications for voters on a school bond issue.

1. All Qualified Electors

California, Connecticut, Delaware, Georgia, Illinois, Indiana, Iowa, Kentucky, Massachusetts, Minnesota, Mississippi, Nevada, New Jersey, New York, North Carolina, Ohio, Oklahoma, South Carolina, South Dakota, Vermont, Virginia, Washington, and West Virginia.

2. Property Taxpayers

Arizona, Colorado, Florida, Louisiana, Maine, Michigan, Montana, New Hampshire, Oregon, Rhode Island, Texas, Utah, and Wyoming.

3. Property Taxpayers or Parents or Guardian of a Child

Idaho, and Nebraska.

XVII. Tax Limit for Indebtedness

Most states have a maximum tax limit.

A majority of these states do not prescribe the percent that shall be spent for the maintenance, or for the paying of indebtedness. There are four states that have a definite tax for indebtedness. Idaho permits a tax of five mills to pay for indebtedness; Ohio, three mills; Utah, one and one half mills; and Virginia, two and one half mills.

A tax for indebtedness seems a very desirable feature to have in every code because, (1) it provides definite means of paying indebtedness regardless of the cost of maintenance, and (2) it prevents a district from refunding all bonds at maturity.

The assessed valuation of the different states does not give a trustworthy comparison. Since taxes are based on the assessed valuation no definite tax, in mills, for indebtedness can be prescribed for each state.

XVIII. Provisions for the Recall of Bonds

Bonds may be recalled if, (1) the states have a law specifying conditions for recall, or (2) the bonds have a provision permitting recall when issued.

There are eleven states that permit the recall of bonds any time after ninety days if the purchaser is notified. Seven other states permit bonds to be recalled any time after a period of from one to ten years after the bonds have been issued. The remaining states leave the recalling of bonds to the local districts, or have nothing in their codes on this subject.

If the Board of Education does not include a provision in the bond for recall they cannot be taken in before maturity, unless the purchaser is willing. There are times when a Board of Education is in such a financial condition that they are able to pay for a bond before maturity. In doing this the Board of Education can save money for the district. Often bonds are issued with a high rate of interest. If provisions are included for recall it is

often possible to issue new bonds at a lower rate of interest.

Every state should provide for the recall of bonds. However, in doing this a period of at least two years, after the sale of the bonds, should be allowed before recalling. If the period is less than two years many would be purchasers will not consider buying school bonds because of the short period of investment.

The states are listed below that have legal provisions for the recall of bonds, regardless of the failure of any board to include such a clause in the original issue.

1. Any Time After Ninety Days
Notification

Arizona, Delaware, Idaho (if sold to the state), Kansas, Montana (refunding only), Nevada, Ohio, Oregon, Pennsylvania, Utah (cities), and Wyoming.

2. Any Time After One Year

Washington.

3. Any Time After Two Years

North Dakota (common school bonds).

4. Any Time After Three Years

North Dakota (agricultural training).

5. Any Time After Five Years

Utah (except cities), and West Virginia.

6. Any Time After Ten Years

California, and New Mexico.

Conclusion

In general the school laws are more definite in the regulations of bonding than they were in 1915. Many points in bonding that were formerly determined by the local communities are now regulated by state law. This seems to be a significant factor in predicting that state laws on bonding are going to be more and more definite as time goes on.

This is not likely to be true in the case of all the eastern states, unless the method of issuing bonds is changed. Many of the eastern states require a special enabling act passed by the legislature for each bond issue. This method of authorization may permit politics to enter. Unscrupulous politicians will use this privilege as a basis for further favors. In case there is friction between the representative of the district, and the school authorities, it is not likely that the district will be permitted to issue bonds. Thus in the method of issuing bonds, the personal element may play too great a part, and for this reason this method should be abolished.

It is not feasible to expect any one set of laws to be equally applicable to all states. Local conditions will and should effect the regulations that are to be used. To illustrate this we may take the case of a state that is sparsely settled. Bonding for transportation would be permissible in a case of this kind, but should not be permitted in a state where transportation is not a problem.

