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#### MANAGEMENT OF THE PERMANENT SCHOOL FUND

#### OF SOUTH DAKOTA

With Special Reference to House Joint Resolution No. 10

By

Oral A. Holm

Bachelor of Science Degree at South Dakota State College, 1939

A Thesis

Submitted to the Faculty

of

The South Dakota State College

of

Agriculture and Mechanic Arts

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In Partial Fulfillment of the Requirements
For the Degree of Master of Science

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author.

Oral A. Holm

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When South Dakota was admitted into the Union the Federal government granted the State 3,499,222 acres of land, the proceeds from the sale and lease of which were to be used for educational purposes. On June 30, 1938, 576,949 acres of the original lands granted had been sold for the sum of \$17,744,240.11.

Although receipts from land sales are the largest single source of growth of the Permanent School Fund there are other sources too, such as 5 per cent of the proceeds from the sale of Federal lands located within the State; all gifts that fall to the State for public schools, and all property otherwise acquired.

Income from investment of Permanent School Fund money, from the lease of school lands, from interest on deferred payments, from the sale of sand, wood, and timber from school lands, and from fines for the violation of State laws, is placed in a fund known as the Interest and Income Fund. Moneys in this fund are apportioned to the various counties and then to the local school districts according to school population.

Since its establishment the Permanent School Fund has suffered only one major loss, that of the Taylor Defalcation of 1895. The State, however, made up that loss by appropriating \$98,000 to the Fund.

The Fund grew most rapidly during the period just preceding the World War. Since that time, however, it has grown less rapidly for land sales have been fewer in recent years.

Keeping more than 17 million dollars of Permanent School Fund moneys consistently and safely invested is a major duty of the Commissioner of School and Public Lands. He distributes Fund money to the various counties

on the basis of population if the demand for it exceeds the supply, and by application if the supply exceeds the demand. The commissioners of the various counties may invest Fund moneys in first mortgages upon improved farms, and in bonds of governmental subdivisions. No loan may exceed \$5,-000, nor may loans upon agricultural land exceed one third of the actual value of the land.

There has been less demand for Permanent School Fund moneys in recent years then formerly; consequently loans have been made on the basis of application rather than population in an endeavor to keep Fund moneys consistently invested. On December 31, 1938, 31 counties had borrowed more Fund moneys than their proportionate share would have been according to population, while 33 had borrowed less than their proportionate share. In general, the central South Dakota counties have borrowed more Fund moneys than their share would be were population the only basis of distribution, while the eastern counties have borrowed less than their proportionate share.

The major part of the Permanent School Fund money has been invested in farm mortgages; this was true especially prior to 1935. Since that time, however, an increased amount has been invested in United States Treasury Bonds. On December 31, 1938, a total of \$13,018,770 had been loaned on farm lands and to political subdivisions in the various counties of the State, \$3,497,361 was invested in United States Treasury Bonds, and \$909,176 was uninvested.

When South Dakota's Permanent School Fund investments are compared with those of neighboring states it is disclosed that this State has a greater percentage of its Fund invested in farm mortgages than any of the

other states considered. In other words, the other states have a greater percentage of their Fund money invested in bonds than does South Dakota.

The original purpose of the Federal Government in providing for the establishment of a School Fund in each of the various states was to provide an added source of revenue for the schools, and thus reduce the tax burden for school support. More than 40 million dollars has been apportioned to the various South Dakota counties since statehood. This amounts to an average of 11.2 per cent of the total school costs, or an average annual apportionment of \$4.56 per person of school age for the period 1839-1938.

Despite the fact that much financial assistance has been received by the schools of the State from the Interest and Income Fund, several counties oppose the present method of apportionment. They maintain that apportionments should be made to the various counties on the basis of contribution to the Fund and financial need. At the present time the more densely populated counties receive the greater part of the apportionment moneys, regardless of how much money they have contributed to the Interest and Income Fund.

Some who are opposed to House Joint Resolution No. 10 maintain that loose management or lax loaning practices on the part of the county commissioners in some areas has brought on the present Permanent School Fund situation, and that it is not the administrative set-up. In an endeavor to determine whether or not such complaints were justified, the agricultural loans and bond investments in Douglas and Gregory Counties were analyzed.

Douglas County was selected because it has invested more than \$200,000 of Fund moneys and has paid its interest obligations quite promptly.

It is located quite close to Gregory, and has quite similar climatic conditions. Gregory County was chosen because it owes the Fund more principal and delinquent interest than any other county in the State.

The agricultural loans were classified as current, past-due, and foreclosed. On November 18, 1939, Douglas County had 26 per cent of its Fund moneys invested in current loans, 14 per cent in past-due loans, 57 per cent in foreclosed loans, and 2 per cent in bonds of governmental sub-divisions. Gregory County had invested \$535,953 of Fund moneys. Six per cent of this was invested in current loans, 12 per cent in past-due, 62 per cent in foreclosed loans, and 19 per cent in bonds of governmental subdivisions.

The average current losn was \$13.43 per acre in Douglas as compared with \$9.21 per acre in Gregory County. The average past-due losn in Douglas was \$16.94 per acre as compared with \$16.67 in Gregory; the average foreclosed losn was \$28.37 per acre in Douglas as compared with \$20.36 per acre in Gregory. Taking all types of agricultural losns together, the average losn in Douglas was \$20.72 per acre as compared with \$22.23 per acre in Gregory. Inasmuch as land values in Douglas are higher than in Gregory (according to the United States Census), and the average losn per acre in Gregory exceeds that in Douglas, it may be inferred that Douglas has been more conservative in its Fund agricultural losning practices than Gregory.

Douglas has \$5,000 invested in bonds of its governmental subdivisions as compared with \$101,750 invested in Gregory. No detailed study of these investments was made, however.

Permanent School Fund administrative difficulties first became apperent in the early 1930's. It was then that the 5 per cent interest rate for the use of Fund moneys seemed to promote an accumulation of uninvested capital. At the 1933 session of the Legislature an unsuccessful attempt was made to lower the interest rate from 5 to 3 per cent. On December 31, 1935, a total of \$1,670,685 of Fund moneys was uninvested. Using the 5 per cent interest rate this would amount to an \$83,500 loss to the Interest and Income Fund.

Besides the accumulation of uninvested capital, delinquencies in the payment of principal and interest were becoming prevalent. In 1935 the various counties were \$1,065,304 in arrears in their interest payments.

Adverse business and climatic conditions further increased Permanent School Fund difficulties. Land values dropped severely, and in some instances the value of the land was no greater and sometimes less than the Permanent School Fund loan on the land. Farmers hesitated to pay their obligations under such circumstances, and in an endeavor to realize some income from the loans, counties foreclosed on mortgages hoping to realize some income by selling or leasing the lands. Many counties suffered losses by the transaction, and further increased their financial difficulties by increasing the extent of nontaxable lands in their boundaries.

In an endeavor to alleviate Fund difficulties, members of the 1935 session of the Legislature passed Senate Bill No. 53 which allowed the various counties to make special levies for Permanent School Fund purposes. This plan has not worked out very well, especially in those counties which owe the Fund much money. If those counties which are greatly indebted to the Fund neglect payments, it is not surprising that counties with lesser indebtedness have been lax in their payments. The average tax levy made by the various counties for Fund purposes for the four years 1935, 1936, 1937, and 1939 was .79 mills.

The Permanent School Fund situation was again considered at the 1939 session of the Legislature. It was at this session that House Joint Resolution No. 10 was passed.

There are several implications in this Resolution. One of the more important proposed changes is that the various counties be allowed to substitute lands upon which Permanent School Fund money has been loaned for the actual cash owed. Should the proposed amendment pass, 986,293 acres of land would be transferred to the Department of School and Public Lands in place of \$9,995,576. This does not include current loans.

The amendment provides also for a reduction in the interest rate
from 5 to 3 per cent "or such higher rate as the legislature may provide."

State management of the Fund is advocated in place of county administration. It is a question of whether or not the State can more economically and more efficiently manage the Fund than the counties.

Proponents' arguments for the passage of the Resolution include:

(1) that the amendment is optional; (2) that lands to be transferred to the State could be sold at any price; (3) that if the interest rate for the use of Fund money were reduced to 3 per cent the Fund could be more consistently invested; (4) that State management would be more sconomical than county management; (5) that some counties are financially unable to meet their Fund obligations; (6) that the principal of the Fund would be increased; (7) that loaning through the 64 groups of county commissioners is too political; (8) that the clarification of the Permanent School Fund situation has been delayed long enough, and since the opponents of the Resolution offer no better solution, the amendment should be passed.

Opponents of the Resolution assert that (1) the various counties are not compelled to borrow Permanent School Fund money; (2) if the lands are transferred back to the State no land can be sold for less than \$10 per acre while at present the counties can sell Permanent School Fund fore-closure lands at any price; (3) the interest rate for the use of Permanent School Fund moneys should be lowered, but by a special amendment; (4) State management of the Fund would lead to another "Rural Credit" situation and excessive costs of administration; (5) the Fund would sustain a loss by the transaction and no provision is made in the Resolution for making up such a loss; (6) no provision is made in the Resolution for the million dollars delinquent interest owed by the counties to the Fund; (7) the State will have to assume all bonds issued by the various counties, floated for Fund indebtedness; (3) if the Fund must suffer a loss all helders of county bonds should have to take a loss, too; (9) the extent of nontaxable land will be increased if the Resolution passes; (10) this attempt at repudiation should be rejected.

Although recognizing the difficulties involved in forecasting the effect that House Joint Resolution No. 10 might have upon the Permanent School Fund, such a task was attempted. Only foreclosed and delinquent loans and loan lands were used in this analysis for it was assumed that current loans would be paid. Having obtained the estimated average sales value of land in each of the various counties from a circular prepared by the Commissioner, the average Permanent School Fund loan per acre was determined. By obtaining the difference between the amount loaned per acre and the actual sales value and multiplying that by the number of acres involved in the county concerned, the total gain or loss to the Fund from that county was determined. In only three of the 64 counties would the Fund gain by the transaction. All counties considered, the Fund might

suffer a loss of \$3,818,000 if the 986,000 acres of foreclosed and delinquent losn lands were substituted for the \$9,995,000 outstanding principal. In addition to this, the various counties owe more than a million dollars in delinquent interest to the Fund. If this were added to the loss on principal a total loss of more than \$4,800,000 probably would befall the Fund if the Resolution passes. Cost of administration was not considered.

If the Resolution passes, the Department of School and Public Lands will receive nearly a million acres of land to manage in addition to the 2,800,000 acres which it now manages. If school land sales will be no greater than they have been in recent years, much school land will be subject to lease. An attempt was made to determine the lease income to the Fund should the lands transferred back to the State be leased, and to compare this income with the interest paid for the year ending June 30, 1938. The lease rates for the use of school land were based largely on rates charged in the immediate past. Three different lease systems were used and in each plan the State was divided into three sections—the eastern or "intensified" counties, the middle or "transitional" counties, and the western or "west-river" counties.

In the first lease system which would be adapted to conditions of limited rainfall, all land located in the "transitional" and "west-river" areas would be leased for grazing purposes. In the "intensified" area 25 per cent of the land would be leased for grazing purposes and 75 per cent for agricultural purposes. The lease income obtained under this plan would render a 2.4 per cent return on the principal invested.

Under the second lease system all land in the "intensified" area and 25 per cent of the land in the "transitional" area would be leased for

agricultural purposes. The remaining 75 per cent of the land in the "transitional" area and all of the land in the "west-river" area would be leased for grazing purposes. The lease income derived under this system would render a 3.2 per cent return on the principal.

The third lease system lends itself to more favorable agricultural conditions than either of the other plans. In this plan all land in the "intensified" area and 50 per cent of the land in the "transitional" counties would be leased for agricultural purposes, while the remaining 50 per cent of the land in the "transitional" area and all the land in the "west-river" area would be leased for grazing purposes. A 3.7 per cent return on the \$9,995,564 principal would be realized under this plan.

The \$1,166,000 delinquent interest was not considered as part of the principal nor was cost of administration subtracted from the lease income in any of these lease systems. The lease income under all of these plans is lower now than the interest paid for the year ending June 30, 1938, but if delinquent interest and cost of administration were considered, the lease income would be still lower.

Proponents of House Joint Resolution No. 10 contend that many counties are financially unable to meet their Permanent School Fund obligations. A study was made of the tax delinquency, extent of nontaxable land, assessed valuation, and relation of assessed valuation to indebtedness of the various counties for it is believed that such information is helpful when attempting to measure financial abilities. There was greater tax delinquency in the west-river counties than in the east-river counties. Nontaxable land was found to be more extensive in the "transitional" and western counties than in the eastern ones. The eastern and southeastern counties

had greater assessed valuations than the other counties of the State, and the indebtedness of the western counties exceeded that of the eastern counties when compared with their assessed valuations.

Observations from this study of the Permanent School Fund situation prompted the writer to comment on the proposed amendment and to offer suggestions for the improvement of the Fund's administration. It does not seem that the Resolution will remedy existing weeknesses of the Permament School Fund situation. If the proposed amendment passes, the Fund may be depleted. There is nothing in the smendment relative to the improvement of present investment and apportionment policies. If the Resolution does not pess the counties will still be in financial distress. However, indications are that some counties have not managed their Fund investments conservatively, and that private interests enter into the situation. It seems that the 50-year old, 17 million dollar Permanent School Fund should not be handled as we handle minor situations. This Fund is a sacred trust intended to provide financial support for the schools of the State. Before any drastic measures are taken to change administration of the Fund, especially if there is a chance that the Fund may be impaired by the change, a thorough analysis of the situation should be undertaken. Probably a special committee could be appointed by the Governor to study the conditions, and draw up a plan that would be more satisfactory and fair to all concerned.

It seems that if the interest rate for the use of Fund moneys were lowered, the Fund could be consistently invested in more secure investments. According to the experiences of other states, bond investments are the most secure. Perhaps South Dakota's Fund should be invested in bonds only. If the apportionment policy were operated in such a way that

the counties received money back from the Interest and Income Fund more on a basis of contribution to the Fund than at present, it is possible that the counties would manage Fund moneys more conservatively and lease more school lands. It seems that if the Commissioner of School and Public Lands kept a more complete record of the loans made by the various counties, the counties would be more conservative in their loans. If each tract of school land were classified as to soil type, topography, and best land use, possibly school land lease and sale transactions could be administered more accurately. Since the best school lands have been sold, it seems that if the \$10 per acre minimum sales price for school lands were recoved and the lands could be sold for their market value. more lands would be sold thereby increasing the principal of the Fund and decreasing the extent of nontaxable land. Inasmuch as the Commissioner of School and Public Lands has charge of educational equities, it seems that his office should be nonpolitical. He should be elected on a nonpolitical ballot, and selected according to his training and experience in the field of banking.

In recent years increased complications relative to the management of the Permanent School Fund of South Dekota have been evident. They have culminated in the proposed amendment to Section 11 of Article VIII of the Constitution of the State of South Dakota—House Joint Resolution No. 10. This study was originally prompted by this proposed amendment to the Constitution.

At the present time the money received into the Permanent School
Fund is loaned to the counties at 5 per cent interest. The counties in
turn may lend this money to farmers with first mortgages upon improved
property as security, or they may invest it in bonds of the various governmental subdivisions. The counties, however, according to constitutional provisions, pledge the return of the loan plus interest to the
Permanent School Fund, for the Fund must not be diminished. Should the
proposed amendment pass, the counties, many of whom are in arrears in
their principal and interest payments, would transfer all of the securities in which they have invested Permanent School Fund moneys, back to
the State in place of the actual amount loaned to them. There is considerable controversy as to whether or not the principal of the Permanent School Fund would be endangered by this transaction.

All citizens should be interested in the welfare of the Fund, since more than 40 million dollars has been obtained from the investment of the principal and from the lease of school lands and later apportioned to the various schools of the state for school support since statehood.

This is 11.2 per cent of the amount spent for education during that period.

<sup>1/</sup> Biennial reports of the Commissioner of School and Public Lands.

## Purpose of the Study

Many of the citizens of South Dakota have had little occasion to study the administrative and management policies applied to the Permanent School Fund. Some are unaware of the existence of the Fund probably through no fault of their own, while others have but a limited knowledge of the subject, its importance, and its purpose.

It is the purpose of this study to present an informative discussion of the growth, importance, investment, and management of the Permanent School Fund; to analyze House Joint Resolution No. 10; in the light of existing information, to determine what effect the proposed amendment might have upon the financial status of the Fund; and to compare the financial abilities of the several counties in an endeavor to determine whether or not they are able to meet their obligations to the Fund.

## Definition of Terms

Before one can adequately understand a situation, the terms used in the discussion must be clearly differentiated and explained. With this in mind, the following definitions are presented.

The Permanent School Fund.—A fund whose chief source of growth is sale of school land granted to the State by the Federal government at the time of its admission into the Union. Other sources of growth include: 5 per cent of the proceeds of the sales of public lands lying within the State; proceeds of all property falling to the State by escheat; proceeds of all gifts or denations to the State for public schools; and all property otherwise acquired for the public schools. The principal of the Fund is invested in fare mortgages and bonds of the various state and federal governmental subdivisions and the income derived therefrom is

SOUTH DAKOTA STATE COLLEGE LIBRARY

apportioned to the various counties.

Permanent School Fund Foreclosure Lands.—Lands upon which the county has taken deed following the inability of the borrower of Permanent School Fund moneys to meet his obligations. A first mortgage was taken upon these lands when the loan was made.

The Persenent Common School Fund. -- Moneys received from the sale of common school lands (generally Sections 16 and 36 in each township), from escheated property, gifts, and otherwise acquired property.

The Interest and Income Fund.—A fund composed of interest on the Permanent School Fund, interest on deferred payments to the Permanent School Fund, amounts received from leasing of state school lands, proceeds from sale of sand, wood, timber, gas, cosl, and oil from school lands, and net proceeds of all fines for violation of the State law.

County Trust Funds.—Portions of the Permanent School Fund which have been distributed to the several counties for investment. The counties are accountable and responsible for the principal and interest on these Funds from the date received until the date returned. If a loss is sustained from money so apportioned, the county must make the same good out of its common revenue.

Endowment Permenent School Funds.—Those funds composed of money received from the sale of lands granted to each of the several educational, charitable, and penal institutions concerned, together with escheets, gifts, and otherwise acquired property. There is a separate Fund for each of 13 educational, charitable and penal institutions within the State.

"Substitute" Lands. 2/--Lands upon which a first mortgage has been taken as security for a Permanent School Fund loan. If the proposed

<sup>2/</sup> This word is put in quotation marks because it is given a special meening in the manuscript.

amendment passes, these lands will be transferred to the State in place of the money for which they served as security.

Commissioner. -- Throughout the study this refers to the Commissioner of School and Public Lands.

Fund .- Throughout the study this refers to the Permenent School Fund.

'Interest and Income Fund' and 'Apportionment Fund' are used interchangeably in this study.

Types of State School Lands.—(1) Common School Lands are those state land which were originally set aside for common and high school purposes. They include Sections 16 and 36 of each township as provided by law. (2) Indemnity Lands are those lands which were selected in place of the common school lands, if Sections 16 and 36, or portions thereof, had been settled upon or disposed of in some other way when the original surveys were made. (3) Endowment Lands are those lands granted for the support of specific educational, penal, and charitable institutions of the State. The money derived from these lands goes into a special fund as provided for the specific institution concerned, and is known as an "Endowment Fund" for that institution.

## Method of Study

To insure an adequate background of the whole situation, inquiry into the growth of the Fund, investment policies, and apportionment procedure were conducted, followed by an actual investigation of the management practices of Douglas and Gregory Counties.

Contributory developments which climaxed in House Joint Resolution No. 10 were portrayed. Controversial implications involved in the Resolution itself were analyzed. From existing information some possible effects that the Resolution might have upon the financial status of the Fund were analyzed.

Lastly, possible improvements upon the present management policies of the Department of School and Public Lands were suggested.

### Source of the Material

Much of the factual information relating to the status of the Permanent School Fund was obtained either directly or indirectly from the office of the Department of School and Public Lands, from biennial reports of the Department, the special report prepared for the 1939 session of the legislature, and from records in the above-mentioned office. In addition, the Constitution of the State of South Dakota, the Session Laws of the State, and the 1939 Code were helpful sources of information.

Much general information on the management of Permanent School Funds was obtained from the book, "Public Permanent Common School Funds in the United States, 1795-1905", by Fletcher Harper Swift--an outstanding authority on this subject. Much background information was gained from the thesis, "Origin, Growth, and Administration of the Permanent School Fund of South Dakota," by J.W. Headly.

Materials used in determining the financial ability of the several counties were obtained largely from annual reports of the Division of Taxation, Pierre, South Dakots, or from records and files in that office.

The Division of Audits and Accounts at Pierre, South Dakots, provided most of the basic material used in analyzing the lending policies of Douglas and Gregory Counties. This information was brought up to date by visits to the Auditor of Douglas County and the Treasurer of Gregory County.

## THE SITUATION

House Joint Resolution No. 10 which was passed by the 1939 session of the legislature and which is to be voted upon by the citizens of South Dakota in November, 1940, is more involved and more important than most citizens of South Dakota realize. It is the purpose of Part I to present pertinent background information that is necessary to a proper understanding of the proposed amendment.

A knowledge of the history and growth of the Permanent School Fund since its inception in 1889 is essential to a broadened view of the situation. A knowledge of the constitutional provisions which concern the management of the Fund is imperative to a proper understanding of Fund administration; consequently many of these provisions are mentioned.

The Permanent School Fund has apportioned more than 40 million dollars to 13 educational, penal, and charitable institutions concerned since statehood. This fact alone should make all voters of the State interested in the management of the Fund. A comparison of actual management practices of Douglas and Gregory Counties as exemplified by their unpaid loan portrays existing management policies.