However, there are certain points relative to bonding that may be standardized throughout the United States, as the authority to issue, the kind of bonds, the maximum rate of interest, and the recalling of bonds. Local conditions are not likely to effect any of the points mentioned above. Standardizing the procedure whenever possible will place bonding on an impersonal and well thought out basis.

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APPENDIX

(This is a copy of the first letter sent to each Department of Education to secure information on bonding conditions.)

Oak Harbor, Ohio.
August 1, 1922.

(Name)

(Title)

(Address)

Dear Sir:-

I am making a comparative study of the bonding conditions of the forty-eight states. Please send me a copy of your latest school law and advance sheets, if any. If you have any other material which you think would be of assistance to me, I will appreciate receiving it.

If there is any charge connected with this please advise me and I will remit.

Thanking you in advance, I am

Very truly yours,

R. C. Waters.

(This is a copy of the second letter sent to each Department of Education for the purpose of confirming, correcting, and supplementing the data collected.)

Oak Harbor, Ohio.
April 9, 1923.

(Name)

(Title)

(Address)

Dear -----:-

I have been interested in the legal status of school bonds in your state. The school laws on some of the points are not clear.

I have tabulated on the enclosed blank the information which I have been able to get from the school laws of your state. Would you cooperate with me by handing my blank to the legal clerk or some other clerk of your department, asking him or her to confirm, correct, and supplement the data which the blank contains. This will make my data both accurate and up to date.

Thanking you in advance for any favors you extend me, I am

Very truly yours,

R. C. Waters.

(This is a copy of the third letter sent to each Department of Education that did not reply to the second letter.)

Oak Harbor, Ohio.
May 14, 1923.

(Name)

(Title)

(Address)

Dear -----:-

Some time ago I wrote you in reference to the Legal Status of School Bonds in your state. Up to the present time I have received no reply. Undoubtedly my letter failed to arrive or you were too busy at that time to give this matter your attention.

Enclosed you will find a list of the things I have found in your school law. However some of the points are not clear and I will more than appreciate a corrected reply.

Trusting that you will give this your personal attention or will turn it over to some one competent to answer my inquiry, I am

Very truly yours,

R.G. Waters

(This is a copy of the third letter sent to each Department of Education that sent additional material from which data could be secured, but did not answer the blank sent.)

Oak Harbor, Ohio.
May 14, 1923.

(Name)

(Title)

(Address)

Dear -----:-

Some time ago you sent me information on the Legal Status of School Bonds in your state. I have gone over this literature and have found the information given on the enclosed sheet. There are a few points that were not clear. If you will hand the enclosed sheet to your legal clerk for corrections and additions I will be more than pleased.

Thanking you in advance for this favor, I am

Very truly yours,

R. C. Waters.

(This is a copy of the blank sent to each Department of Education for confirmation, correction, and supplementation.)

Report on the Legal Status of School Bonds.
State of _____

Authority for calling a vote of the people. (People petition, board calls.)

Notice of vote and how given. (Time before voting, where given and how.)

Authority to issue. (By authorities and whom, or by vote of the people.)

Purpose. (For what things may bonds be issued.)

Kind of bonds. (Example - serial, coupon, sinking fund etc.)

Is there a debt limit? If so what? (Example - 4% assessed valuation.)

Denomination. (Usually \$50 or some multiple, fixed by the board.)

Percent of interest. (Example - 6% or legal rate.)

Selling value of bonds. (Example - par.)

Are bonds registered? If so by whom? (Example - County Clerk.)

Time bonds may run. (Example - 20 years.)

Notice of sale. (Example - 14 days in a paper of the county.)

Deposit with bids. (2% deposited to insure fulfillment.)

Are there state loans? If so who handles the matter?

Is there a sinking fund? If so what officer handles this?

Who are eligible to vote on a bonding issue?
(Example - All taxpayers.)

What is the tax limit? In what way do bonds effect this?

May bonds be recalled? If so how and when?