A comparison of this State's management policies with those of neighboring states shows that other states, too, have Permanent School Fund managerial troubles.

#### HISTORY AND GROWTH

## Origin of the Fund

The Organic Act of the Dakota Territory dated March 2, 1861, provided for the original territorial government. It stated in Section 14 that Sections numbered 16 and 36 in each township should be reserved for school

purposes in states to be erected out of this territory.

In 1889 the Enabling Act, which admitted South Dakota to the Union, endowed the State with these same school lands, and also provided that lands granted for educational purposes should not be sold for less than 10 per acre. The proceeds from the sale of these lands was to constitute a permanent fund, only the interest of which should be expended in support of schools.

The writers of the constitution of South Dakota were faithful to this educational provision, and in Article VIII, Section 2, provided that the proceeds "from land sale shall be and remain a perpetual fund for the maintenance of the public schools in the State. It shall be deemed a trust fund held by the State. The principal shall forever remain inviolate, and may be increased, but shall never be diminished, and the State shall make good all losses which may in any manner occur."

In some instances lands designated for school purposes were settled upon before surveyed; consequently, the State was obliged to take other lands in their stead, which were supposed to be of equal value. These are known as "indemnity" lands. Lands were granted also for specific educational, endowment, and penal institutions and are called "endowment" lands.

Congress in 1881 for the University of South Dakota. The second grant, made in 1889, comprised 652,000 acres of which 570,000 acres were allocated to 12 educational and charitable institutions. The remaining 82,000 acres were assigned as for "Public buildings" and do not constitute a part of the Permanent School Fund. Sections 16 and 36 of each township, which were granted for the common schools of South Dakota, comprised 2,801,000

Section 15,0601.

W Op. cit. Section 15.0602.

### Growth of the Fund

The chief sources of growth of the Fund as stipulated in Article
VIII, Section 2, of the Constitution of the State ere:

"All proceeds from the sale of public lands that have been given to the State by the United States; all such per centum as may be granted by the United States on the sale of its land within the State; all the gifts that shall fall to the State for public schools; and all property otherwise acquired, shall be and remain a perpetual fund for the maintenance of the public schools of the State."

As is observed in Table 1, land sales are the major source of growth of the Fund. Of the 3,499,922 acres of land granted to the various educational, charitable, and penal institutions only 576,949 acres, or less than one fifth of the lands granted, have been sold. Nevertheless, over 17 million dollars has been received from these land sales.

Biennial reports of the Commissioner of School and Public Lands show that \$257,704.30 of the Permanent Common School Fund, largest of the 13 Funds which comprise the Permanent School Fund, was invested in the various counties in 1892. In June 1939, over 15 million dollars was invested in the various organized counties, United States bonds, county and municipal bonds, and first mortgages upon real estate. The amount invested in the various organized counties does not necessarily constitute the total, but does constitute the greater portion of the Fund.

Table 2 discloses the growth of the Permanent Common School Fund from 1892-1938. The annual decreases in investment in recent years may be pertially accounted for by the fact that much of the principal increase since 1935 has been invested in United States Treasury bonds rather than being loaned to the counties.

Table 1.—Educational, Charitable, and Penal Institutional Land Grants and Land Sales (June 30, 1938)\*

| Institution and Fund                    | : Lane   |     | Total    |     | Amount of |
|---|----------|-----|----------|-----|-----------|
| -                                       | : Gran   | t : | Sold     | 1   | Sale      |
| v - Carrier                             | Acres    |     | Acres    |     | Dollars   |
| Common School                           | 2,162,7  | 33  | 483,007) | 26  | 14, 16,   |
| Indemnity (selected)                    | 638,40   |     | 34,128)  | 10  | ,184,765  |
| University of South Dakota              | 86.08    |     | 4,043    |     | 117,209   |
| College of Agriculture                  | 160,00   | 00  | 21,218   |     | 557,621   |
| State School for Deaf                   | 40,00    |     | 4,220    |     | 121,747   |
| Other Ed. & Charit. Purposes            | 25,00    |     | 1,160    |     | 22,515    |
| State Training School                   | 40,00    |     | 3,099    |     | 121,879   |
| Normal School                           | 80,00    |     | 10,221   |     | 240,394   |
| School of Mines                         | 40,00    |     | 3,223    |     | 70,502    |
| Camp and Parade Grounds                 | 64       |     | 00       |     | 00        |
| Southern Normal                         | 40,00    | •   | 3,490    |     | 125,099   |
| State School for Feeble-Minded          | 40,00    |     | 3,191    |     | 77,746    |
| Worthern Normal & Industrial School     | 40,00    |     | 4,288    |     | 92,171    |
| State School for Blind                  | 25,00    |     | 1,662    |     | 42,791    |
| Public Buildings (not part of Fund)     | 82,00    |     | -,•      |     |           |
| • | 3,499,92 |     | 576,949  | 17, | 774,440   |

Table 2. Growth of the Permanent Common School Fund of South Dakota.\*\*

|      | (189            | 2-1938) |                   |
|------|-----------------|---------|-------------------|
| Year | Amount Invested | : Year  | r Amount Invested |
|      | Dollars         |         | Dollars           |
| 1938 | 15,241,465.07   | : 1914  | 4 6,767,869.97    |
| 1937 | 15,602,858.30   | : 1913  | 3 6,432,652.11    |
| 1936 | 14,040,562.01   | : 1912  | 2 5,964,804.97    |
| 1935 | 14,681,036,58   | : 1911  |                   |
| 1934 | 15,454,515.93   | : 1910  |                   |
| 1933 | 15,714,168.92   | : 1909  |                   |
| 1932 | 15,720,220,20   | : 1908  |                   |
| 1931 | 15,688,546.96   | : 1907  |                   |
| 1930 | 15,592,732.90   | : 1906  | 6 3,267,489.52    |
| 1929 | 15,418,106.58   | : 1905  | 5 ***             |
| 1928 | 15,175,190.37   | : 1904  | 2,640,949.01      |
| 1927 | 15,040,494.62   | : 1903  | 3 ***             |
| 1926 | 14,808,450.00   | : 1902  | 2 1,717,110,91    |
| 1925 | 14,361,764.90   | : 1901  |                   |
| 1924 | 14,046,093.07   | : 1900  | 0 1,179,166.27    |
| 1923 | 13,743,714.28   | : 1899  | 9                 |
| 1922 | 13,410,738,31   | : 1898  |                   |
| 1921 | 13,174,374.77   | : 1897  | 7 ***             |
| 1920 | 12,913,240.50   | : 1896  |                   |
| 1919 | 11,559,357.14   | : 1895  |                   |
| 1918 | 9,971,054.42    | : 1894  | 4 602,001.30      |
| 1917 | 8,377,137.91    | : 1893  | 3 ***             |
| 1916 | 7,919,445.46    | : 1892  | 2 257,704.30      |
| 1915 | 7,151,851.32    |         |                   |

<sup>\* 25</sup>th Biennial Report of the Commissioner of School and Public Lands, South Dakots. 1936-38, pp. 5-44 inclusive.

Biennial Reports of the Commissioner of School and Public Lands, 1892-1938 (As evidenced by amount invested in counties and U.S. Treas. Bonds).

<sup>\*\*\*</sup> No sales recorded.

The best years of state school land sales were 1910, 1912, 1916, 1918 and 1920, with an average of \$2,510,842.64 of sales annually for those years. (See Appendix Table I.) These years correspond quite closely to the figures in Table 2 which show the years 1918, 1919, 1920 as being among the years of greatest growth of the Fund. During the years 1889, 1890, 1895, 1903, 1922, and 1924, no sales were recorded. In 1920 over 4 million dollars was received from the sale of state school land while in 1922 and 1924 no money was received from this source. (See Appendix Table I.)

This fund has grown less rapidly since 1920. Several things have contributed to this decline. The county appraisal committee is directed to offer the best school lands for sale first. Adverse agricultural conditions have been contributive. The fact that no lands can be sold for less than \$10 per acre probably has curtailed land sales. In some areas farmers have found that the cost of leasing land is less than the taxes on that same land would be.

# INVESTMENT OF THE PERMANENT SCHOOL FUND

## Constitutional Provisions Regarding Investment of Fund Moneys

One of the most important duties of the Commissioner of School and Public Lands is to secure continuous investment of the more than 17 million dollars in the Fund. He is expected to fill applications for loans received from different counties as rapidly as funds are available. If a sufficient amount of uninvested capital remains in the State Treasury to warrant his doing so, the Commissioner may apportion that money to the organized counties of the State for investment in proportion to the population. 5/

<sup>2</sup> Code Revision Report, Vol. III, Regular Legislative Session, 1939, Section 15.0610.

In regard to the Permanent School Fund money distributed to the counties, the following is quoted from Article VIII, Section 11 of the Constitution of the State of South Dakota:

"The several counties shall hold and menage the same as trust funds, and they shall be and remain responsible and accountable for the principal and interest of all such moneys received by them from the date of receipt until returned because not loaned; and in case of loss of any money so apportioned to any county, such county shall make the same good out of its common revenue."

Under the present system, although the Commissioner is the supervisor of the Fund, its actual investment is in the care of the county commissioners. If, however, the Commissioner believes some county is not handling its money properly, he is not obliged to lend money to that county.

## Distribution of Fund for Investment

Although the Fund is supposed to be distributed among the various counties for investment according to population, the Commissioner has been forced in recent years to distribute Fund moneys by application rather than by population in order to keep it continuously invested.

Counties are not forced to accept money from the Commissioner to invest, for if a county has \$1,000 or more of Permanent School Fund money on hand which it cannot invest, it may return this money to the State Treasurer to be entrusted to some other county or counties, or otherwise invested.

Figure 1, which is based on Appendix Table II, shows the amount of Permanent School Fund money invested in each of the various counties

Opinion handed down by the Attorney General of South Dakota, Leo A. Temmey, January 30, 1939.

\$300,000 --\$375,000 \$375,000 --\$450,000 More than \$450,000 \$225,000 --\$300,000 Unorganized Counties 8 42,000--\$150,000 Less than \$ 75,000 \$150,000--\$225,000

Figure 1. Permanent School Fund Moneys Invested in South Dakota, June 30, 1939.

on June 30, 1939. It is observed that only one west-river county and nine east-river counties were obligated to the Fund for less than \$75,000.

Tables 3 and 4, excerpts from Appendix Table II, show the counties in which the greatest and least amount of Fund moneys are invested.

Table 3 .- South Dakota Counties in which the Greatest Amounts of Permanent School Fund Money were Invested, June 30, 1938 and 1939.

| County      | Rank | June 30, 1939 | - | Rank | June 30, 1938 |
|-------------|------|---------------|---|------|---------------|
| Gregory     | 1    | \$471,010.99  | : | 1    | \$484,560.99  |
| Brown       | 2    | 376,098,21    | : | 2    | 367,758.68    |
| Charles Mix | 3    | 361,237.57    | : | 3    | 365,837.57    |
| Hamlin      | 4    | 323,779.18    | : | 5    | 343,854.18    |
| Roberts     | 5    | 317,659.30    |   | 4    | 344,475.00    |

Table 4.--South Dakota Counties in which the Least Amounts of Permanent School Fund Money were Invested, June 30, 1938 and 1939

| County    | : | Rank | June 30,  | 1939 | Ran | k June 30, 1938 |
|-----------|---|------|-----------|------|-----|-----------------|
| Davison   |   | 1    | \$ 3,439. | 84   | 1   | \$ 6,089.84     |
| Sanborn   |   | 2    | 6,503.    |      |     |                 |
| Codington |   | 3    | 11,400.   |      | 2   | 11,750.00       |
| Kingsbury |   | 4    | 26,784.   | 03   |     |                 |
| Marshall  |   | 5    | 32,573.   | 46   | 3   | 34,998.46       |
| Custer    |   |      |           | 1    | 4   | 47,502.50       |
| Buffalo   |   |      |           | 1    | 5   | 52,345.00       |

The two fiscal years, 1937-38 and 1938-39, were used in Appendix
Table II to show the trend and attitude of the several counties toward
the investments of Permanent School Funds. When one compares the investment of 1938-39 with those of 1937-38 he observes that 49 of the 64
counties had reduced their investment of Permanent School Funds during
the fiscal year ending June 30, 1939; 10 counties increased their investments over the year previous; and 5 counties remained unchanged.

A comparison of the fiscal years 1936-37 and 1937-38 shows the same decline in investments by the counties-47 counties reduced their

investments in 1937-38 as compared with 1936-37; 10 counties increased theirs; and 6 counties remained unchanged. This decline in investment of Permanent School Funds may be largely attributed to the fact that the various governmental subdivisions can borrow money from other sources at lower rates of interest than the 5 per cent minimum.

Much of that money which has been returned to the Commissioner, and for which there has been no demand from the various counties, has been invested in United States Treasury bonds since the fiscal year 1935-36.

Several counties in an endeavor to lower their liabilities to the Permanent School Fund have issued bonds, called "Refunding Bonds", to pay off their obligations. They obtain this money at a lower rate of interest than from the Fund, consequently lowering their interest expense. Those counties which have issued "Refunding Bonds" include: Codington, Davison, Day, Deuel, Hanson, Hughes, Hutchinson, Kingsbury, Lake, Marshall, Sanborn, and Turner Counties.

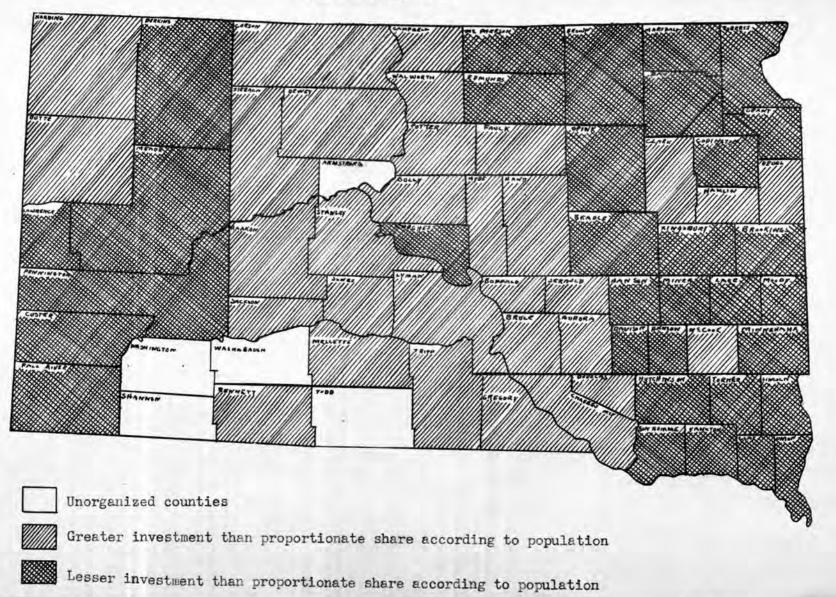
More Fund Money has been distributed to the counties on the basis of application in recent years than on the basis of population. This is evidenced in Figure 2, which is based on Appendix Table III.

Thirty-one counties have more than their proportionate share of Fund moneys would be according to population, while thirty-three have less than that amount. Minnehaha County's proportionate share would be over 1 million dollars, while on June 30, 1939 it had invested \$153,000. Gregory County's share, on the other hand, would amount to \$287,213.00, but it had invested over \$577,653.33 of Fund moneys on June 30, 1938.

Most of the west-central counties of South Dakota have invested greater portions of the Fund than would be distributed to them were

Figure 2. Relationship Between the Share of Fund Money Each County Would Invest According to Population, and the Amount Actually Invested.

(December 30, 1938)



population the only measure of distribution. It is believed by some that insurance companies prefer to make loans on agricultural lands in the southeastern part of the State rather than elsewhere; this accounts for the relatively small amount of Fund money invested in that area.

All counties of the State may borrow Permanent School Fund money regardless of location; consequently, there is a greater demand and a larger number of Permanent School Fund loans made in the central and western parts of the State in proportion to population than in the eastern part.

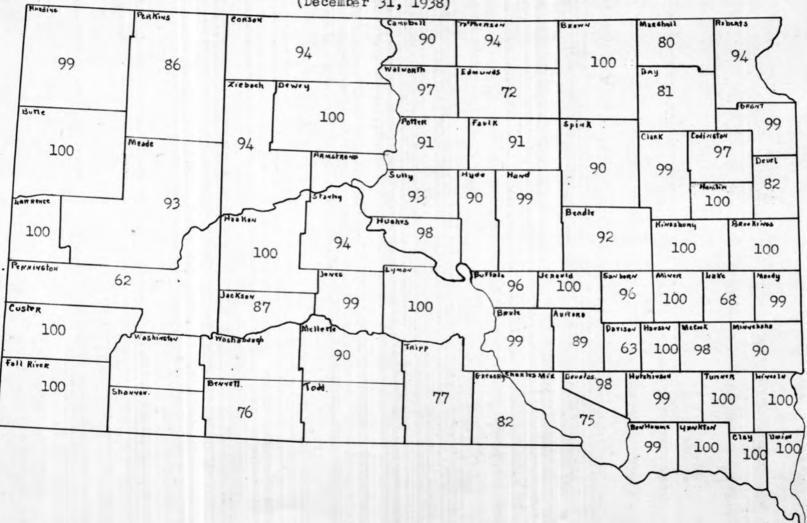
## How the Various Counties Have Invested the Fund

The Commissioner of School and Public Lands in the circulars which he prepared for the benefit of the 1939 legislators, presented information relative to how the counties invested their portions of the Permanent School Fund. This information was obtained from actual visits to the offices of the County Auditors and Treasurers of the various counties.

Of the Permanent School Fund moneys which the counties possessed on December 31, 1938, an average for all organized counties shows that 91.2 per cent of the total was invested in agricultural land, while the remaining 8.8 per cent was invested in bonds of the various political subdivisions. Forty-eight counties had over 90 per cent of their Fund invested in agricultural land. Figure 3 shows the percentage of the total Fund moneys invested in each of the various counties that was invested in first mortgages upon farm land.

Prior to 1935 loans upon agricultural land predominated. However, since that time adverse business and agricultural conditions have made agricultural loans less desirable. Investments in United States Treasury bonds have been more prevalent.

Figure 3. Percentage of Total Fund Invested in Farm Mortgages in South Dakota (December 31, 1938)



### Investment and Management Policies of Neighboring States

Having observed how the moneys in South Dakota's Fund are invested, and that there are really two types of investments—form mortgages and bonds—the writer inquired as to the investment and management policies of several neighboring states.

Table 5 shows how the Funds of the various states are invested.

Upon analysis it is noted that a greater percentage of South Dakota's

Fund is invested in farm mortgages than that of any other state concerned.

This means that a smaller percentage of this State's Fund is invested in bonds than that of any of the other states mentioned.

In a comparison of management of the investments, it should be remembered that South Dakota's Fund is managed by the Commissioner, but
distributed to the counties for investment. The counties must repay any
losses incurred to the Fund while it is entrusted to them.

Iowa's Permanent School Fund management policies are very similar to those of South Dakota's. Fund moneys are loaned to counties which in turn make loans to individuals. If any losses are incurred, the counties must make them up to the Fund from their common revenue. Almost all loans are upon real estate and are secured by first mortgages on the property. It was not until April, 1939 that the State was allowed to invest surplus funds in bonds of the State of lows or any political subdivision thereof. In a letter received from the office of the Auditor of the State of Iowa, an employee believes the individual counties can administer the Fund better than the State can. He believes more individual borrowers have access to the Fund moneys than they would if the State administered the Fund.

Table 5 .- Comparison of Permanent School Fund Investments of Several States

| State           | : Total Permanent<br>: School Fund | Bond Invest   | tment :  | Investment in F | arm Loans |
|-----------------|------------------------------------|---------------|----------|-----------------|-----------|
|                 | Dollars                            | Dollars       | Per Cent | Dollars         | Per Cent  |
| Idaho*          | 13,472,585.13                      | 12,306,105.62 | 91.3     | 1,166,479.51    | 8.7       |
| Minnesota**     | 76,283,778.08                      | 68,076,571.67 | 89.2     | 3,413,132.96**  | * 4.5     |
| Montane#        | 20,872,145.90                      | 13,712,572.11 | 66.0     | 4,153,068.92    | 20.0      |
| Nebraska##      | 13,912,281.98                      | 13,912,281,98 | 100.0    | 00              | 00        |
| North Dakota### | 28,265,197.03                      | 9,452,439.80  | 33.4     | 11,864,054.18   | 42.0      |
| South Dakota*   | 17,422,807.80                      | 4,469,343.25  | 25.7     | 12,047,288.08   | 69.1      |
| Utah**          | 8,216,931.68                       | 3,213,309.37  | 39.1     | 4,323,431.20    | 52.6      |

<sup>\* 10</sup>th Biennial Report of Department of Public Investments of the State of Idaho. Sept. 30, 1938.

<sup>\*\*</sup> Report of State Auditor for the fiscal year ending June 30, 1938. P.5.

<sup>\*\*\*</sup> State land contracts.

<sup>#</sup> Biennial Report for Period July 1, 1936 to June 30, 1938, Department of State Lands and Investments. Table II, p. 15.

<sup>## 31</sup>st Biennial Report of Commissioner of Lands and Buildings. p. 20. June 30, 1938.

<sup>### 23</sup>rd Biennial Report of University of School Lands Department. p. 28. June 30, 1938.

Special Report prepared by Commissioner of School and Public Lands for members of the legislature, February 24, 1939.

<sup>21</sup>st Biennial Report of State Land Board of State of Utah, p. 31. June 30, 1938.

In 1935 Montana had over 4 million dollars of its Fund invested in farm mortgages from which it thought it might suffer a loss, so it set up a State Farm Loan Sinking Fund. This Fund was established to provide for the repayment to the Public School Fund of the entire investment in farm loans as of January 1, 1935. To accomplish this end, the fund operates as follows:

"All moneys received from farm loans, from whatever source, are credited to the State Farm Loan Sinking Fund. A quarterly transfer is then made to the Public School Permanent Fund and the Public School Interest and Income Fund, the amount transferred to the latter being interest at the rate of 2 per cent per annum on the unpaid balance of the total investment. Whatever is left over and above the amount of interest thus paid is transferred to the Public School Permanent Fund which is thus, being slowly reimbursed for its investment in farm loans."

North Dakota's Fund, like Montana's is also state-managed. In a letter received from the Deputy Commissioner of North Dakota in December, 1939, he stated that during the past two and one-half years, the State had taken over 1600 quit claim deeds and had 1104 loans in the process of foreclosure. He believes the State can administer the Fund better than the counties as long as its management is kept out of politics. To eliminate politics, North Dakota has a three-man commission elected on staggering terms of six, four, and two years.

The State of Washington, which was admitted into the Union the same time as Montana, North Dakota, and South Dakota, apparently has had more success with the management of its Fund than the other states mentioned. Its Constitution, however, provides that its Fund moneys be invested in bonds of the various governmental subdivisions only.

Wontana Department of State Lands and Investments Biennial Report for the period ending June 30, 1938.

At the present time this State has 35 million dollars invested in these bonds.

Permanent School Fund moneys of the state of Nebraska may be invested only in school district, municipal, state and Federal Government
bonds. On June 30, 1936 it had 13 million dollars so invested (Table 5).
Minnesota and Idaho, too, have the greater portion of their Fund moneys
invested in bonds.

From the findings here presented it is observed that both state and county administered Funds have management difficulties. Of the states considered, South Dakota has the least percentage of its Fund moneys invested in bonds.

#### IMPORTANCE OF THE FUND TO EDUCATIONAL FINANCE

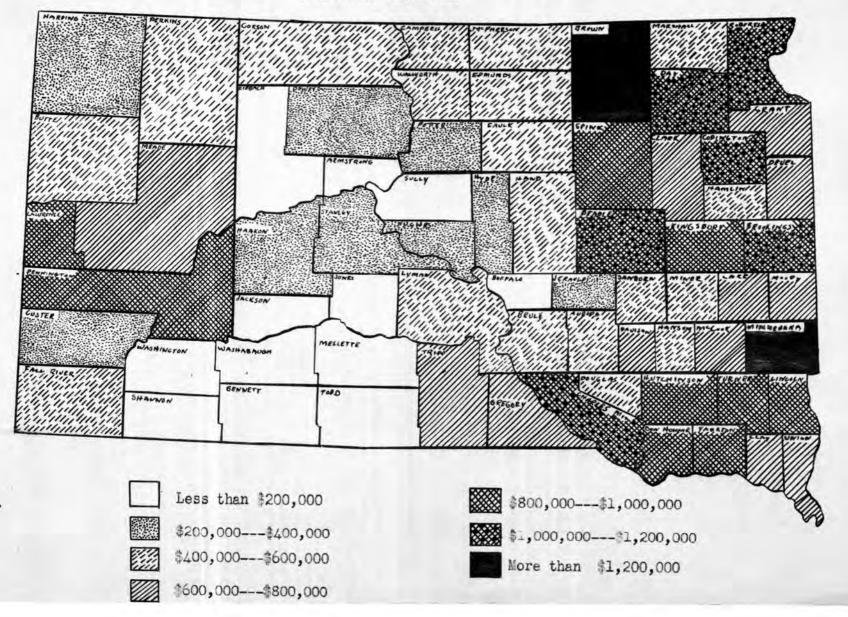
All citizens should be interested in the management of the Permenent School Fund since the chief purpose for its establishment was to reduce the tax burden for school support.

## Extent of Apportionment to the Various Counties

The Interest and Income Fund is composed of interest from the investment of the principal of the Fund, income derived from rentals of State School Lands, interest on deferred payments to the Fund, proceeds from the sale of timber, coal and oil leases, and proceeds from fines for the violation of the law. The moneys received into this Fund are apportioned to the several counties in proportion to their school population. (This includes children from 6 to 21 years of age.) The counties in turn apportion this money to the various school districts on the basis of their school population.

Figure 4 which is besed on Appendix Table IV shows the total amount

Figure 4. Total Interest and Income Fund Apportionment to South Dakote Counties Since Statehood (September 30, 1938)



of Interest and Income Fund money that has been apportioned to each of the several counties since statehood. From Figure 4 one observes the important part which the Permanent School Fund is playing in educational finance. Minnehaha County has received over 2 million dollars for school purposes while Brown, Beadle, Roberts, Brookings, Day, and Codington Counties each have been apportloned over 1 million dollars for school finance since statehood. An average of \$604,001.10 has been apportioned to each organized county during the 49-year period, or an average of \$12,326.70 each year per county. For the year ending September 30, 1938, the average apportionment per county was \$17,447.70.

The amount of money apportioned from the Interest and Income Fund measures in no small way, the status of the Permanent School Fund. If only a moderate amount of interest upon the principal of the Fund has been collected, or if income from land rentals has been small, the apportionment to the schools of the State will be only moderate.

# Apportionment Contributions to Educational Costs

It should be remembered that the Federal government granted the State lands, the proceeds from the sale of which were to be wisely invested and the income from that investment was to be used for the support of education. As a revenue source, 11.2 per cent of the per capital costs for education have been received from the Interest and Income Fund since 1891. To show the actual annual contributions of the Interest and Income Fund to the finance of South Dakota schools, Table 6 is presented.

Apportionments contributed from 4.2 per cent of the cost of education per pupil in 1891 to 18.9 per cent of the educational costs per pupil in 1916. For the 48-year period, 1891-1938, the Interest and Table 6 .- Relation of Average Annual Per Capita Apportionment to Per

Capita Educational Costs.\* 1891-1938 Apportionment Per Capita Cost Year Per Person School Census Apportionment Dollars Dollars Per Cent 1938 62.87 5.82 9.2 1937 5.25 62.01 8.5 56.10 1936 4.75 8.5 1935 3.75 50.74 7.4 1934 3.75 46.03 8.1 1933 3.30 56.21 5.9 1932 4.74 67.12 7.1 6.56 1931 87.42 7.5 7.91 1930 104.83 7.5 1929 7.12 89.41 8.0 1928 7.33 87.40 8.4 1927 7.10 86.23 8.2 1926 7.30 88.63 8.2 1925 7.05 85.51 8.2 1924 7.52 91.08 8.2 1923 7.73 90.60 8.5 1922 8.9 8.19 92.24 1921 8.95 82.46 10.8 9.50 1920 17.3 54.79 1919 18.8 8.36 44.39 1918 15.6 6.72 43.03 1917 6.22 37.75 16.5 1916 18.9 7.00 37.00 1915 5.51 34.35 16.0 1914 5.22 31.67 16.5 1913 30.37 16.7 5.09 1912 29.02 15.4 4.48 1911 26.70 15.0 4.01 1910 24.35 15.2 3.71 1909 10.8 3.34 30.80 1908 3.17 20.48 15.5 19.16 16.5 1907 3.16 16.7 1906 18.44 3.09 16.5 1905 2.89 17.49 16.7 1904 17.15 2.88 15.3 1903 16.92 2.59 1902 2.69 14.2 18.90 1901 17.00 14.4 2.45 1900 23.00 9.1 2, 11 8.9 1899 18.88 1.69 8.5 1898 17.44 1.49 7.4 1897 18.00 1.33 1896 16.64 8.1 1.35 1895 14.82 10.1 1.50 16.29 6.1 1894 1.00 19.82 1893 5.0 1.00 1392 .86 7.1 1891 12.33 .52 Average

<sup>\*</sup> Biennial Reports of Commissioner of School and Public Lands and of the Superintendent of Public Instruction.

Income Fund contributed an average of 11.2 per cent of the total annual educational costs.

### Present Apportionment Policy

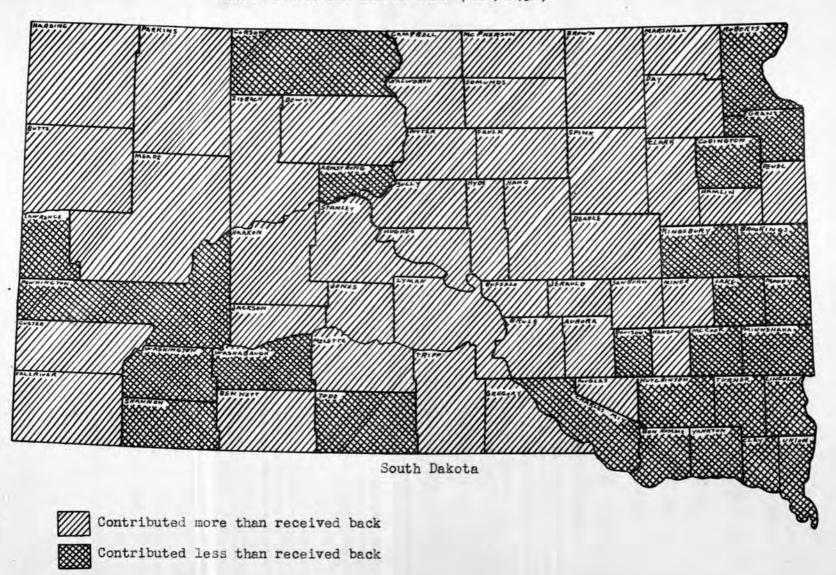
In recent years severe complaints have been voiced against the present method of apportionment. Population being the basis of apportionment, the eastern counties receive a greater portion of the Interest and Income Fund than do the western ones. Many western counties, although they contribute more money to the apportionment fund than do some of the eastern counties, receive much less back than they contribute.

Figure 5, as taken from Appendix Table V, shows the relationship of the amount paid into, and the amount received back from the Interest and Income Fund. It discloses the fact that 43 counties have contributed more to the Fund than they have received back from it.

Mr. J. F. Frame, an attorney at Burke, South Dakota, is one of the men who believes that the present method of apportionment is unfair. He offers another method which he believes would remedy some of the existing evils of the present plan. Mr. Frame suggests that state school lands in a county be assessed by the assessors just as privately-owned lands are. When the moneys from the Interest and Income Fund are apportioned, each county should be given an amount equal to the receipts from the state school lands in the county, had the land been taxed. After these apportionments have been made, the remaining money in the Fund might be apportioned according to school population.

Such a plan may be worthy of careful consideration, but it also has its weaknesses. In some instances, if Mr. Frame's plan were adopted, apportionments according to taxation might exceed the actual amount of

Figure 5. Relationship of Amounts Contributed to, and Amounts Received Back from the Interest and Income Fund (1889-1938)



money available for distribution.

At the present time state aid is given those counties which are financially in need. A total of \$150,000 is set aside each year to aid school districts which are in a financially distressed condition. Another appropriation of \$35,000 per year is set aside to be distributed to the common, independent, and consolidated school districts which contain indemnity and endowment land owned by the State. The distribution is made in proportion to the acreage in each district. No district with less than 2,500 acres of indemnity and endowment lands may receive such aid.

PERMANENT SCHOOL FUND MANAGEMENT POLICIES OF DOUGLAS AND GREGORY COUNTIES

Characteristics of Counties Chosen

There are 1,032 square miles of land in Gregory County, 93.8 per cent of which is in farms, and 44.4 per cent of which is in cropland. Using the 1935 Census figures there are approximately ten persons per square mile in this County.

Douglas County comprises 435 square miles, 98.2 per cent of which is in farms, and 71.7 per cent of which is in cropland. There are approximately 16 persons per square mile in this County.

Gregory and Douglas Counties are similarly located geographically, as both are situated in the south-central part of the State. The total assessed valuation of each county is slightly more than 10 million dollars while the indebtedness per capita in Douglas is \$8.55, and \$9.23 in Gregory if Permanent School Fund obligations are disregarded.

### Types and Extent of Loans

On November 18, 1939, Gregory County owed \$535,953 in principal to the Permanent School Fund; Douglas County owed \$240,000 in principal. Although Gregory's obligations exceed those of Douglas, both owe sufficient amounts to warrant an investigation and comparison of losning policies.

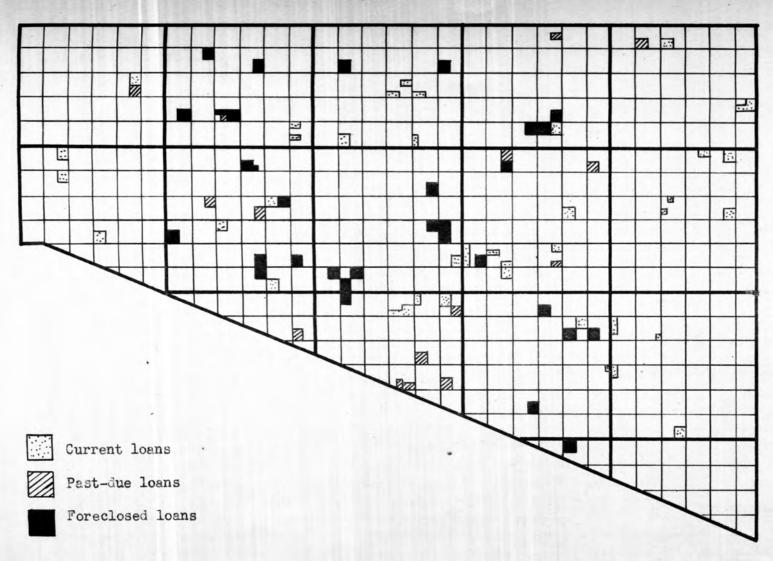
The agricultural loans of each county were classified as current, past-due, and foreclosed. All loans upon which the date of principal payment had not arrived as of November 18, 1939, were classified as "current" loans. All loans upon which the date of principal payment had arrived and was past, were termed "past-due" loans. All loans upon which the county had foreclosed or taken title were classified as "foreclosed" loans.

Table 7 shows the extent and type of loans in each county while

Figures 6 and 7 show the location of the tracts of land loaned upon, and
the loan type under which each tract is classified.

Both counties have the major portion of their Fund invested in farm mortgages. Douglas has more than one fourth of its Fund money invested in current loans and has 57 per cent of it invested in foreclosed loans. Gregory has but 6.5 per cent of its Fund invested in current loans and 62 per cent of it invested in foreclosed loans.

Douglas has only \$5,000 or two per cent of its Fund invested in bonds; Gregory has \$101,750 or 18.9 per cent of its Fund moneys invested in bonds of its various governmental subdivisions.



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Table 7 .- Types and Extent of Loans in Douglas and Gregory Counties,

| Loan Type                            | : : | Douglas | : : | Investment<br>in<br>Each Type | : | Gregory : | Investment<br>in<br>Each Type |
|--------------------------------------|-----|---------|-----|-------------------------------|---|-----------|-------------------------------|
|                                      |     | Dollars |     | Per cent                      |   | Dollars   | Per cent                      |
| Current Loans                        |     | 64,080  |     | 26.66                         |   | 35,080    | 6.54                          |
| Past due Loans                       |     | 33,375  |     | 13.88                         |   | 64,500    | 12.03                         |
| Foreclosed Loans<br>Bonds of Subdiv- |     | 137,900 |     | 57.30                         |   | 334,623   | 62.43                         |
| isions                               |     | 5,000   |     | 2.08                          |   | 101.750   | 18.98                         |
| Total                                |     | 240,335 |     | 99.92                         | : | 535,953   | 99.98                         |

\* Office of Douglas County Auditor and Gregory County Treasurer.

### Comparative Land Values

\* knowledge of land values in each county is necessary when comparing leaning policies, for the Constitution stipulates that leans upon farm land shall not exceed one third of the actual value of the land.

The average value of all land in Douglas and Gregory Counties for several different years is shown in Table 8. Average values of land for a whole county do have serious limitations, but do portray a general picture of the situation.

Table 8 .- Average Value of Land Per Acre in Douglas and Gregory Counties, South Dakota (1920-39)\*

| Year   | Douglas |   | Gregory     | - |
|--------|---------|---|-------------|---|
|        | Dollars |   | <br>Dollars |   |
| 1920   | 74.67   |   | 46.24       |   |
| 1925   | 59.11   | 4 | 36.26       |   |
| 1930   | 51.44   |   | 30.14       |   |
| 1935   | 33.58   |   | 15.90       |   |
| 1939** | 30.47   |   | <br>13.54   |   |

\* United States Census

\*\* Division of Taxation, Pierre, South Dakota

According to information presented, land values in Douglas have consistently been higher than in Gregory. Values in both counties have dropped considerably, however, in recent years. In some instances, county commissioners may have losned up to one third of the value of the land in 1930, only to find that in 1935 land values had dropped so severely that the land was worth no more than the amount loaned.

# Analysis of Agricultural Loans

The loans on agricultural land, as previously observed, were classified as current, past-due, and foreclosed, to facilitate investigation and comparison of the loaning practices of the two counties.

An analysis of the current loans of each county is shown in Table 9.

Table 9 .- Analysis of Current Loans in Douglas and Gregory Counties, South Dakota, November 18, 1939\*

| Loans                            | Douglas | Gregory |
|----------------------------------|---------|---------|
| Principal (dollars)              | 64,080  | 35,080  |
| Number of acres                  | 4,769   | 3,805   |
| Number of tracts                 | 38      | 23      |
| Average loan per tract (dollars) | 1,686   | 1,525   |
| Average losn per acre (dollars)  | 13.43   | 9.21    |

<sup>\*</sup> Office of Douglas County Auditor and Gregory County Treasurer.

Douglas County has more current loans outstanding on more tracts of land than Gregory. The average loan per tract and per scre in the two counties are quite comparable. During the year 1939 prior to November 18, Douglas County had made 13 new loans while no new loans had been made in Gregory County. Gregory County administrators apparently desired to straighten out existing loans before making any more. Douglas, however, still makes loans upon agricultural land, although they are relatively few in number.

Table 10 is an enalysis of the past-due loans of both counties.

Table 10.--Analysis of Past-Due Loans in Douglas and Gregory Counties, South Dakota, November 18, 1939\*

| Losns                            | Douglas : | Gregory |
|----------------------------------|-----------|---------|
| Principal (dollars)              | 33,375    | 64,590  |
| Number of acres                  | 1,970     | 3,870   |
| Number of tracts                 | 14        | 23      |
| Average loss per tract (dollars) | 2,384     | 2,804   |
| Average loan per acre (dollars)  | 16.94     | 16.67   |

<sup>\*</sup> Office of Douglas County Auditor, and Gregory County Tressurer

Gregory County has nearly twice as much money invested in loans which are past-due as in loans which are current. Douglas presents a brighter picture for it has nearly twice as much money invested in current loans as in past-due loans. The average past-due loan in Gregory was \$16.67 per acre as compared with \$16.94 per acre in Douglas. Since the value of land in Douglas is apparently higher than that in Gregory, it seems that Douglas has been more conservative in its past-due loans than Gregory. However, an investigation of the lands upon which loans were made and the time when made would have to precede a blunt statement to the effect that Gregory was less conservative in its loans.

If an individual who has received a loan fails to pay his obligations, a county will foreclose on its mortgage. Counties hesitate to foreclose, however, for the tax base is reduced and in many instances, due to changeable business and climatic conditions, the loan may exceed the value of the land. Nevertheless, the various counties have been forced to foreclose on many loans in recent years. Table 11 shows an analysis of the Permanent School Fund foreclosure loans in Douglas and Gregory Counties.

Table 11 .- An Analysis of the Foreclosed Loans in Douglas and Gregory
Counties, South Dakots, November 18, 1939\*

| Loans                            | Douglas : | Gregory |
|----------------------------------|-----------|---------|
| Principal (dollars)              | 137,900   | 334,623 |
| Number of acres                  | 4,860     | 16,434  |
| Number of tracts                 | 32        | 93      |
| Average losn per tract (dollars) | 4,309     | 3,598   |
| Average loan per acre (dollars)  | 28.37     | 3,598   |

<sup>\*</sup> Office of Douglas County Auditor and Gregory County Treasurer.

It is noted from Table 11 that both counties have a greater total and average per acre foreclosed loan than in either of the other types of loans. This fact may be the most important finding from this analysis.

All types of loans considered, the average loan per scre in Douglas County was \$20.72 as compared with \$22.23 per scre in Gregory County.

Both counties apparently have been more conservative in their current loans than in either of the other types. Loans past-due were more conservative than those foreclosed. Loans foreclosed constituted a greater percentage of the total amount loaned to each county than did either other type of loan.

Douglas had a greater percentage of its Fund invested in current loans than did Gregory. Gregory, on the other hand, had a greater percentage of its Fund moneys invested in bonds than did Douglas.

If the average value of land per acre can be used as a basis of judgment, Douglas County may have been more conservative with its loans than Gregory.

# Bond Investments

Douglas County has \$5,000 of its Fund money invested in bonds, all in the bonds of the City of Delmont, South Dakota.

Gregory County has \$101,750 of Fund money invested in bonds of the various governmental subdivisions, as shown in Table 12.

Table 12.-Bond Investments of Fund Moneys in Gregory County South Dakota, March 22, 1940\*

| Political Subdivision                     | Principal Amount |
|---|------------------|
|   | Dollars          |
| Fairfax Independent Cons. School Dist. #3 | 55,000           |
| Burke Independent School Dist. #58        | 27,000           |
| Bonesteel City Waterworks Refunding Bond  | 15,000           |
| Ellis Creek School District #25           | 2,500            |
| Happy Hollow School District #87          | 2,250            |
| Total                                     | 101,750          |
|   |                  |

<sup>\*</sup> Treasurer of Gregory County.

Bond investments, for the most part, are considered sound. However, at times they too may be insecure if faulty management prevails.

#### PART II

# ANALYSIS OF HOUSE JOINT RESOLUTION NO. 10

DEVELOPMENTS CONTRIBUTING TO FORMULATION OF THE RESOLUTION

## Difficulty in Investment of Fund

The minimum interest rate for the use of Permanent School Fund moneys is 5 per cent as provided in the Constitution. In recent years the going rate of interest has been relatively lower than that rate; consequently when an individual or political subdivision could borrow money at a lower rate of interest elsewhere it would not borrow Fund moneys. The Interest and Income Fund suffers losses when Permanent School Fund moneys are uninvested for interest for the use of the principal is its chief source of growth. Table 13 shows the effect of the high interest rate for the use of Permanent School Fund moneys during the last few years.

Table 13 .- Uninvested Permanent School Fund Moneys in South Dakota and

|      | Interest Income | Interest Income Lost (1933-38 inc.)* |                 |  |
|------|-----------------|--------------------------------------|-----------------|--|
|      | Uninvested      | 1                                    | Interest Income |  |
| Year | <br>Fund Moneys |                                      | Lost**          |  |
|      | Dollars         |                                      | Dollars         |  |
| 1933 | 45,498.16       |                                      | 2,274.91        |  |
| 1934 | 686,270.96      |                                      | 34,313.55       |  |
| 1935 | 1,670,685.11    |                                      | 83,534.26       |  |
| 1936 | 1,616,056.35    |                                      | 80,802.82       |  |
| 1937 | 354,342.99      |                                      | 17,717.15       |  |
| 1938 | 903,451.83      |                                      | 45,172.59       |  |
|      |                 |                                      |                 |  |

<sup>\*</sup> Commissioner of School and Public Lands, Pierre, South Dakota.

The interest rate for the use of Fund moneys was lowered from 6 per cent to 5 per cent in the November election of 1902. An unsuccessful attempt was made to lower the rate from 5 to 4 per cent in House Joint Resolution No. 3 at the legislative session of 1933. In the 1939 legislative session House Joint Resolution No. 3 which proposed to lower the

<sup>\*\*</sup> Using 5 per cent interest rate.

interest rate from 5 per cent to 3 per cent also was defeated. Later this bill was incorporated into House Joint Resolution No. 10, the Resolution with which this study is primarily concerned.

## Increased Principal and Interest Delinquencies

The various counties owed the Fund \$12,567,154 in principal and \$1,166,999 in delinquent interest on December 31, 1939. The interest delinquency situation is perhaps the most serious, since counties must pay their
interest obligations before they can make payments on the principal. It
is observed from Table 14 that the interest delinquency problem first became serious only a few years ago.

Table 14. -- Permanent School Fund Interest Delinquencies in South Dakota, 1932-1939 inclusive

| Year | Amount       |
|------|--------------|
| 1661 |              |
|      | Dollars      |
| 1932 | 75,243.43    |
| 1933 | 364,310.71   |
| 1934 | 749,793.90   |
| 1935 | 1,065,804.56 |
| 1936 | 1,120,936.68 |
| 1937 | 1,322,551.55 |
| 1938 | 971,481.95   |
| 1939 | 1,166,999.00 |

<sup>\*</sup> Commissioner of School and Public Lands of South Dakots

When the principal and interest delinquencies are combined, as in Table 15, the total obligations of the various counties to the Fund are revealed. The counties of Beadle, Brown, Charles Mix, Gregory, and Hamlin each owe the Fund more than \$425,000. Codington, Davison, Hughes, Kingsbury, and Sanborn Counties owe the least amount of money to the Fund. The latter counties, however, issued bonds to pay off part of their obligations.

Table 15.--Permanent School Fund Principal and Delinquent Interest Owed in South Dakota, December 31, 1939.\*

| County   | : Investmen |         | Total   |
|--|-------------|---------|---------|
| ,  | Dollars     | Dollars | Dollars |
| Aurora   | 227,793     | 44,371  | 272,110 |
| Beadle   | 439,321     | 85,360  | 524,681 |
| Bennett  | 144,183     | 4,036   | 148,220 |
| Bon Homme  | 173,392     | 9,770   | 183,161 |
| Brookings  | 11,350      | 00      | 11,350  |
| Brown  | 425,519     | 3,922   | 429,441 |
| Brule  | 300,763     | 66,382  | 367,146 |
| Buffalo  | 51,745      | 7,141   | 58,886  |
| Butte  | 218,289     | 32,864  | 251,153 |
| Campbell   | 200,000     | 20,000  | 220,000 |
| Charles Mix  |             | 32,059  | 472,359 |
| Charles and Charle | 440,300     | 13,795  | 317,890 |
| Clark  | 304,095     | 13,795  |         |
| Clay   | 49,299      | 00      | 49,299  |
| Codington  | 10,750      |         | 10,750  |
| Corson   | 245,353     | 14,592  | 259,946 |
| Custer   | 39,324      | 00      | 39,324  |
| Davison  | 34,033      | 1,965   | 35,999  |
| Day  | 196,889     | 00      | 196,889 |
| Deuel  | 151,615     | 00      | 151,615 |
| Dewey  | 195,322     | 20,064  | 215,386 |
| Douglas  | 229,940     | 5,494   | 235,435 |
| Edmunds  | 160,859     | 24,520  | 185,380 |
| Fall River   | 123,936     | 15,832  | 139,769 |
| Faulk  | 297,165     | 20,772  | 317,937 |
| Grant  | 236,850     | 2,813   | 239,663 |
| Gregory  | 565,003     | 99,003  | 664,006 |
| Haakon   | 174,304     | 28,531  | 202,836 |
| Hemlin   | 389,763     | 39,546  | 429,310 |
| lland  | 261,629     | 41,443  | 303,073 |
| Hanson   | 111,330     | 2,273   | 113,603 |
| Harding  | 199,683     | 44,574  | 244,258 |
| Hughes   | 18,300      | 00      | 18,300  |
| Hutchinson   | 195,691     | 5,102   | 200,794 |
| Hyde   | 238,537     | 51,454  | 289,992 |
| Jackson  | 113,769     | 10,024  | 123,793 |
| Jerauld  | 325,275     | 13,159  | 338,434 |
| Jones  |             | 00      | 122,800 |
|  | 122,800     | 00      | 26,623  |
| Kingsbury  | 26,623      | 00      | 45,100  |
| Lake   | 45,100      | 4,107   | 139,592 |
| Lawrence   | 135,485     | 00 .    | 222,335 |
| Lincoln  | 222,335     | 44,617  | 306,727 |
| Lyman  | 262,109     | 44,027  | ,       |

<sup>\*</sup> Commissioner of School and Public Lands, Pierre, South Dakots.

Table 15 .- Continued

| County :   | Investment | : Delinquent Interes |            |
|------------|------------|----------------------|------------|
|            | Dollars    | Dollars              | Dollars    |
| McCook     | 283,462    | 28,692               | 312,154    |
| McPherson  | 188,994    | 7,900                | 196,894    |
| Marahall   | 164,029    | 7,092                | 171,121    |
| Meade      | 151,730    | 00                   | 151,730    |
| Mellette   | 134,008    | 25,520               | 159,529    |
| Miner      | 162,931    | 00                   | 162,931    |
| Minnehaha  | 143,000    | 00                   | 143,000    |
| Moody      | 169,515    | 00                   | 169,515    |
| Pennington | 86,125     | 00                   | 86,125     |
| Perkins    | 153,191    | 24,894               | 178,085    |
| Potter     | 237,928    | 27,482               | 265,410    |
| Roberts    | 309,768    | . 00                 | 309,768    |
| Sanborn    | 13,763     | 00                   | 13,763     |
| Spink      | 311,825    | 14,915               | 326,740    |
| Stanley    | 184,426    | 35,215               | 219,641    |
| Sully      | 151,850    | 32,319               | 184,169    |
| Pripp      | 339,176    | 7,356                | 346,533    |
| Turner     | 282,557    | 00                   | 282,557    |
| Union      | 210,055    | 00                   | 210,005    |
| Walworth   | 228,199    | 47,165               | 275,364    |
| Yankton    | 62,470     | 4,478                | 66,948     |
| Ziebach    | 182,310    | 34.418               | 216,728    |
| Total      | 12,567,154 | 1,166,999            | 13,734,153 |

They did this because they could borrow money from other sources at a lower rate of interest than the 5 per cent minimum.

High interest rates are said to be conducive to interest delinquencies. Borrowers whose credit is good obtain losns where the interest rates are the lowest, while men with poorer credit standings and who cannot obtain losns elsewhere, borrow Permanent School Fund moneys.

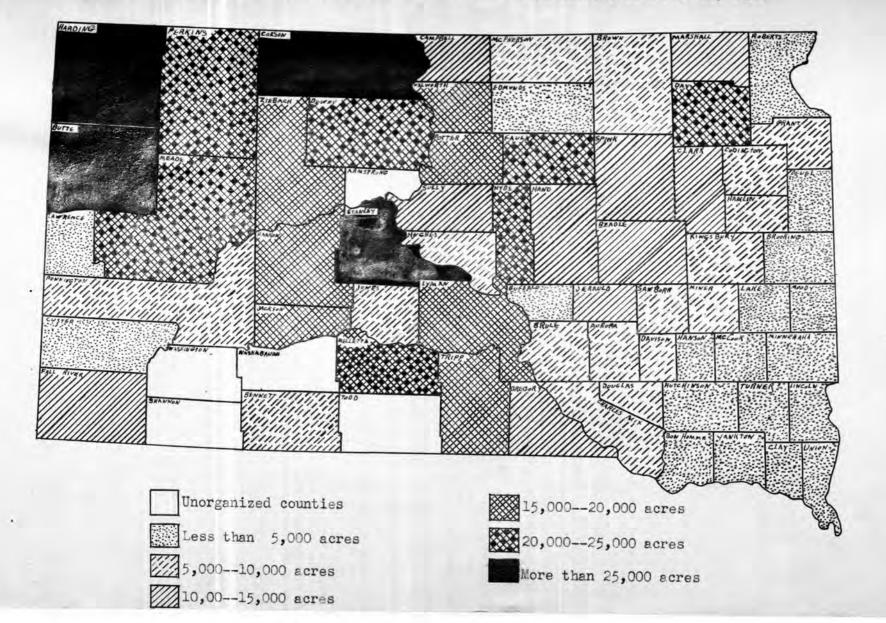
## Permanent School Fund Foreclosures

When the fact that land values have dropped so severely in the last few years is considered, it is not surprising that foreclosures have been so numerous. In many instances, loans made a few years ago may equal or exceed the present value of the land. If principal and interest payments become delinquent the counties derive no return from their investments. In an endeavor to realize some income from their loans, some counties have foreclosed upon mortgages from which they were receiving no satisfaction, hoping to lease or sell the lands involved.

Figure 8, as taken from Appendix Table VI, shows the extent of foreclosures in the various counties. Those counties such as Butte, Corson,
Dewey, Harding and Stanley, which have foreclosed upon large acreages,
have reduced their tax bases materially, and in some instances have suffered pecuniary losses from the transaction. But foreclosure is apparently the least painful outlet.

Foreclosures have been practically nil in Guster, Minnehsha, Turner, Union, and Mankton Counties. These counties do not favor the proposed emendment because if a loss from the transaction is sustained, all counties may have to make a special levy to prevent depletion of the Fund.

Figure 8. Permanent School Fund Foreclosure Lands in South Dakota, December 31, 1938



## Attitude of Counties Toward Fund Obligations

Senate Bill No. 53 was passed in 1935 to enable the counties to more easily meet their Permanent School Fund obligations. This bill allowed the various counties to make a special tax levy for their Fund indebtedness, a levy which was not subject to the State levy limitations. This plan of alleviating Fund burdens did not work out very well as can be seen in Table 16. The mill levy in the Table is an average of the levies made during the years 1935, 1936, 1937, and 1939.

Consider the attempts of the five counties which owe the most money to the Fund. Gregory levied an average of .34 mills; Beadle, .69; Cherles Mix, .87; Brown, .47; and Hamlin, 1.09. These counties have made lower tax levies to meet their obligations than such counties as Corson, Dewey, Jersuld, and Tripp which although their assessed valuations are low, have made high levies for School Fund purposes.

Tax levies for Fund purposes should be indications of endeavors to pay debts, for although a small levy on a large assessed valuation may amount to as much as a high levy on a small assessed valuation, it is just as difficult for the taxpayers in the counties with small assessed valuations to meet their obligations as it is for taxpayers in counties with high assessed valuations. An average of but .79 mills was levied for Permanent School Fund purposes by all counties for the four years considered.

If the counties which owe the Fund the most money make no greater attempt to meet their obligations than is evidenced in Table 16, it is not surprising that the counties with less indebtedness have neglected to meet their obligations.

Table 16. -- Assessed Valuation, Average Levy, and Possible Annual Revenue for Permanent School Fund Purposes in South Dakota.\*

| -           | : Assessed Valuation | Average Levy for   | : Possible Annual      |
|-------------|----------------------|--|------------------------|
| County      |                      | Control of the Contro | *Revenue-Fund Purposes |
|             | Dollars              | Mills  | Dollars                |
| Aurora      | 11,715,133           | .28  | 3,280.24               |
| Beadle      | 28,681,169           | .69  | 19,790.00              |
| Bennett     | 3,250,943            | 1.00   | 3,250.94               |
| Bon Homme   | 20,990,115           | .18  | 3,778.22               |
| Brookings   | 27,223,727           | .24  | 6,533.69               |
| Brown       | 40,680,594           | .47  | 19,119.38              |
| Brule       | 10,214,037           | .20  | 2,144.95               |
| Buffalo     | 2,238,753            | .75  | 1,679.06               |
| Butte       | 7,766,845            | .69  | 5,359.12               |
| Campbell    | 6,447,173            | 1.16   | 7,478.72               |
| Charles Mix | 20,149,636           | .87  | 17,530.18              |
| Clerk       | 17,086,838           | .75  | 12,815.13              |
| Clay        | 21,225,728           | .21  | 4.457.40               |
| Codington   | 21,759,051           | 1.25   | 27,198.81              |
|             |                      | 1.89   | 10,818.86              |
| Corson      | 5,724,262            | .48  | 2,478.84               |
| Custer      | 5,164,242            | .36  | 6,912.01               |
| Davison     | 19,200,023           |  | 9,011.02               |
| Day         | 20,024,492           | .45<br>.29   | 3,667.60               |
| Deuel       | 12,646,913           |  |                        |
| Dewey       | 3,182,068            | 3.67   | 11,678.19              |
| Douglas     | 10,535,070           | .72  | 7,585.25               |
| Edmunds     | 11,764,560           | .62  | 7,294.03               |
| Fall River  | 8,144,742            | .58  | 4,723.95               |
| Faulk       | 10,054,979           | 1.37   | 13,775.32              |
| Grant       | 16,112,773           | .49  | 7,895.26               |
| Gregory     | 10,596,932           | .34  | 3,602.96               |
| Heakon      | 7,054,039            | .67  | 4,726.20               |
| Hamlin      | 11,531,435           | 1.09   | 12,569.26              |
| Hand        | 12,112,770           | 1.65   | 19,986.07              |
| Hanson      | 11,308,558           | •55  | 6,219,70               |
| Harding     | 4,187,577            | .75  | 3,140.68               |
| Hughes      | 7,433,212            | 1.29   | 9,588.84               |
| Hutchinson  | 26,517,198           | .22  | 5,833.78               |
| Ryde        | 4,509,267            | .67  | 3,021.20               |
| Jackson     | 2,750,737            | •70  | 1,925.51               |
| Jerauld     | 7,145,286            | 2.60   | 18,577.74              |
| Jones       | 3,940,255            | 1.56   | 6,146.80               |
| Kingsbury   | 16,926,475           | .16  | 2,708.24               |
| Lake        | 21,497,685           | .74  | 15,908.29              |
| Lawrence    | 24,239,785           | .17  | 4,120.76               |
| Lincoln     | 29,710,839           | .37  | 10,993.01              |
| Lyman       | 6,542,539            | 1.16   | 7,589.34               |

<sup>\*</sup> Office of Auditor of State, Pierre, South Dakota.

Table 16 .-- Continued

| County     | : | June 30, 1938 |      | Average Levy for : 1935, '36, '37, '39: | Possible Annual Rever<br>For Fund Purposes | ue |
|------------|---|---------------|------|---|--|----|
|            | - | Dollars       |      | Mills                                   | Dollers                                    | -  |
| McCook     |   | 16,850,381    |      | •43                                     | 7,245.66                                   |    |
| McPherson  |   | 7,627,465     |      | .71                                     | 5,415.50                                   |    |
| Marshall   |   | 11,940,697    |      | 1.39                                    | 16,597.57                                  |    |
| Meade      |   | 10,849,467    |      | .68                                     | 7,377.64                                   |    |
| Mellette   |   | 2,593,693     |      | 1.80                                    | 4,668.65                                   |    |
| Miner      |   | 11,170,263    |      | 1.07                                    | 11,952,18                                  |    |
| Minnehaha  |   | 77,765,532    |      | .03                                     | 2,332.96                                   |    |
| Moody      |   | 18,657,727    |      | .09                                     | 1,679.19                                   |    |
| Pennington |   | 20,447,388    |      | .36                                     | 7,361.05                                   |    |
| Perkins    |   | 8,375,056     |      | •49                                     | 4,103.77                                   |    |
| Potter     |   | 7,845,454     |      | 1.23                                    | 9,649.91                                   |    |
| Roberts    |   | 23,948,012    |      | .23                                     | 5,508.04                                   |    |
| Sanborn    |   | 10,457,391    |      | 1.06                                    | 11,084.83                                  |    |
| Spink      |   | 24,708,097    |      | .83                                     | 20,507.72                                  |    |
| Stanley    |   | 3,978,801     |      | 1.01                                    | 4,018.59                                   |    |
| Sully      |   | 5,812,340     |      | .33                                     | 1,918.07                                   |    |
| Tripp      |   | 8,593,149     |      | 2.21                                    | 18,990.86                                  |    |
| Turner     |   | 26,464,687    |      | .09                                     | 2,471.82                                   |    |
| Union      |   | 21,272,234    |      | .24                                     | 5,105.33                                   |    |
| Walworth   |   | 8,777,792     |      | 1.02                                    | 8,953.34                                   |    |
| Yankton    |   | 23,869,768    |      | .04                                     | 954.79                                     |    |
| Siebach    |   | 2,652,137     |      | 1.67                                    | 4.429.07                                   |    |
|            |   |               | 4.70 | .79 Tota                                | 1 519.241.59                               |    |

## HOUSE JOINT RESOLUTION NO. 10

### The Resolution

The foregoing circumstances have culminated in House Joint Resolution No. 10, a proposed amendment to Article VIII, Section 11 of the Constitution of South Dakota.

This proposal is not the first of its kind, for House Bill No. 264 which was introduced to the members of the legislature in 1933, had a similar purpose. It was a bill permitting and requiring the Commissioner to enforce collections of Permanent School Fund moneys from counties which had borrowed the same.

"Whenever any county shall be in default in making reimbursements to the Permanent School Fund of the principal amount of such loan upon which any foreclosure is based, upon loans which it has heretofore foreclosed, or which it may hereafter foreclose and has received title to the land . . . and default shall have continued for a period of 30 days or more, it shall be the duty of the Commissioner of School and Public Lands to immediately proceed to collect such amount by requiring a conveyance by the county to the State, of such lands foreclosed upon. This shall be in payment of principal amount exclusive of interest. Land shall be placed on list of School and Public Lands for lease or sale as other lands."

Although the bill was defeated, its ultimate objective was to allow the various counties to substitute Permanent School Fund foreclosure lands for the principal owed.

To svoid confusion and clarify any misunderstandings which might have arisen concerning House Joint Resolution No. 10, the more important parts of Section 11 of Article VIII of the Constitution of South Dakota are here presented. The words and sentences enclosed in parentheses or underlined are changes or additions to the Section, and the deletions, or omission of words and sentences are indicated in this way (. . .).

<sup>8/</sup> House Journal, 1933.

HOUSE JOINT RESOLUTION NO. 10. A Joint Resolution.

A Joint Resolution Proposing and Agreeing to an Amendment to Section 11 of Article VIII of the Constitution of the State of South Dakota, Relating to the Loaning of the Honeys of the Permanent School and Other Educational Funds and Authorizing the Turning Over to the Permanent School Fund of All Assets Thereof Held by the Several Counties, and the Release of Seid Counties From All Liability by Reason of the Loans of Said Funds Submitting the Same to a Vote of the Electors of the State.

BE IT RESOLVED by the House of Representatives of the State of South Dakota, the Senste Concurring:

Section 1.

That Section 11 of Article VIII of the Constitution of the State of South Dakota be amended to read as follows:

Section 11. The moneys of the Permanent School and other Educational Funds shall be invested only in first mortgages upon good improved fare lands within this State, as hereinafter provided, or in bonds of school corporations within this State, or in bonds of the United States or of the State of South Dakots or of any organized county, township or incorporated city in said State. The legislature shall provide by law the method of determining the amounts of said funds, which shall be invested from time to time in such classes of securities respectively, taking care to secure continuous investments as far as possible.

All moneys of said funds which may from time to time be designated for investment in farm mortgages and in bonds of . .. organized counties, townships, or incorporated cities within the State, shall for such purpose be divided among the organized counties of the State in proportion to population as nearly as provisions. . . (of) law to secure continuous investment may permit. . . The amount of each loan shall not exceed one third of the actual value of the lands covered by the mortgage given to secure the same, such value to be determined by . . . (such means as the Legislature may provide), and in no case shall more than Five Thousand Dollars (\$5,000) be loaned to any . . . person, firm or corporation (other than a public corporation) and the rate of interest shall not be less than three per cent per annum and shall be such other and higher rate as the Legislature may provide and shall be payable semi-annually on the first day of January and July . . . (provided that any and all investments of the permanent school fund heretofore made by the several counties of this State under existing constitutional and Statutory provisions, and all notes, mortgages and bonds evidencing and securing such investments, and all lands title to which has heretofore or may hereafter be taken by and in the name of any county as a result of a foreclosure of any mort-gage securing money of such fund or by execution to said county of deeds of conveyance shall be assigned, transferred, and conveyed to the State of South Dakota for benefit of permanent school funds, and that evidences of such transfers and conveyances of title shall be delivered to the Commissioner of School and Public Lands to be held, collected and administered by him as property belonging to such funds, and in such menner as the Legislature may provide.)

(Provided further that any county of this State that may have heretofore issued its bonds to liquidate its indebtedness of principal, interest or both to the Permanent School Fund under constitutional or statutory provisions heretofore existing, may assign and transfer to the permanent school fund of this state any and all notes, mortgages and bonds representing and securing loan of said funds sade by such counties under constitutional and statubory provisions heretofore existing which may convey to said permanent school fund any and all lends, title to which has heretofore been taken by and in the name of said county as a result of the foreelosure of any mortgage securing money of the permanent school fund, and the bonds so issued by any such county for said purposes, shall thereupon be and become the liability of the said permanent school fund.)

(Provided further that upon the assignment and transfer of all evidences of losss of the permanent school fund moneys and the conveyance of all lends acquired by the several counties of the state through the foreclosure of mortgages securing losss of such moneys to the permanent school fund of this state, that the several counties shall be released of all liability to such fund by reason thereof.)

The legislature shall provide by law for the safe investment of the permanent school fund and other educational funds, and for the prompt collection of interest and income thereof,... deemed necessary to carry fully into effect the provisions of this section.)

# Controversial Implications of the Resolution

Both proponents and opponents have definite reasons for their stand on the Resolution. In an endeavor to present an unbiased picture of the situation, arguments of both parties are presented in this section. The voters must weigh the advantages against the disadvantages of the proposed changes. Proponents Arguments—(1) Proponents of the Resolution maintain that its acceptance by the counties is optional. If it is adopted at the coming election the various counties may turn over to the State all Permanent School Fund assets which they hold. However, no county is compelled to transfer these assets to the State; it may pay its indebtedness if it so desires.

- (2) They maintain that if the Resolution passes, the various lands transferred to the State may be sold by it at any price. The minimum sales price of \$10 per acre applies only to the lands granted to the State by the Federal Government. Inasmuch as Permanent School Fund loans were to be made on improved farm lands they believe that "lands upon which mortgages had been foreclosed would have as great a value as the raw lands originally granted to the State by the United States, and if such lands were worth \$10 per acre, then surely the foreclosed lands would be worth at least that sum." 2/
- (3) They maintain that the interest rates for the use of Fund money should be reduced from 5 to 3 per cent. If this were done, proponents believe, the State Department would be more able to keep the Permanent School Fund invested. Investments could be made in more stable securities and thereby produce an income that could be relied upon to keep the size of the apportionment fund at a more uniform level.
- (4) Advocates of the amendment assert that should the proposed amendment pass, the management of the Permanent School Fund would be in the hands of the State Department. South Dakota is the only one of the four states admitted into the Union in 1889 that permits its Permanent School

<sup>9/ &</sup>quot;Preserve the Permanent School Fund", published by proponents of Resolution, 1939.

Fund to be invested through the boards of County Commissioners. North Dakota, Montana, and Washington all provide for the handling of their Fund through the State department. North Dakota has invested Fund moneys in farm mortgages and has foreclosed upon about 22 per cent of them, while South Dakota has had to foreclose upon more than 44.5 per cent of its farm mortgage loans. 10/

- (5) Proponents do not believe that the cost of management by the State will be any greater than the present cost, all things considered. The opposition stated in one of its circulars that the annual cost of management of Rural Credit lands is 17.24 cents per acre as compared with 1.04 cents per acre for managing school lands throughout the counties. Proponents believe that when these figures were computed the opposition considered only the State costs for school land management and failed to consider the costs of management to the counties. North Dakota manages its school lands all over the State with one field man while South Dakota, to manage its Rural Credit lands, uses probably more than 20 fieldmen.
- (6) Proponents of the Resolution assert that the present method of placing a tax upon all taxable property to defray Fund obligations is unfair. They say that not more than 5 per cent of the electors in any one county have borrowed Fund moneys, yet all are taxed. Approximately two thirds of all loans have been foreclosed upon or are more than one year delinquent. The original borrowers are gone, yet the counties are forced to pay interest on the original amount of the loan. All counties in the State except two make levies for Fund purposes; the levies range from .03 mills in Minnehaha to 4.6 mills in Dewey County.

<sup>10/ &</sup>quot;Preserve the Permanent School Fund", published by proponents of the Resolution, 1939.

(7) Advocates of the Resolution say that another inequality in the present system lies in the fact that there is a wide range in ability to pay between counties. The wealthier counties located in the eastern and southeastern sections of the State have sold most of their school lands and these lands have for many years been subject to taxation, thereby contributing to the support of counties, schools, and townships. The western counties, on the other hand, have much unsold school land which is not subject to taxation. They are forced to impose a much heavier burden upon their taxable property to meet public expenses, for the rental from the unsold school lands goes into the Interest and Income Fund which is apportioned to all counties according to school population.

Minnehaha County had only 434 acres of school land in 1938. The rental from the land and the interest on school loans furnished but \$8,984.43 to the Interest and Income fund, yet this county's apportionment was \$86,024.95. On the other hand, Harding County, had 383,279 acres of school land which were nontaxable, but which paid \$27,816.81 to the Interest and Income Fund in 1938. Its share of the apportionment amounted to but \$5,311.90.

Proponents of the amendment assert that, since the western counties have a greater percentage of nontaxable land than the eastern counties, they have less debt-paying ability. They intimate that if the proposed amendment does not pass, many counties will have to either repudiate their debts or go through bankruptcy.

(8) Supporters of the Resolution believe that if it passes, the Permanent School Fund will be sugmented rather than decreased. They assert that the State Department will obtain possession of 239,203 acres

of land more than it was originally granted. Since this land is supposed to be improved farm land they believe it will sell for at least \$10 per acre with improved financial conditions.

- (9) Another reason why the defenders of the Resolution object to the present constitutional setup is that they believe leaning through county commissioners is too political, and may result in excessive leans to personal friends.
- (10) The fact that the counties must guarantee payment of both principal and interest on money loaned also is objectionable in times of financial distress, proponents assert.

Under the present system the counties are burdened also with expenses incident to the foreclosure of school loans, which at times mounts up considerably.

(11) Advocates of the proposed Resolution maintain that the Permanent School Fund problem has been deferred long enough. Opponents have been studying the situation for several years, yet they offer no plan for improvement of existing conditions. Proponents believe that the plan which they offer will alleviate many weaknesses of the existing system.

Opponents Arguments. -- (1) Opponents of the Resolution maintain that the counties are not compelled to take the money offered for loan by the Commissioner of School and Public lands. The county commissioners may return any uninvested Permanent School Fund money to the Commissioner.

(2) Members of the opposition maintain that lands transferred to the State are state school lands and cannot be sold for less than \$10 per acre. In 38 of the counties involved, the estimated average value of the land is less than that amount. At the present time the several counties can sell Permanent School Fund Foreclosure lands at the market

price.

If the State could not sell the land, could it lease it? Opponents maintain that the Department never has been able to lease all the land which it now holds.

- (3) The opponents like the proponents, believe that the present interest rate should be reduced. At the present time borrowers can obtain money at a lower rate than that at which the Department can now loan.

  Another amendment could be submitted reducing the interest rate to conform to current rates and to secure better investment chanells for the Fund.
- (4) Opponents question the ability of the State to manage the Fund and lends more efficiently than the counties. The counties had made loans on farm mortgages totaling \$13,600,153 on 1,433,028 acres of land on December 31, 1938. Of this total amount there were 986,293 acres involved in foreclosed and delinquent loans. It is quite likely that the acreage involved in foreclosed and delinquent loans would be turned back to the State. Opponents wonder if it would be more efficient for the county commissioners to manage the lands and loans without cost to the State as at present, or for the Department of School and Public Lands to manage the lands with the aid of a large field force. The State would have to carry the cost of liquidation.

The amendment does not change the investment channels. It transfers the management from the counties to the State, a system similar to the Rural Credits.

(5) Those opposed to the amendment believe that the cost of management would be greater if school lands were state managed. The Rural Credit situation illustrates this. It costs the Rural Credits Department \$302,251 to manage 1,749,790 acres of land or an average of 17.27 cents per
acre. The Department of School and Public Lands which manages 2,845,583
acres of land spent \$30,000 or an average of 1.04 cents per acre for management. The counties should share in the cost of administration inasmuch as
they receive annual apportionments from the Interest and Income Fund.
Counties are less subject to partisen politics than state enterprises.

(6) The Resolution does not provide a means of making up losses to the Fund. Inasmuch as the State guarantees Fund losses, the Resolution proposes that all counties share the loss alike, possibly by a state tax levy. Some counties have levied to meet their obligations, while others have been indifferent. No consideration is given those counties which have endeavored to meet their own losses.

The opposition states that the proposed amendment will not remedy the weaknesses of the present apportionment policy. If it passes, an additional 43,374 acres of foreclosed and delinquent lands will be taken from the tax roll in Harding County as compared with 1,033 acres in Minneheha. The income from these lands will be apportioned to the counties according to population. School expenditures are greater in counties which have larger enrollments; therefore, the present system of apportionment is justified. This is not a sectional issue. It is a matter of doing right for the school and school children.

(7) Opponents do not believe that the principal of the Permanent School Fund will be increased, but rather that it will be decreased. Although the acreage returned will be greater than the original grants, the pecuniary return will be smaller. Many of the foreclosed and delinquent

loan lands are located in counties where land values are very low. The assertion that the lands concerned will be sold for \$10 per acre or more is not sound. Much of this land never has been worth \$10 per acre.

- (8) Members of the opposition do not believe that the Resolution offers a method for making the administration of the Fund less political. It does not propose to reduce the maximum loan of \$5,000. There are no indications that State management would do away with politics. The Rural Credits setup has not disclosed that the State has administered farm loans more efficiently than the county commissioners.
- (9) Opponents of the amendment assert that when the several counties receive loans from the Permanent School Fund they assume the obligations of guaranteeing the return of principal and interest of the loan to the Fund.

The counties also assume the obligations of expenses incident to foreclosure of school loans. This amendment will not relieve expenses of foreclosure for they will still have to be paid.

(10) If the Resolution passes, those 12 counties that issued bonds to pay their Fund obligations will turn them over to the State for payment. In return the State will receive the lands foreclosed upon by the counties. Opponents wonder what will happen in those counties that have sold Permanent School Fund foreclosure lands and placed the proceeds in the general Fund.

The State will receive title to all bonds in which School Fund money has been invested by the counties. Members of the opposition maintain that the State will have to absorb the delinquent interest on the bond investment; this amounted to \$161,200 on December 31, 1938.

(11) Opponents of the Resolution say that persons who hold bonds of

the various counties are strongly in favor of the proposed amendment, for if it passes the counties will be able to pay their bond obligations. Opponents believe that if the amendment passes and a loss is sustained by the transaction, bondholders should share in the loss. This loss, however, will result in increased taxes for schools.

- (12) Opponents maintain that the extent of nontaxable land will be increased if the Resolution passes. The Eural Credits Department has found it difficult to sell its lands, and it can sell at any price. The Eural Credits Department still holds 1,731,711 acres which are partially free from taxes. The amendment proposes to add 936,293 acres of land to the nontaxable list, none of which may be sold for less than \$10 per acre.
- (13) Finally, opponents believe that South Dakota has maintained its credit because the State and each of its subdivisions have tended to meet their own obligations. This attempt at repudiation should be opposed for it may be reflected in future business transactions of the counties.

If the Resolution is rejected the situation may be studied more thoroughly. A solution to the problem may be arrived at which will be more satisfactory to all.

FINANCIAL EFFECT UPON THE FUND SHOULD THE RESOLUTION PASS

Effect on the Fund if Lands Concerned were Substituted for the Principal Involved.

Should the proposed amendment pass, the Department of School and Public Lands would receive approximately 986,293 acres of land upon which mortgages have been foreclosed or are delinquent. This acreage would be substituted for the \$9,995,576 which the counties borrowed from the Permanent School Fund and loaned upon the acreage mentioned. The Department of School and Public Lands now manages over 2,800,000 acres of land. An addition of nearly 1 million acres more would increase management costs considerably.

Should the Resolution pass, it is quite likely that a strong sales program would be launched. Inasmuch as the "substitute" lands are improved, it is possible that they may sell more readily. If they are sold and they yield a larger return to the Fund than was originally invested in them, the principal of the Fund will be increased. However, if these lands yield a smaller return to the Fund than was originally invested in them, a loss will be incurred.

Present constitutional provisions imply that the State must make up all losses to the Fund.

If the Resolution passes and the "substitute" lands are sold at their present market value, the question of what effect such transactions would have upon the principal of the Fund immediately arises. In attempting to answer this question, only the acreage involved in foreclosed and delinquent loans is considered, for it is believed current loans will be paid.

Table 17 shows what financial effect the sale of "substitute" lands

Table 17 .- Effect on the Fund Should "Substitute" Lands be Sold for Their Estimated Present Sales Value in South Dakota\*.

| Country     | Delinquant Loan: | Average Permanent<br>School Fund Loan | Land Per Acre           | : Difference Between<br>: Av. Sales Value<br>: and Fund Loan | or Less              |
|-------------|------------------|---------------------------------------|-------------------------|--|----------------------|
| County      | Lends :          | Per Acre<br>Dollars                   | Dec. 31, 1938** Pollers | Dollars  | : To Fund<br>Dollars |
| Aurora      | 9,700            | 15.79                                 | 10.00                   | - 5.79   | - 56,163.00          |
| Beadle      | 15,472           | 21.74                                 | 5.00                    | -15.74   | -234,529.2           |
| Bennett     | 8,170            | 7.89                                  | 4.50                    | - 3.39   | - 27,696.30          |
| Bon Homme   | 4,820            | 26.36                                 | 30.00                   | 3.64   | 17,544.80            |
| Brookings   | 3,113            | 24.28                                 | 15.00                   | - 9.28   | - 28,838.6           |
| Brown       | 19,680           | 12.73                                 | 10.00                   | - 2.73   | - 53,726.40          |
| Brule       | 16,660           | 13.84                                 | 7.50                    | - 6.34   | -105,624.4           |
| Buffalo     | 6,533            | 7.56                                  | 7.50                    | 06   | - 391.9              |
| Butte       | 44,397           | 3.18                                  | 2.00                    | - 1.13   | - 52,388.40          |
| Campbell    | 15,960           | 9.55                                  | 10.83                   | 1.28   | 20,428.8             |
| Charles Mix | 10,705           | 24.27                                 | 12.00                   | -11.73   | -125,569.6           |
| Clark       | 10,280           | 17.66                                 | 9.00                    | - 8.66   | - 89,024.80          |
| Clay        | 1,182            | 41.42                                 | 41.41                   | 01   | - 11.82              |
| Codington   | 12,192           | 19.83                                 | 20.00                   | .17  | 2,072.6              |
| Corson      | 53,271           | 3.50                                  | 2.50                    | - 1.00   | - 53,271.00          |
| Custer      | 4,948            | 4.78                                  | 2.00                    | - 2.78   | - 13,755.4           |
| Davison     | 9,195            | 21.90                                 | 20.00                   | - 1.90   | - 17,470.50          |
| Day         | 25,246           | 6.26                                  | 8.00                    | 1.74   | 43,928.0             |
| Deuel       | 4,540            | 23.76                                 | 20.00                   | - 3.76   | - 17,070.40          |
| Dewey       | 25,586           | 5.44                                  | 2.50                    | - 2.94   | - 75,222.8           |
| Douglas     | 5,386            | 26.38                                 | 20.00                   | - 6.38   | - 34,362.6           |

<sup>\*</sup> Basic Information obtained from Commissioner of School and Public Lands.
\*\* Pamphlet entitled "Relation of Counties of South Dakota to the Permanent School Fund", prepared by the Commissioner of School and Public Lands for members of the 1939 Session of the Legislature.

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|            |  | 1                  | Estimated Average              |                                 |             |
|------------|--|--------------------|--------------------------------|---------------------------------|-------------|
| County     | Foreclosed and<br>Delinquent Loan<br>Lands | School Fund Loan's | Land Per Acre<br>Dec. 31, 1938 | . Av. Sales Value sad Yund Loen | or Loss     |
|            | Acres                                      |                    | Dollars                        | oller                           |             |
| Edmunds    | 12,280                                     | 9.43               | 7.00                           | - 5.43                          | 07.089.99 - |
| Fall River | 14,600                                     | 6.19               | 9                              | 19                              | - 2.774.00  |
| Faulk      | 25,660                                     | 8.55               | 3.00                           | - 5.55                          | -142,413.00 |
| Grant      | 095.9                                      | 19.32              | 15.00                          | - 4.32                          | - 28,339.20 |
| regory     | 17,918                                     | 20.16              | 9                              | -14.16                          | -253,718,88 |
| Haskon     | 32,389                                     | 4.78               | 1.50                           | - 3.28                          | -106,235.92 |
| Haulin     | 12,921                                     | 23.13              | 20.00                          | - 3.13                          | - 40,442.73 |
| Nand       | 15,370                                     | 12.19              | 2.00                           | - 7.19                          | -110,510,30 |
| Hanson     | 5,838                                      | 29.21              | 17.50                          | -11.71                          | - 68,362,98 |
| Harding    | 43,375                                     | 2.66               | 1.50                           | - 1.16                          | - 50,315.00 |
| Sughes     | 12,423                                     | 9.17               | 2.50                           | - 6.67                          | - 82,861.41 |
| Sutchinson | 62964                                      | 42.15              | 25.00                          | -17.15                          | - 80,416,35 |
| Hyde       | 289475                                     | 7.14               | 5.50                           | - 1.64                          | - 46,699.00 |
| Jackson    | 17,922                                     | 5.10               | 2.50                           | - 2.60                          | - 46,597.20 |
| Jersuld    | 15,580                                     | 17.90              | 8.50                           | 07.6 -                          | -146,452,00 |
| Jones      | 22,749                                     | 5.16               | 2.50                           | - 2.66                          | - 60,512,34 |
| Kingsbury  | 8,505                                      | 21.02              | 10.00                          | -11.02                          | - 93,725.10 |
| Lewrence   | 11,617                                     | 5.87               | 8.00                           | - 1.87                          | - 21,723.79 |
| Lake       | 4,566                                      |                    | 20.00                          | 18.6                            | - 45,913.44 |
| Lincoln    | 4,629                                      | 42.29              | 00.07                          | - 2.29                          | - 10,600.41 |
| Lymen      | 27,815                                     | 77.8               | 2.50                           | - 5.74                          | -159,658,10 |

| County     | Foreclose | t Loan: | Average Permanent<br>School Fund Loan<br>Per Acre | : | Estimated Average<br>Sales Value of<br>Land Per Acre<br>Dec. 31, 1938 | : : | Difference Between av. Sales Value and Fund Loan |   | Total Gain<br>or Loss<br>To Fund |   |
|------------|-----------|---------|---|---|---|-----|--|---|----------------------------------|---|
| -          | Acre      | 2_      | Dollars   |   | Dollars   |     | Dollers  |   | Dollars                          |   |
| McCook     | 6,89      | 9       | 26.96   |   | 20.00   |     | - 6.96   |   | - 48,017.04                      |   |
| Ec?herson  | 9,70      | 0       | 11.39   |   | 8.00  |     | - 3.39   |   | - 32,883.00                      |   |
| Marshall   | 13,57     | 2       | 7.55  |   | 5.00  |     | - 2.55   |   | - 34,608.60                      |   |
| Meade      | 32,30     |         | 3.40  |   | 2.00  |     | - 1.40   |   | - 45,222.80                      |   |
| Wellette   | 24,22     | 1       | 4.80  |   | 3.50  |     | - 1.30   |   | - 31,487.30                      |   |
| liner      | 7,38      |         | 21.00   |   | 10.00   |     | -11.00   |   | - 81,180.00                      |   |
| innehaha   | 1,03      |         | 36.20   |   | 25.00   |     | -11.20   |   | - 11,569.60                      |   |
| loody      | 1,12      |         | 32.14   |   | 27.00   |     | - 5.14   |   | - 5,756.80                       |   |
| Pennington | 10,32     |         | 4.06  |   | 2.00  |     | - 2.06   |   | - 21,259.20                      |   |
| Perkins    | 28,46     |         | 3.47  |   | 2.00  |     | - 1.47   |   | - 41,849.43                      |   |
| Potter     | 25,53     |         | 7.92  |   | 6.00  |     | - 1.92   |   | - 49,034.88                      |   |
| Roberts    | 19,06     |         | 11.60   |   | 8.00  |     | - 3.60   |   | - 68,616.00                      |   |
| Senborn    | 9,77      |         | 28.14   |   | 10.00   |     | -18.14   |   | -177,227.80                      |   |
| Spink      | 16,80     |         | 15.39   |   | 7.50  |     | - 7.89   |   | -132,552.00                      |   |
| Stanley    | 43,68     | 7       | 3.58  |   | 1.00  |     | - 2.58   |   | -111,164.46                      |   |
| Sully      | 14,46     |         | 8.03  |   | 4.00  |     | - 4.93   | 7 | - 58,273.80                      |   |
| Tripp      | 20,18     | de      | 10.87   |   | 6.00  |     | - 4.87   |   | - 98,296.08                      |   |
| Turner     | 1,85      | 10      | 31.75   |   | 31.75   |     | 00   |   |                                  |   |
| Union      | 3,63      |         | 46.82   |   | 46.82   |     | 00   |   | 00                               |   |
| Walworth   | 21,23     |         | 9.79  |   | 5.00  |     | - 4.79   |   | -101,691.70                      | - |
| Yankton    | 1,36      |         | 36.80   |   | 35.00   |     | - 1.80   |   | - 2,453.40                       |   |
| Ziebsch    | 21,26     | 5       | 4.26  |   | 1.50  |     | - 2.76   |   | - 58,691,40                      |   |
|            |           |         |   |   | TOTAL 1   | LOS | 9  |   | 3,818,026.39                     |   |

This multiplied by the number of acres of land involved renders the gain or loss per county. Losses ranged from \$11.82 in Clay to \$253,718.88 in Gregory County. The Fund would gain by such a transaction in the Counties of Bon Homme, Campbell, Codington, and Day, but the total gain would be only \$83,974. No gain or loss would take place in Turner and Union Counties for the loan value and the estimated sales value of the land in those counties are the same. All counties considered, a total loss of \$3,818,026 might be sustained by the principal of the Fund if lands were sold at their estimated sales value. (See Table 17)

No provision is made in the Resolution for the payment of the \$1,166,000 delinquent interest owed by the various counties upon the principal of the Fund. If this is added to the principal loss, there is a total loss of \$4,985,000 to the Fund. It is impossible to determine the loss accurately. Indications are, however, that the Fund will be diminished if the Resolution passes.

Proponents of the Resolution also have analyzed the situation and contend that the Fund will be augmented rather than diminished. They present the following figures to explain their point.

| School lands remaining unsold (acres) Foreclosed and delinquent loan lands (acres) Total state school lands (acres) | 2,873,134.67<br>865,989.99<br>3,739,124.56 |
|---|--|
| Value of 3,739,124.56 scres @ \$10 per acre   | \$37,391,245.60                            |
| (Constitutional minimum sales value) Value of school lands originally granted                                       | 34.999.207.60                              |
| (3,499,920.76 acres @ \$10 per acre) Incressed value of school lands  | \$ 2,392,038.00                            |
| (239,293.8 scres @ \$10 per acre)   | 4  |

The proponents of the amendment assert that the Department of School and Public Lands will receive an additional 239,293 acres of land if the Resolution passes. Since no state school land may be sold for less than \$10 per acre, they establish the value of this additional land at that price. Consequently, they arrive at a \$2,392,038 increase in the amount of the Fund.

Opponents of the Resolution do not believe that the lands concerned can be sold for an average of \$10 per acre. Their refutation is substantiated by findings of employees of the Department of School and Public Lands, for the latter estimated the average value of land in 35 South Dakota counties to be less than \$10 per acre in 1938.

# Estimated Lease Income to Fund From "Substitute" Lands

The Department of School and Public Lands is obliged to lease as much of its land as possible. Should the State receive an additional 986,293 acres, and if the demand for land were no greater than at present, it might be difficult to sell these "substitute" lands. Since no interest would be obtained from the 10 million dellars for which lands would be substituted, the major income would be from leases.

Knowing the number of acres that would be substituted for the principal in the various counties, the next step is to classify the lands for lease. The Constitution provides that school lands be classified as for grazing or agricultural purposes. Agricultural lands are tillable, while grazing lands are designated as lands whose best use is for grazing purposes.

Having obtained from the 25th Biennial Report of the Commissioner of School and Public Lands data on the acreage of unsold school lands and the acreage leased in each of the various counties, the percentage relation between lands leased and total lands available for lease in each county was determined. From this same biennial report, information was obtained concerning the number of acres leased for agricultural purposes and amount received per acre, and the number of acres leased for grazing purposes and rental rate per acre.

With the aid of a type-of-farming map of South Dakota and the abovementioned information, the lease rates per acre used in this study for agricultural and grazing lands were formulated.

The \$1,166,999 delinquent interest owed by the several counties on December 31, 1939 was not added to the principal when determining the rate of return on investment in the proposed lease systems. Cost of administration also was disregarded. The returns on investment from the lease of land as computed were lower than the interest paid, but if delinquent interest and cost of lease administration also were considered returns on investment from lease income would be still lower.

Since the state varies quite markedly in topography, climate, and types of farming from east to west it was divided into three areas. All land lying west of the west boundaries of Tripp and Lyman Counties and west of the Missouri River constitutes what is called the "west-river" area. Land lying east of this boundary extending to the east boundary of Charles Mix, Douglas, Aurora, Jerauld, Beadle, and Spink Counties and north of the north boundaries of Clark, Codington, and Deuel Counties comprises the "transitional" area. Land lying east and south of the boundaries just mentioned is called the "intensified" area.

Since it is almost impossible to forecast accurately how the State would lease this newly acquired or "substitute" land, that is, what portion in each area would be leased for agricultural purposes and what por-

tion for grazing purposes, the lease income is approximated in three different ways.

It is assumed in the first lease system that all "substitute" land located in the "west-river" area will be leased for grazing purposes because it is most adaptable to grazing; all "substitute" land located in the "transition" area also will be leased for grazing purposes, while only 25 per cent of the land located in the "intensified" area will be so leased, the remainder being leased for agricultural purposes.

Part A of Table 18, an abstract of Appendix Table VII, shows the acreage leased, lease income, Fund investment, and the return on investment that might be expected if the first lease system were adopted as compared with interest paid on the Fund investment.

A total of \$3,133,860.08 of Fund money had been loaned on 119,620 acres of land in the "intensified" area while for the year ending June 30, 1938, \$336,769 in interest was paid on this principal. The total lease income from this area under this lease system is computed at \$122,150, yielding a 3.9 per cent return on the investment.

The land in the "transitional" area yields an estimated amount of \$91,683, or a 1.8 per cent return on the \$5,008,715.92 investment. Interest income from this principal for the year ending June 30, 1938, amounted to \$418,721.

The 438,638 acres of "substitute" lands located in the "west-river" area would yield an estimated amount of \$30,583 in lesse income, or a 1.7 per cent return on the Fund investment.

Considering the State as a whole, a lease income of \$244,416 would be received on the \$9,995,564 principal for which the lands would be sub-

Table 18 .- Probable Lease Income from "Substitute" Lands as Compared with Interest Income Derived from Principal Loaned.

| Area           | :   | Total    | : Probable    | the Street of th | the same of the sa | Principal  |  | es of Lease  |                   |
|----------------|-----|----------|---------------|--|--|--|--|--|-------------------|
|                | 1   |          | :Agriculture: | THE PERSON NAMED IN  | THE RESERVE AND ADDRESS OF THE PERSON NAMED IN   | the second secon | THE RESERVE AND ADDRESS OF THE PERSON. | Colombia and State Control of the Colombia and Colombia a | st : at 5 Per Cen |
|                |     | Acres    | Dollars       | Dollars  | Dollars  | Dollers  | P                                      | er Cent  | Dollars           |
| A. First Lease | 34  | stem##   |               |  |  |  |  |  |                   |
| Intensified    |     | 119,620  | 107,550       | 14,600   | 122,150  | 3,133,860  |  | 3.9  | 336,769           |
| Transicional   |     | 427,968  |               | 91,683   | 91,683   | 5,008,716  |  | 1.8  | 418,721           |
| West River     |     | 438,688  |               | 30,583   | 30,583   | 1,852,988  |  | 1.7  | 128,540           |
| rotal          |     | 986,276  | 107,550       | 136,866  | 244,416  | 9,995,564  | Av.                                    | 2.4  | 884,030           |
| B. Second Leas | e 3 | ystem*** |               |  |  |  |  |  |                   |
| Intensified    |     | 119,620  | 143,407       |  | 143,407  | 3,133,860  |  | 4.6  |                   |
| Transitional   | 1   | 427,968  | 76,988        | 66,212   | 143,200  | 5,008,716  |  | 2.8  |                   |
| West River     |     | 438,638  |               | 30,583   | 30,583   | 1,852,988  |  | 1.7  |                   |
| Total          |     | 986,276  | 220,395       | 96,795   | 317,190  | 9,995,564  | Av.                                    | 3.2  |                   |
| C. Third Leas  | 0 5 |          |               |  |  |  |  |  |                   |
| Intensified    |     | 119,620  | 143,407       |  | 143,407  | 3,133,860  |  | 4.6  |                   |
| Transitions    |     | 427,968  | 153,980       | 45,352   | 199,332  | 5,008,716  |  | 4.0  |                   |
| West River     |     | 438,688  | 277,700       | 30,583   | 30,583   | 1,852,988  |  | 1.7  |                   |
| Total          | Ť   | 986,276  | 297,387       | 75,935   | 373,322  | 9,995,564  | iv.                                    | 3.7  |                   |

Year ending June 30, 1938

\*\*\* All land in the "intensified" area and 25 per cent of the land in the "transitional" area leased

for agricultural purposes, the remainder being leased for grazing purposes.

<sup>\*\*</sup> All land in "transitional" and "west-river" areas, 25 per cent of land in "intensified" area leased for grazing, remainder for agricultural purposes.

<sup>\*\*\*\*</sup> All land in the "intensified" area, 50 per cent of the land in the "transitional" area leased for agricultural purposes, 50 per cent of the land in the "transitional" area and all land in the "west-river" area leased for grazing.

stituted yielding a 2.4 per cent return on the investment. Interest paid for the year ending June 30, 1938 amounted to \$884.030.

It is assumed in the second lease system that all land in the "intensified" area and 25 per cent of the land in the "transitional" area
would be leased for agricultural purposes. Seventy-five per cent of the
land in the "transitional" area and all land in the "west-river" area
would be leased for grazing purposes. (See part B. of Table 13 which is
an abstract of Appendix Table VIII).

A total of \$143,407 lease income would be realized on the \$3,133,860 principal invested in foreclosed and delinquent loan lands in the "intensified" area, yielding a 4.6 per cent return on investment (Table 18B).
The \$143,200 estimated lease income in the "transitional" areaswould yield
a 2.8 per cent return on the investment as compared with the \$30,583 or
1.7 per cent return in the "west-river" area. The total lease income
from all areas and counties under the second lease system would amount to
\$317,190, or a 3.2 per cent return on investment. Interest paid exceeded
lease income in this proposed lease system too.

The third and finel hypothetical lease system is more optimistic in nature than either of the other plans in that 50 per cent of the land in the "transitional" area is leased for agricultural purposes, and 50 per cent for grazing purposes. (Part C of Table 18 which is an abstract of Appendix Table IX). Should climatic conditions improve, such a plan would be quite feasible.

Lease income in the "intensified" area would yield a 4.6 per cent return on the investment. The \$199,332 lease income in the "transitional" area would yield a 4 per cent return, while a 1.7 per cent return would

be realized in the "west-river" area according to the third lease pro-

A total lease income of \$373,322 might be realized under the third proposed lease system, yielding a greater return than either of the others. This yields a 3.7 per cent return on the \$9,995,564 investment.

Although general in nature, these hypothetical lease systems may be helpful when comparing lease income with interest income.

## FINANCIAL ABILITY OF THE VARIOUS COUNTIES

One of the major contentions of the advocates of the proposed Resolution is that some counties are financially unable to meet their outstanding obligations. Taxes are so high and indebtedness so great now that aside from bankruptcy, the only way they can meet their Permanent School Fund obligations is the method presented in the amendment.

Cognizant of the fact that South Dakota's well-being is largely dependent upon its agriculture, and that climatic adversities have affected some counties and areas of the State more severely than others, the writer attempts to compare and measure the debt-paying ability of the various counties by information here presented.

## Tax Delinquencies

Inasmuch as South Dakota is an agricultural state, the various counties rely most heavily on the general property tax for their main source of revenue. However, if a county can collect only a small portion of the taxes it levies, it is quite difficult for that county to meet its obligations. The extent of tax delinquency should be one indication of a county's ability to meet its obligations.

This measure has its limitations in that some counties, when difficulties in collections arise, raise their assessed valuations in an endeavor to obtain sufficient administrative funds. With hopes of minimizing this weakness, an attempt was made to measure the extent of tax delinquency both for an eight-year period and for the year ending December 31, 1937. Since the information for the eight-year period is incomplete the tax delinquencies in the various counties for the single year is shown in Figure 9. An average of 28.2 per cent of the total taxes levied were delinquent in the various counties for that year (See Appendix Table X). From Figure 9 it is observed that there is a great range in the extent of tax delinquencies. Buffalo, Campbell, Dewey, Perkins, Roberts, Stanley, Ziebach, and Yankton Counties collected less than 50 per cent of the taxes they levied as compared with Brookings, Grant, Lewrence, Lincoln, Minnehaha, Moody and Turner which collected more than 90 per cent of the taxes they levied.

## Nontaxable Lands

Hend in hand with the adverse business and agricultural conditions in recent years has been the problem of increased tax delinquency in the various counties; nevertheless, the public has not reduced its demands for public services. Consequently, some counties when they cannot collect their taxes, take tax deed to the land hoping to derive some income by selling or leasing it. They take the land only as a last resort, however, for it then becomes nontaxable. Other types of publicly-owned land such as Indian, State Park, and Common School Endowment lands also are nontaxable, and in some counties the total nontaxable acreage exceeds the taxable. Figure 10, taken from Appendix Table XI, shows the extent of nontaxable land in the various counties.

Figure 9. Tax Delinquency in South Dakota, December 31, 1937.



More than 56 per cent of the land area in Bennett, Corson, Dewey, Lawrence, Mellette, and Ziebach Counties was nontexable on January 1, 1938. On the same date less than 3 per cent of the land area in Bon Homme, Clay, Hutchinson, Lincoln, Moody, Turner, and Union Counties was classified as tax exempt.

Since this State is predominently agricultural, it seems that those counties in which a large percentage of the land area is nontaxable have less debt-paying ability than those in which most of the land is taxable, for the private owners in the counties in which most of the land is non-taxable have to bear the tax burden of the whole county.

Findings from the nontaxable land inquiry were similar to those of the tax delinquency inquiry, in that the western counties seemed to be less fortunate than the eastern in this instance, too.

## Assessed Valuation

Valuation of property is among the best ways of measuring wealth in an agricultural state. There are limitations in comparing the financial abilities of the various counties by their assessed valuations such as prejudice, inflexibility, and inaccuracy of as essment, but most authorities consider this measure indicatory of a governmental subdivision's ability to pay.

Table 19 shows the total assessed valuation of the various counties.

Mellette's valuation is less than 3 million dollars as compared with

Minnehaha's which exceeds 77 million dollars. When population is considered, Clay County had the highest assessed valuation with \$2,165.23

per capita, as compared with Dewey County with \$513.32 per capita.

Table 19 .- Assessed Valuation Per Capita in South Dakota\*.

|            | 1 | Total Assessed | : |            | : | Assessed   |
|------------|---|----------------|---|------------|---|------------|
|            |   | Valuation      |   | Population |   | Valuation  |
| County     | 1 | June 30, 1939  | 1 | 1935       | 1 | Per Capita |
|            |   | Dollars        |   | Persons    |   | Dollars    |
| Aurora     |   | 11,715,133     |   | 6,088      |   | 1,924.30   |
| Beadle     |   | 28,681,169     |   | 21,581     |   | 1,329.00   |
| Bennett    |   | 3,250,943      |   | 4,502      |   | 722.11     |
| Bon Homme  |   | 20,990,115     |   | 11,045     |   | 1,900.42   |
| Brookings  |   | 27,223,727     |   | 16,781     |   | 1,622.29   |
| Brown      |   | 40,680,594     |   | 30,677     |   | 1,326.09   |
| Brule      |   | 10,214,037     |   | 6,966      |   | 1,466.27   |
| Suffalo    |   | 2,238,753      |   | 1,811      |   | 1,236.20   |
| butte      |   | 7,766,845      |   | 8,703      |   | 892.43     |
| Campbell   |   | 6,447,173      |   | 5,634      |   | 1,144.33   |
| harles Mix |   | 20,149,636     |   | 14,611     |   | 1,379.07   |
| lark       |   | 17,086,838     |   | 9,709      |   | 1,759.89   |
| lay        |   | 21,225,728     |   | 9,803      |   | 2,165.23   |
| odington   |   | 21,759,051     |   | 17,029     |   | 1,277.76   |
| orson      |   | 5,724,262      |   | 8,038      |   | 712.15     |
| duster     |   |                |   | 5,268      |   | 980.30     |
|            |   | 5,164,242      |   | 18,103     |   | 1,060,60   |
| avison     |   | 19,200,023     |   |            |   | 1,394.27   |
| lay        |   | 20,024,492     |   | 14,362     |   | 1,466.31   |
| euel       |   | 12,646,913     |   | 8,625      |   | 513.32     |
| ewey       |   | 3,182,068      |   | 6,199      |   | 1 521 10   |
| ouglas     |   | 10,535,070     |   | 6,879      |   | 1,531.48   |
| dmunds     |   | 11,764,560     |   | 8,534      |   | 1,378.55   |
| all River  |   | 8,144,742      |   | 8,095      |   | 1,006.14   |
| aulk       |   | 10,054,979     |   | 5,995      |   | 1,677.23   |
| rant       |   | 16,112,773     |   | 10,648     |   | 1,513.22   |
| regory     |   | 10,596,932     |   | 10,466     |   | 1,012.51   |
| ankon      |   | 7,054,039      |   | 4,359      |   | 1,618.27   |
| amlin      |   | 11,531,435     |   | 7,720      |   | 1,493.71   |
| and        |   | 12,112,770     |   | 8,250      |   | 1,468.21   |
| anson      |   | 11,308,558     |   | 5,726      |   | 1,974.94   |
| arding     |   | 4,137,577      |   | 3,467      |   | 1,207.84   |
| lughes     |   | 7,433,212      |   | 6,843      |   | 1,086.25   |
| utchinson  |   | 26,517,198     |   | 13,296     |   | 1,994.37   |
| yde        |   | 4,509,267      |   | 3,252      |   | 1,386.61   |
| ackson     |   | 2,750,737      |   | 2,416      |   | 1,138.55   |
| erauld     |   | 7,145,286      |   | 5,270      |   | 1,355.84   |
| ones       |   | 3,940,255      |   | 2,933      |   | 1,343.42   |
| ingsbury   |   | 16,926,475     |   | 11,569     |   | 1,463.09   |
| ake        |   | 21,497,685     |   | 12,538     |   | 1,714.60   |
| awrence    |   | 24,239,785     |   | 18,918     |   | 1,281.31   |
| Lincoln    |   | 29,710,839     |   | 13,895     |   | 2,138.24   |
| yman       |   | 6,542,539      |   | 5,416      |   | 1,208.00   |

<sup>\*</sup> Director of Taxation, Pierre, South Dakota; Fifth Census of the State of South Dakota, 1935.

| -          | :     | Total Assessed | : |            | 1          | Assessed   |  |
|------------|-------|----------------|---|------------|------------|------------|--|
|            | :     | Valuation      | : | Population | 1          | Valuation  |  |
| County     |       | June 30, 1939  |   | 1935       |            | Per Capita |  |
| *          | 77.77 | Dollars        |   | Persons    | my years o | Dollars    |  |
| McCook     |       | 16,850,381     |   | 10,198     |            | 1,652.32   |  |
| McPherson  |       | 7,627,465      |   | 8,652      |            | 381.58     |  |
| Marshall   |       | 11,940,697     |   | 9,590      |            | 1,245.12   |  |
| Meade      |       | 10,849,467     |   | 10,896     |            | 995.73     |  |
| Mellette   |       | 2,593,693      |   | 4,184      |            | 619.90     |  |
| Miner      |       | 11,170,263     |   | 7,398      |            | 1,509.90   |  |
| linnehaha  |       | 77,765,532     |   | 51,297     |            | 1,515.99   |  |
| loody      |       | 18,657,727     |   | 9,682      |            | 1,927.05   |  |
| Pennington |       | 20,447,388     |   | 21,467     |            | 952.50     |  |
| Perkins    |       | 8,375,056      |   | 8,525      |            | 982.41     |  |
| Potter     |       | 7,845,454      |   | 5,244      |            | 1,496.08   |  |
| Roberts    |       | 23,948,012     |   | 15,746     |            | 1,520.89   |  |
| Sanborn    |       | 10,457,391     |   | 6,528      |            | 1,601.93   |  |
| Spink      |       | 24,708,097     |   | 13,676     |            | 1,806.68   |  |
| Stanley    |       | 3,978,801      | • | 2,593      |            | 1,595.99   |  |
| Sully      |       | 5,812,340      |   | 3,246      |            | 1,790.62   |  |
| Tripp      |       | 8,593,149      | 3 | 10,450     |            | 822.32     |  |
| Turner     |       | 26,464,687     |   | 14,554     |            | 1,818.38   |  |
| Union      |       | 21,272,234     |   | 11,946     |            | 1,780.70   |  |
| Walworth   |       | 8,777,792      |   | 8,444      |            | 1,039.53   |  |
| Yankton    |       | 23,869,768     |   | 17,025     |            | 1,402.04   |  |
| Ziebach    |       | 2,652,137      |   | 3,702      |            | 716.41     |  |

A county with a small tax base or a small valuation must make a much higher lawy on its property to obtain a certain sum of money than a county with a high valuation or a large tax base.

## Relation of Assessed Valuation to Indebtedness

Officials in some counties whose indebtedness is great maintain that those counties cannot carry their Permanent School Fund obligations in addition. Not knowing how they became so deeply indebted, it is difficult to measure financial ability by such a standard. However, a comparison of the total assessed valuation and indebtedness of each of the various counties should be helpful when considering debt-paying ability, since assessed valuation is the major basis upon which taxes are levied to meet outstanding obligations in this State. (See Table 20).

On December 31, 1938, Bon Homme, Brookings, Campbell, Deuel, Grant, Minnehaha, Moody, and Sully Counties had no indebtedness, if Permanent School Fund obligations are disregarded. On the other hand, Bennett, Butte, Corson, Dewey, Fall River, Jackson, Mellette, Perkins, Stanley, and Ziebach Counties had an indebtedness of more than \$40 for every \$1000 of assessed valuation.

Generally speaking, the indebtedness of the various west River counties when compared with their assessed valuations exceeds that of the East River counties.

Table 20 .-- Relation of Indebtedness to Assessed Valuation in South Dakota\*

|                    | : | Assessed Valuation : |            | :Indebtedness Per \$1,000 |
|--------------------|---|----------------------|------------|---------------------------|
| County             | 1 | June 30, 1939 :      |            | : of Assessed Valuation   |
|                    |   | Dollars              | Dollars    | Dollars                   |
| Aurora             |   | 11,715,133           | 42,310.00  | 3.61                      |
| Beadle             |   | 28,681,169           | 92,339.25  | 3.22                      |
| Bennett            |   | 3,250,943            | 168,476.86 | 51.82                     |
| Bon Homme          |   | 20,990,115           | 00         | 00                        |
| Brookings          |   | 27,223,727           | 00         | 00                        |
| Brown              |   | 40,680,594           | 663,759.26 | 16.32                     |
| Brule              |   | 10,214,037           | 26,764.31  | 2.62                      |
| Buffalo            |   | 2,238,753            | 44,042.40  | 19.67                     |
| Butte              |   | 7,768,845            | 358,089.89 | 46.10                     |
| Campbell           |   | 6,447,173            | 00         | 00                        |
| Charles Mix        |   | 20,149,636           | 348,485.05 | 17.29                     |
| Clark              |   | 17,086,838           | 72,486.49  | 5.41                      |
| Clay               |   | 21,225,728           | 69,953.17  | 3.29                      |
| Codington          |   | 21,759,051           | 445,281.69 | 20.46                     |
| Corson             |   | 5,724,262            | 363,869.15 | 63.56                     |
| Custer             |   | 5,164,242            | 35,800.00  | 6.93                      |
| Davison            |   | 19,200,023           | 371,744.00 | 19.36                     |
| Day                |   | 20,024,492           | 350,000.00 | 17.48                     |
| Denel              |   | 12,646,913           | 00         | 00                        |
| Dewey              |   | 3,182,068            | 375,236.22 | 117.92                    |
| Douglas            | 1 | 10,535,070           | 58,843.54  | 5.58                      |
| Edmunds            |   | 11,764,560           | 238,197.98 | 20.25                     |
| Fall River         |   | 8,144,742            | 381,800.14 | 46.88                     |
| Faulk              |   | 10,054,979           | 95,495.84  | 9.50                      |
| Grant              |   | 16,112,773           | 00         | 00                        |
| Gragory            |   | 10,596,932           | 96,577.19  | 9.11                      |
| Haakon             |   | 7,054,039            | 108,587.67 | 15.39                     |
| Hamlin             |   | 11,531,435           | 24,578.57  | 2.13                      |
| Hand               |   | 12,112,770           | 23,656.38  | 1.95                      |
| Hanson             |   | 11,308,558           | 155,128.63 | 13.72                     |
| Harding            |   | 4,187,577            | 68,534.21  | 16.37                     |
| Hughes             |   | 7,433,212            | 35,224.53  | 4.74                      |
| Hutchinson         |   | 26,517,198           | 109,909.18 | 4.14                      |
| Hyde               |   | 4,509,267            | 21,096.92  | 4.65                      |
| Jackson            |   | 2,750,737            | 124,242.57 | 45.17                     |
|                    |   | 7,145,286            | 21,179.50  | 2.96                      |
| Jerauld            |   | 3,940,255            | 11,280.60  | 3.02                      |
| Jones<br>Kingsbury |   | 16,926,475           | 152,560.00 | 9.01                      |

Division of Taxation, Pierre, South Dakota.
Permanent School Fund obligations of the various counties not included in indebtedness.

Table 20.-Continued

| C          | : Assessed Valuation |                       | Indebtedness Per \$1,000 |
|------------|----------------------|-----------------------|--------------------------|
| County     | : June 30, 1939      | : December 31, 1938 : |                          |
| *          | Dollars              | Dollars               | Dollars                  |
| Lake       | 21,497,685           | 113,968.78            | 5.30                     |
| Lawrence   | 24,239,785           | 335,338.26            | 13.83                    |
| Lincoln    | 29,710,839           | 24,742,82             | .83                      |
| Lyman      | 6,542,539            | 89,931.48             | 13.75                    |
| McCook     | 16,850,381           | 65,000.00             | 3.86                     |
| McPherson  | 7,627,465            | 20,244.47             | 2.65                     |
| Marshall   | 11,940,697           | 400,593.20            | 33.55                    |
| Meade      | 10,849,467           | 220,286.93            | 20.30                    |
| Mellette   | 2,593,693            | 453,473.12            | 174.88                   |
| Miner      | 11,170,263           | 4,300.00              | .38                      |
| Minnehaha  | 77,765,532           | . 00                  | 00                       |
| Moody      | 18,657,727           | 00                    | 00                       |
| Pennington | 20,447,388           | 603,302.10            | 29.51                    |
| Potter     | 7,845,454            | 71,284.58             | 9.09                     |
| Perkins    | 8,375,056            | 463,322.05            | 55.32                    |
| Roberts    | 23,948,012           | 305,375.58            | 12.75                    |
| Sanborn    | 10,457,391           | 294,843.00            | 28.20                    |
| Spink      | 24,708,097           | 101,668.10            | 4.11                     |
| Stanley    | 3,978,801            | 329,978,20            | 82.95                    |
| Sully      | 5,812,340            | OO .                  | 00                       |
| Tripp      | 8,593,149            | 230,008.87            | 26.77                    |
| Turner     | 26,464,687           | 53,852.00             | 2.03                     |
| Union      | 21,272,234           | 88,400.92             | 4.16                     |
| Walworth   | 8,777,792            | 37,757.03             | 4.30                     |
| Yankton    | 23,869,768           | 2,805.16              | .12                      |
| Ziebach    | 2,652,137            | 149,252.64            | 56.28                    |

plaints the present investment and apportionment policies receive the greatest criticism, yet no provision is made in the Resolution for the improvement of the present apportionment policy. The reduction in interest rates for the use of Fund moneys from 5 per cent to 3 per cent would aid in the investment of the Fund, but would not alleviate other weaknesses in the investment policies. Proponents of the Resolution appearently believe that if the county obligations to the Permanent School Fund were transferred to the State and the State were forced to assume this indebtedness, the Permanent School Fund problems would be solved.

It is questionable as to whether the State could administer the Fund more efficiently than the various counties. Should the Resolution pass the Department of School and Public Lands would receive nearly 1,000,000 acres of land to manage in addition to the 2,800,000 acres which it now manages. Since the million acres would be substituted for nearly 10 million dollars of Fund moneys the State would endeavor to sell or lease the lands. Commissioners of the various counties would not make loans to individuals, nor would they help sell or lease the lands. Inasmuch as these lands are scattered all over the State in small tracts, it is quite possible that should the Resolution pass, several full-time men would have to be employed to administer school land sales and leases. The Department of School and Public Lands would have more than twice as much land to manage as the Rural Credits Department has now.

It is realized that there are differences in debt-paying ability between counties, but it does not seem fair to allow those counties which owe great amounts to the Fund to turn that debt over to the State for payment. The Resolution gives no consideration to those counties

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which have administered their Fund moneys well.

If the Resolution passes the State will have to make several adjustments in administration. It is quite likely that administrative expenses will be greater than they are now. Evidences point toward a loss to the Fund by the transaction.

The element of time should not be considered a reason for the passage of the Resolution. The Permanent School Fund was established originally to provide a source of revenue for the schools of the Stat. It has taken 50 years to build the Fund to its present size. Before such a drastic change as is advocated in the Resolution takes place in the administration of the Fund, the situation should be thoroughly analyzed.

The writer does not believe that this Resolution will remedy existing weaknesses in the administration of the Fund, but rather that the Permanent School Fund situation may be impaired.

Possibly a five-man committee composed of the Governor, Attorney-General, and Commissioner of School and Public Lands of South Dakota, together with a member of the group which proposes the amendment and a member of the group which opposes it, could be delegated to study the whole problem and arrive at some solution that would be more fair and more satisfactory to all concerned.

## FUND ADMINISTRATIVE CHANGES

# Flexible Interest Rate

The Constitution provides that the interest rate for the use of Permanent School Fund money shall not be less than 5 per cent. In recent years people have been able to borrow funds from other sources for as low as 3 per cent. Consequently, the demand for Fund money has been curtailed, and at times much of the Fund has not been invested. Believing that Fund moneys should be allowed to compete with moneys of othe losning agencies, the writer advocates a flexible interest rate, one that changes with business conditions. If such were possible, all moneys could be continuously invested, and in more secure investments. It is now claimed that individuals or firms of poor financial standing who cannot borrow elsewhere at the lower interest rate, apply for Permanent School Fund moneys.

If this flexible interest rate were adopted, more of the Fund could be invested in bonds of the various governmental subdivisions, and they appear to be the safest type of investment.

# Investment of Fund Moneys in Bonds of the Various Governmental Subdivisions

It is specifically stated in the Constitution that Fund moneys may be invested in farm mortgages and bonds of governmental subdivisions.

Prior to the year 1935 nearly all of the Fund was invested in first mortgages upon fare property. Having observed the extent of foreclosed and delinquent agricultural loss in South Dakota and the status of Permanent School Funds of neighboring states that invest in bonds only, the writer believes this State's Fund money should be invested in bonds only. Bond investments, for the most part, are more secure and less expensive to administer than loss upon farm mortgages.

The State should not sacrifice the safety of this secred trust by loaning to private enterprises, especially if the securities offered for the loans are unsafe.

# Change in Apportionment Policy

Under the present system of apportionment, money in the Interest and Income Fund is distributed to the various counties according to school population. The eastern counties receive a greater proportion of the Fund back than they contribute. The western counties, on the other hand, receive less back then they contribute.

It seems that the present policy of apportionment should be changed. The Fund moneys should be distributed back to the counties more on the basis of contribution and need than at the present time. It is believed that if they were apportioned in that manner, the various counties would strive more diligently to collect interest upon principal, and to lease more school land than they do now.

## Improved Accounting System

When the Commissioner of School and Public Lands, the banker for the Permanent School Fund, lends money to the various counties he has little knowledge as to how that money will be used or to whom it will be loaned. The principal amount and interest owed by each county is the only information available at his office concerning loans to the counties.

The writer suggests the employment of a competent accountant by the Department of School and Public Lands. One of his first duties would be to set up a bookkeeping system which all counties would have to follow as regards their business transactions with the Permanent School Fund. The books would be alike for all counties and would contain detailed information concerning every loan made by the counties. Each county would be required to purchase and fill out two sets of the books annually. One copy would be for the county's own record and the other would be sent into

the Commissioner for examination by the Accountant.

If the Department did not feel it could employ a full-time accountant, it is possible that the latter could be employed in cooperation with the Division of Audits and Accounts.

The writer does not believe such a plan would be an added expense to the Department, but that it would save money for the Department in that the counties would be more conservative in their loaning practices.

The public would be benefited too, for any interested person could visit the Department of School and Public Lands and obtain information as to the losning policies of any county of the State. Today one would have to visit every county seat to obtain such information.

SUGGESTED CHANGES IN MANAGEMENT OF THE DEPARTMENT OF SCHOOL AND PUBLIC LANDS

The following changes in management of the Department of School and Public Lands which might assist in the administration of the Permanent School Fund are suggested.

# Classification of School Lands

At the present time the school lands of the State are classified as agricultural, grazing, and forest or timber. This classification is made by the Board of School and Public Lands which is composed of the Governor, State Auditor, and Commissioner.

This same board establishes the minimum rate at which these lands may be leased. It is also directed to offer for sale between 50,000 and 100,000 acres of the best lands each year.

If a map of the unsold school lands were constructed it would reveal widely scattered tracts in all parts of the State. This lack of concen-

tration together with inadequate knowledge of the physical attributes of the lands concerned makes the leasing and selling of land very difficult.

Nebraska has classified 213,000 acres of school land in 15 counties as to topography, soil type, and land use. In the 31st Biennial Report of the Commissioner of School and Public Lands of that State, the Commissioner recommended that all school lands be classified and reappraised.

No detailed classification such as Nebraska's has been made in South Dakota. Were the Commissioner allowed to hire two competent soil surveyors to classify school lands as to topography, soil type, and land use, the Board of School and Public Lands could more occurately determine the lease rate and selling price of the various tracts of land under its supervision.

# Sell School Lands at Market Value

The highest regard is held for General W. H. Beadle for insisting upon the \$10 per acre minimum sales price for school lands when the State was admitted into the Union. Today, however, the situation has changed considerably. The Constitution provided that the best school lands be sold first. Effects of this stipulation are observed in the recent slow growth of the Fund, for in recent years land sales have declined markedly. Since land sales are the major source of growth of the Fund and since over 2,800,000 acres of school land remain unsold, a change is recommended.

The writer believes that if this \$10 per acre minimum were removed, and school lands could be sold for their actual value the Department of School and Public Lands could sell much more of its lands. Especially would this be true in the western counties of the State where 1,661,280 acres, or 59 per cent of the total unsold school lands, are located.

Little land west of the Missouri River will sell for \$10 per acre or more, while if it could be sold for its actual value the principal of the Fund would be increased and more land would be taxable.

## Non-Political Commissioner

This suggestion is not a reflection on the work of any particular Commissioner. However, since the primary duty of the Commissioner is to manage State educational equities it seems that his office should be non-political.

Politicians must cater to the desires of the people or they soon lose their jobs. A secretary of a land board of another state said, "There is no department in the State that will make or break' a governor like the land department because the treatment of the cattlemen, the sheepmen, and the farmers on their loans will determine their vote and their vote is a powerful one". The schools were not granted lands with the intention of building up a Fund that should be politically maneuvered.

It seems that if a well-qualified Commissioner were elected for a four-year term on a non-political ballot, more sound management would prevail. He would be accountable to the Governor. A man with much experience in the field of investment banking would be highly desirable.

# APPENDIX A BIBLIOGRAPHY

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# APPENDIX B

#### SUPPLEMENTARY TABLES

- Table I. Annual Receipts to the Permanent School Fund of South Dakota, 1891-1938.
  - II. Permanent Common School Fund Investments in South Dakota, June 30, 1938, and 1939.
  - III. Relationship Between Share of Fund Moneys South
    Dakota Counties Would Invest According to Population
    and the Amount Actually Invested, December 30, 1938.
  - IV. Apportionment to the Various South Dakota Counties From the Interest and Income Fund, 1889-1938.
    - V. The Amount of Money Paid Into the Interest and Income Fund by South Dakota Counties as Compared to the Amount Apportioned Back to Them, 1889-1938.
  - VI. Permanent School Fund Foreclosure Lands in South Dekota, December 31, 1938.
  - VII. Income from "Substitute" Lands Under First Lease System.
  - VIII. Income from "Substitute" Lands Under Second Lease System.
    - IX. Income from "Substitute" Lands Under Third Lease System.
      - X. Tax Delinquencies in South Dakota for Year Ending December 31, 1937, and Eight-Year Period 1930-1938.
    - XI. Per cent of Total Land Area That Was Montaxable in South Dakote, January 1, 1938.

Table 1.--Annual Receipts to the Permanent School Fund of South Dakota\* (1891-1938 inclusive)

| Year | Land Sales** | Land Sales |
|------|--------------|------------|
|      | Dollars      | Acres      |
| 1891 | 603,122.18   | 43,388.4   |
| 1892 | 754,808.80   | 58,312.7   |
| 1893 | 470,384.54   | 32,043.3   |
| 1894 | 124,808.36   | 9,100.5    |
| 1895 |              |            |
| 1896 | 33,463.94    | 2,580.4    |
| 1897 | 4,400.00     | 440.0      |
| 1898 | 193,305.79   | 15,189.6   |
| 1899 | 420,297.87   | 30,829.7   |
| 1900 | 729,606.15   | 44,254.0   |
| 1901 | 565,487.56   | 29,374.5   |
| 1902 | 156,184.00   | 7,880.0    |
| 1903 |              |            |
| 1904 | 35,280.00    | 1,240.0    |
| 1905 | 542,625.90   | 18,050.4   |
| 1906 | 143,381.00   | 8,096.8    |
| 1907 | 4,944.75     | 110.6      |
| 1908 | 342,283.76   | 7,894.0    |
| 1909 | 886,186.74   | 21,956.3   |
| 1910 | 1,121,634.65 | 22,251.8   |
| 1911 | 993,680.02   | 19,054.5   |
| 1912 | 1,060,186.23 | 22,447.5   |
| 1913 | 674,254.01   | 13,766.7   |
| 1914 | 152,811.20   | 5,976.7    |
| 1915 | 717,894.28   | 12,315.4   |
| 1916 | 1,186,543.68 | 24,869.9   |
| 1917 | 664,159.37   | 15,975.0   |
| 1918 | 3,460,918.40 | 65,591.8   |
| 1919 | 3,997,576.55 | 54,489.3   |
| 1920 | 4,238,196.36 | 87,962.6   |
| 1921 | 1,974.00     | 47.8       |
| 1922 |              | *****      |
| 1923 | 3,943.68     | 192.3      |
| 1924 |              |            |
| 1925 | 3,222.80     | 161.1      |

<sup>\*</sup> Biennial Reports of the Commissioner of School and Public Lands.

\*\* State School Land Sales.

Table 1. Continued

| Year               | Land Sales**  | Land Sales |
|--------------------|---------------|------------|
|                    | Dollars       | Acres      |
| 1926               | 77,434.17     | 2,714.9    |
| 1927               | 122,999.98    | 4,779.5    |
| 1928               | 152,388.00    | 5,706.0    |
| 1929               | 52,188.75     | 2,701.0    |
| 1930               | 85,104.56     | 4,597.5    |
| 1931               | 22,556.38     | 1,611.5    |
| 1932               | 8,649.38      | 544.5      |
| 1933               | 947.85        | 49.4       |
| 1934               | 16,846.15     | 1,160.0    |
| 1935               | 24,531.00     | 1,189.4    |
| 1936               | 38,281.90     | 1,958.0    |
| 1937               | 20,948.74     | 1,231.2    |
| 1938               | 11,800.00     | 920.0      |
| Others             |               |            |
| Miscellaneous      | 82,113.25     |            |
| Escheat Estates &  |               |            |
| 5% U.S. Land Sales | 509,212.07    |            |
| Cancelled          | 8,813,353.57  |            |
| Total              | 24,922,233.33 |            |

Table II .- Permanent Common School Fund Investments in South Dakota\*
(Years ending June 30, 1938 and 1939)

| County      | •               | Investment      |  |  |
|-------------|-----------------|-----------------|--|--|
|             | 1 June 30, 1939 | 4 June 30, 1938 |  |  |
|             | Dollars         | Dollars         |  |  |
| Aurora      | 218,163.13      | 236,563.13      |  |  |
| Beadle      | 187,769.65      | 188,769.65      |  |  |
| Bennett     | 140,633.95      | 141,633.95      |  |  |
| Bon Homme   | 164,399.29      | 234,899.29      |  |  |
| Brookings   | 116,900.00      | 127,150.00      |  |  |
| Brown       | 376,098.21      | 367,758.68      |  |  |
| Brule       | 253,408.67      | 254,482.67      |  |  |
| Buffalo     | 51,945.00       | 52,345.00       |  |  |
| Butte       | 218,557.46      | 221,806.46      |  |  |
| Campbell    | 200,000.00      | 200,000.00      |  |  |
| Charles Mix | 361,237.57      | 365,837.57      |  |  |
| Clark       | 250,035.98      | 246,185.98      |  |  |
| Clay        | 79,125.02       | 88,645.02       |  |  |
| Codington   | 11,400.00       | 11,750.00       |  |  |
| Corson      | 222,799.78      | 224,652.96      |  |  |
| Custer      | 46,031.54       | 47,502.50       |  |  |
| Davison     | 3,439.84        | 6,089.84        |  |  |
| Day         | 188,224.02      | 193,824.02      |  |  |
| Deuel       | 213,906.33      | 245,299.45      |  |  |
| Dowey       | 195,322.23      | 175,522.23      |  |  |
| Douglas     | 221,264.27      | 223,193.99      |  |  |
| Mdmunds     | 161,159.52      | 164,360.52      |  |  |
| Fall River  | 123,445.65      | 125,345.65      |  |  |
| Faulk       | 297,665.06      | 298,865.06      |  |  |
| Grant       | 242,250.00      | 248,750.00      |  |  |
| Gregory     | 471,010.99      | 484,560.99      |  |  |
| Haakon      | 174,304.44      | 175,134.44      |  |  |
| Hamlin      | 323,779.18      | 343,854.18      |  |  |
| Hand        | 256,607.73      | 254,907.73      |  |  |
| Hanson      | 100,718.93      | 238,063.93      |  |  |
| Harding     | 128,566.97      | 130,066.97      |  |  |
| Hughes      | 120,146.80      | 143,200.30      |  |  |
| Hutchinson  | 196,666.35      | 198,421.35      |  |  |
| Hyde        | 208,609.35      | 208,609.35      |  |  |
| Jackson     | 113,972.74      | 114,072.74      |  |  |
| Jerauld     | 201,415.13      | 210,115.13      |  |  |
| Jones       | 123,700.00      | 123,700.00      |  |  |
| Kingsbury   | 26,784.03       | 77.665.51       |  |  |
| Lake        | 45,100.00       | 63,700.00       |  |  |
| Lawrence    | 126,496.77      | 129,496.77      |  |  |
| Lincoln     | 188,749.28      | 220,851.68      |  |  |
| Lyman       | 252,719.07      | 255,701.87      |  |  |

<sup>\* 25</sup>th Biennial Report of the Commissioner of School and Public Lands, 1938 figures. Office of Commissioner of School and Public Lands, 1939 figures.

Table II. Continued

| County              |                 | Investment     |  |  |
|---------------------|-----------------|----------------|--|--|
| Councy              | : June 30, 1939 | : June 30, 193 |  |  |
| 17                  | Dollars         | Dollars        |  |  |
| McCook              | 280,342.00      | 282,790.00     |  |  |
| McPherson           | 177,400.52      | 182,047.70     |  |  |
| Marshall            | 32,573.46       | 34,998.46      |  |  |
| Meade               | 152,325.00      | 156,605.00     |  |  |
| Mellette            | 121,543.38      | 121,734.38     |  |  |
| Miner               | 162,921.94      | 166,664.42     |  |  |
| Minneheba           | 62,173.29       | 77,173.29      |  |  |
| Moody               | 139,127.63      | 141,077.63     |  |  |
| Pennington          | 76,122.03       | 75,058.84      |  |  |
| Perkins             | 149,045.00      | 152,500.00     |  |  |
| Potter              | 238,028.45      | 222,328.45     |  |  |
| Roberts             | 317,659.30      | 344,475.00     |  |  |
| Sanborn             | 6,503.55        | 248,644.35     |  |  |
| Spink               | 297,034.33      | 297,434.33     |  |  |
| Stanley             | 185,326.31      | 190,966.93     |  |  |
| Sully               | 139,750.00      | 139,750.00     |  |  |
| Pripp               | 291,818.22      | 294,483.42     |  |  |
| Turner              | 204,382.98      | 248,732.98     |  |  |
| Union               | 210,055.00      | 207,455.00     |  |  |
| Walworth            | 231,299.00      | 229,000.00     |  |  |
| Yankton             | 62,478.00       | 62,470.00      |  |  |
| Ziebach             | 182,810.00      | 183,885.00     |  |  |
| Uninvested          | 822,122.74      | 679,329.49     |  |  |
| U.S. Treasury Bonds | 3.817.361.33    | 3,117,833.33   |  |  |
| Total               | 15,964,733.39   | 15,803,794.56  |  |  |

Table III. -- Relationship Between Share of Fund Moneys South Dakota Counties Would Invest According to Population and the Amount Actually Invested. (December 30, 1938)\*

|             |                |             | :                       |            |   | Amount Actually   |
|-------------|----------------|-------------|-------------------------|------------|---|-------------------|
| County      | : State Popula |             | on : Share According To |            | : | Invested          |
|             | <br>1          | 1930 Census | 1                       | Population |   | December 30, 1930 |
|             |                | Mumbers     |                         | Dollars    |   | Dollars           |
| Aurora      |                | 7,139       |                         | 179,546.00 |   | 346,713.13        |
| Beadle      |                | 22,917      |                         | 576,362.00 |   | 441,821.20        |
| Bennett     |                | 4,590       |                         | 115,439.00 |   | 141,633.95        |
| Bon Homme   |                | 11,737      |                         | 295,185.00 |   | 173,892.49        |
| Brookings   |                | 16,847      |                         | 423,702.00 |   | 120,900.00        |
| Brown       |                | 31,458      |                         | 791,168.00 |   | 403,748.80        |
| Brule       |                | 7,416       |                         | 186,512.00 |   | 300,552.65        |
| Buffalo     |                | 1,931       |                         | 48,565.00  |   | 52,345.00         |
| Butte       |                | 8,589       |                         | 216,014.00 |   | 219,751.46        |
| Campbell    |                | 5,629       |                         | 141,570.00 |   | 200,000.00        |
| Charles Mix |                | 16,703      |                         | 420,081.00 |   | 444,350.00        |
| Clark       |                | 11,022      |                         | 276,702.00 |   | 298,095.09        |
| Clay        |                | 10,088      |                         | 253,714.00 |   | 89,959.62         |
| Codington   |                | 17,457      |                         | 439,043.00 |   | 11,400.00         |
| Corson      |                | 9,535       |                         | 239,806.00 |   | 240,305.32        |
| Custer      |                | 5,353       |                         | 134,628,00 |   | 46,756,72         |
| Davison     |                | 16,821      |                         | 423,048.00 |   | 35,933.89         |
| Day         |                | 14,606      |                         | 367,341.00 |   | 199,144.80        |
| Dauel       |                | 8,732       |                         | 219,610,00 |   | 265,970.20        |
| Dewey       |                | 6,476       |                         | 162,872.00 |   | 195,522.23        |
| Douglas     |                | 7,236       |                         | 181,985.00 |   | 220,251.18        |
| Edmunds     |                | 8,712       |                         | 219,106,00 |   | 163,259.52        |

<sup>\*</sup> Commissioner of School and Public Lands of South Dakota.

Table III.—Continued

|            |                  | * |  | : | Amount Actually   |
|------------|------------------|---|--|---|-------------------|
| County     | State Population | : | Share According To   | 1 | Invested          |
|            | <br>1930 Census  |   | Population   |   | December 30, 1930 |
|            | Numbers          | - | Dollars  |   | Dollars           |
| Fall River | 8,741            |   | 219,836.00   |   | 124,745.65        |
| Faulk      | 6,895            |   | 173,409.00   |   | 297,665.06        |
| Grant      | 10,729           |   | 269,842.00   |   | 245,050.00        |
| Gregory    | 11,420           |   | 287,213.00   |   | 577,653.33        |
| Haakon     | 4,679            |   | 117,677.00   |   | 175,134.44        |
| Hemlin     | 8,299            |   | 208,720.00   |   | 398,588.81        |
| Hand       | 9,485            |   | 238,548.00   |   | 259,929.73        |
| Hanson     | 6,131            |   | 154,295.00   |   | 106,300.00        |
| Harding    | 3,589            |   | 90,264.00  |   | 202,825.98        |
| Hughes     | 7,009            |   | 176,276.00   |   | 122,715.49        |
| Hutchinson | 13,904           |   | 349,686.00   |   | 196,666.35        |
| Hyde       | 3,690            |   | 92,804.00  |   | 238,537.97        |
| Jackson    | 2,636            |   | 66,295.00  |   | 113,972.74        |
| Jereuld    | 5,816            |   | 146,272.00   |   | 327,550.00        |
| Jones      | 3,177            |   | 29,902.00  |   | 123,700.00        |
| Kingsbury  | 12,805           |   | 322,046,00   |   | 77,065.51         |
| Lake       | 12,379           |   | 311,733.00   |   | 58,100.00         |
| Lawrence   | 13,920           |   | 350,088.00   |   | 138,735.00        |
| Lincoln    | 13,918           |   | 350,038,00   |   | 247,887.99        |
| Lyman      | 6,335            |   | 159,448.00   |   | 263,805,20        |
| McCook     | 10,316           |   | 259,448.00   |   | 282,790,00        |
| McPherson  | 8,774            |   | 220,666.00   |   | 196,686.67        |
| Marshall   | 9,540            |   | 239,932.00   |   | 169,904.00        |
| Meade      | 11,482           |   | 288,776.00   |   | 156,505.00        |
|            |                  |   | A CONTRACTOR OF THE CONTRACTOR |   |                   |

Table III.—Continued

|            | 1 |                  | : |                    | :   | Amount Actually   |
|------------|---|------------------|---|--------------------|-----|-------------------|
| County     |   | State Population |   | Share According To | :   | Invested          |
|            |   | 1930 Census      |   | Population         |     | December 30, 1930 |
|            |   | Numbers          |   | Dollars            | ,,. | Dollars           |
| Mellette   |   | 5,293            |   | 133,119.00         |     | 134,221.12        |
| liner      |   | 8,376            |   | 210,657.00         |     | 164,095.58        |
| linnehaha  |   | 50,872           |   | 1,279,430.00       |     | 153,000.00        |
| Moody      |   | 9,603            |   | 241,516.00         |     | 172,800.00        |
| Pennington |   | 20,079           |   | 504,988.00         |     | 98,061.81         |
| Perkins    |   | 8,717            |   | 219,232.00         |     | 150,890.00        |
| Potter     |   | 5,762            |   | 144,914.00         |     | 240,028.45        |
| Roberts    |   | 15,782           |   | 396,917.00         |     | 332,864.65        |
| Sanborn    |   | 7,326            |   | 184,249.00         |     | 13,263.45         |
| Spink      |   | 15,304           |   | 384,896.00         |     | 307,825.00        |
| Stanley    |   | 2,381            |   | 59,883.00          |     | 188,466.93        |
| Sully      |   | 3,852            |   | 96,877.00          |     | 151,650.00        |
| Tripp      |   | 12,712           |   | 319,706.00         |     | 347,532.57        |
| Turner     |   | 14,891           |   | 324,509.00         |     | 273,332.57        |
| Union      |   | 11,480           |   | 288,722.00         |     | 206,855.00        |
| Walworth   |   | 8,791            |   | 221,094.00         |     | 231,600,00        |
| Yankton    |   | 16,589           |   | 417,214.00         |     | 62,470.00         |
| Ziebach    |   | 4,039            |   | 101,581.00         |     | 183,310.00        |
| Total.     |   |                  |   | 17,064,595.00      |     | 16,514,631.55     |

Table IV.—Apportionment to the Various South Dakota Counties From the Interest and Income Punds.\*

(1889-1937 inclusive, and Year ending September 30, 1938)

|             | 1            | Apportion |                |
|-------------|--------------|-----------|----------------|
| County      |              |           | Year Ending    |
|             | : 1889-1937  |           | Sept. 30, 1938 |
|             | Dollars      |           | Dollars        |
| lurora      | 433,526.43   |           | 9,934.10       |
| Beadle      | 1,122,294.58 |           | 35,386-45      |
| Bennett     | 127,510.15   |           | 7,568-55       |
| Bon Homme   | 786,198.06   |           | 18,506.95      |
| Brookings   | 1,045,731.97 |           | 28,888.75      |
| Brown       | 1,644,740.16 |           | 52,332.50      |
| Brule       | 435,216.05   |           | 10,399.95      |
| Buffalo     | 88,912.70    | 9         | 3,200.45       |
| Butte       | 419,850.31   |           | 15,530.35      |
| Campbell    | 408,192.36   |           | 10,932.35      |
| Charles Mix | 1,007,282.76 |           | 25,301.10      |
| Clark       | 690,957.89   | 4         | 15,381.95      |
| Clay        | 604,023.51   |           | 15,959.90      |
| Codington   | 1,001,965.36 |           | 29,645.00      |
| Corson      | 414,091.06   |           | 15,844.95      |
| Custer      | 257,948.42   |           | 10,478.60      |
| Davison     | 776,193.47   |           | 23,800.70      |
| Day         | 995,631.46   |           | 26,123.90      |
| Deuel       | 586,961.09   |           | 15,566.65      |
| Dewey       | 268,284.59   |           | 11,972.95      |
| Douglas     | 486,654.36   |           | 12,511.40      |
| Edmunds     | 553,883.86   |           | 16,238,20      |
| Fall River  | 391,248.07   |           | 13,763.75      |
| Faulk       | 394,388.85   |           | 10,617.75      |
| Grant       | 729,921.16   |           | 18,464.60      |
| regory      | 760,378.41   |           | 18,706,60      |
| laakon      | 220,842.92   |           | 6,576.35       |
| Hamlin      | 505,414.38   |           | 13,787.95      |
| Hand        | 545,923.45   |           | 14,054.15      |
| Hanson      | 402,409.15   |           | 10,502.80      |
| Harding     | 203,296,06   |           | 5,311.90       |
| Hughes      | 345,014.55   |           | 11,216.70      |
| Hutchinson  | 972,016,83   |           | 25,010,70      |
| Hyde        | 202,802.91   | 1         | 5,511.55       |
| Jackson     | 122,425.70   |           | 3,744.95       |
| Jerauld     | 359,681.05   |           | 9,075.00       |
| Jones       | 138,286,62   |           | 4,646.40       |
| Kingsbury   | 805,345.76   |           | 20,061.80      |
| Lake        | 776,892.72   |           | 22,536.25      |
| Lawrence    | 949,824.88   |           | 29,729.70      |

<sup>\*</sup> Biennial Report of Commissioner of School and Public Lands, and a Circular which the Commissioner prepared for the 1939 Session of Legislature.

Table IV. Continued

|                       |           | Apportionment         |
|-----------------------|-----------|-----------------------|
| County                |           | ; Year Ending         |
|                       | 1 1889-1  | 1937   Sept. 30, 1938 |
|                       | Dolls     | Dollars Dollars       |
| Lincoln               | 865,50    |                       |
| Lyman                 | 419,10    | 01.73 9,298.85        |
| McCook                | 666,56    | 62.37 18,543.25       |
| McPherson             | 577,49    |                       |
| Marshall              | 582,50    | 09.34 16,897.65       |
| Meade                 | 586,98    |                       |
| Mellette              | 185,02    | 28.67 7,653.25        |
| Miner                 | 529,85    |                       |
| Minnehaha             | 2,363,0   |                       |
| Moody                 | 616,99    |                       |
| Pennington            | 841,29    | 99.09 38,441.70       |
| Perkins               | 432,23    |                       |
| Potter                | 300,10    |                       |
| Roberts               | 1,064,86  |                       |
| Sanborn               | 465,73    | 38.77 10,968.65       |
| Spink                 | 886,87    |                       |
| Stanley               | 216,09    |                       |
| Sully                 | 183,14    |                       |
| Tripp                 | 656,62    |                       |
| Turner                | 961,43    |                       |
| Union                 | 731,94    |                       |
| Walworth              | 473,91    |                       |
| Yankton               | 884,07    |                       |
| Ziebach               | 182,95    | 6,279.90              |
| Unorganized counties: |           |                       |
| Armstrong             |           | 52.81                 |
| Shannon               | 82,46     |                       |
| Todd                  | 190,26    |                       |
| Washabaugh            | 67,24     |                       |
| Washington            | 52.36     |                       |
| Total .               | 39,051,23 | 3.73 1,116,654.55     |

Table V.-- The Amount of Money Paid into the Interest and Income Fund by South Dakota Counties as Compared to the Amount Apportioned Back to Them. \* (1889-1938)

| County             | : Amount Paid into Interest : |              |
|--------------------|-------------------------------|--------------|
|                    | t and Income Fund             | to Counties  |
|                    | Dollars                       | Dollars      |
| Aurora             | 566,639.92                    | 433,526.43   |
| Beadle             | 1,267,212.44                  | 1,122,294.58 |
| Bennett            | 153,580.49                    | 127,510.15   |
| Bon Homme          | 468,846.40                    | 786,198.06   |
| Brookings          | 515,741.87                    | 1,045,731.97 |
| Brown              | 1,772,820.20                  | 1,644,740.16 |
| Brule              | 680,760.67                    | 435,216,05   |
| Buffalo            | 130,476.82                    | 88,912.70    |
| Butte              | 607,696.96                    | 419,850.31   |
| Campbell           | 542,148.26                    | 408,192.36   |
| Charles Mix        | 927,098.08                    | 1,007,282.76 |
| Clark              | 1,024,346.42                  | 690,957.89   |
| Clay               | 228,191.62                    | 604,023.51   |
| Codington          | 602,591.01                    | 1,001,965.36 |
| Corson             | 370,660.20                    | 414,091.06   |
| Cueter             | 557,846.91                    | 257,948.42   |
| Davison            | 623,808.57                    | 776,193.47   |
| Day                | 1,034,677.41                  | 995,631.46   |
| Deucl              | 703,704.92                    | 586,961.09   |
| Dewey              | 200 000 20                    | 268, 284.59  |
|                    | 275,880.30                    | 486,654.36   |
| Douglas<br>Edaunds | 543,021.68                    | 553,883.86   |
| Pall River         | 715,589.40                    | 301 0/4 07   |
|                    | 474,802.67                    | 391,248.07   |
| Faulk              | 733,786.87                    | 394,388.85   |
| Grant              | 512,653.17                    | 729,921.16   |
| Gregory            | 889.015.73                    | 760,378.41   |
| Haakon             | 325,392.84                    | 220,842.92   |
| Hamlin             | 723,074.67                    | 505,414.38   |
| Hand               | 1,050,048.15                  | 545,923.45   |
| Hanson             | 566,223.92                    | 402,409.15   |
| Harding            | 751,972.36                    | 203,296.06   |
| iughes             | 456,248.41                    | 345,014.55   |
| Hutchinson         | 721,099.80                    | 972,016.83   |
| Hyde               | 469,366.84                    | 202,802.91   |
| Jackson            | 144,197.43                    | 122,425.70   |
| Jerauld            | 751,483.60                    | 359,681.05   |
| Jones              | 207,525.62                    | 138,286.62   |
| ingsbury           | 750,984.51                    | 805,345.76   |
| Lake               | 473,219.73                    | 776,392.76   |
| Lawrence           | 277,411.80                    | 949,824.83   |
| Lincoln            | 508,187.99                    | 865,504.33   |

<sup>\*</sup> Commissioner of School and Public Lands, Pierre, South Dakota

Table VI.--Permanent School Fund Foreclosure Lands in South Dakota.\* (December 31, 1938)

| County      | Acres  | : County     | Acres   |
|-------------|--------|--------------|---------|
| Aurora      | 5,220  | : Hutchinson | 2,929   |
| Beadle      | 12,200 | : Hyde       | 23,435  |
| Bennett     | 5,390  | : Jackson    | 15,362  |
| Bon Homme   | 3,100  | : Jerauld    | 14,380  |
| Brookings   | 1,534  | : Jones      | 8,960   |
| Brown       | 6,580  | : Kingsbury  | 6,425   |
| Brule       | 9,406  | 1 Lake       | 2,960   |
| Buffalo     | 2,493  | Lawrence     | 4,312   |
| Butte       | 38,637 | Lincoln      | 1,491   |
| Campbell    | 11,480 | : Lyman      | 18,150  |
| Charles Mix | 7,036  | : McCook     | 2,873   |
| lark        | 10,280 | : McPherson  | 7,740   |
| lay         | 399    | : Marshall   | 11,932  |
| odington    | 7,795  | : Meade      | 21,111  |
| orson       | 27,142 | : Mellette   | 22,621  |
| uster       | 649    | , Miner      | 5,680   |
| avison      | 7,451  | : Minnehaha  | 713     |
| Day         | 20,266 | * Moody      | 1,120   |
| Deuel       | 4,540  | : Pennington | 6,780   |
| Dewey       | 24,547 | : Perkins    | 23,498  |
| Douglas     | 5,386  | : Potter     | 18,330  |
| Edmunds     | 4,680  | Roberts      | 1,240   |
| Fall River  | 14,280 | : Sanborn    | 9,130   |
| Faulk       | 20,300 | : Spink      | 11,440  |
| rant        | 6,160  | : Stanley    | 36,400  |
| regory      | 13,731 | : Sully      | 10,460  |
| laakon      | 15,349 | : Tripp      | 16,699  |
| lamlin .    | 8,191  | 1 Turner     | 29      |
| land        | 12,796 | Union        | 680     |
| lanson      | 4,318  | : Walworth   | 15,850  |
| larding     | 33,584 | : Yankton    | 17,070  |
| lughes      | 9,467  | : Ziebach    | 18,845  |
|             |        | Total        | 576,058 |

<sup>\*</sup> Circular prepared by the Commissioner of School and Public Lands.

Table VII .- Income from "Substitute" Lands under First Lease System\*

| Areas And      | *7 | otal Acreage Involve |           |     | ma C. Danie | : |          |     |             | : | Principal of |
|----------------|----|----------------------|-----------|-----|-------------|---|----------|-----|-------------|---|--------------|
| Counties       | :  | in Foreclosed and    | : Lease   |     | Per Acre    | 1 | L        | eas | e Income    |   | Fund         |
| COUNTER        | :  | Delinquent Loans     | : Grazing | 1 1 | griculture  | : | Grezing  |     | Agriculture | 1 | Invested     |
|                |    | Acres                | Dollars   |     | Dollars     |   | Dollars  |     | Dollars     |   | Dollars      |
| rea I**        |    |                      |           |     |             |   |          |     |             |   |              |
| Bon Homme      |    | 4,820                | -42       |     | 1.20        |   | 506.10   |     | 4,338.00    |   | 127,092      |
| Brookings      |    | 3,113                | •57       |     | 1.20        |   | 443.46   |     | 2,802.00    |   | 75,600       |
| Clark          |    | 10,280               | .30       |     | .31         |   | 771.00   |     | 6,245.10    |   | 181,570      |
| Clay           |    | 1,182                | -50       |     | 1.60        |   | 148.00   |     | 1,417.60    |   | 48,960       |
| Codington      |    | 12,192               | .29       |     | 1.20        |   | 883.92   |     | 10,972.80   |   | 241,847      |
| Davison        |    | 9,195                | -52       |     | 1.10        |   | 1,195.48 |     | 7,585.60    |   | 201,400      |
| Deuel          |    | 4,540                | -39       |     | 1.08        |   | 442.65   |     | 3,677.40    |   | 107,900      |
| Hamlin         |    | 12,921               | .36       |     | 1.15        |   | 1,162.80 |     | 11,144.65   |   | 298,902      |
| Hanson         |    | 5,838                | -50       |     | 1.12        |   | 730.00   |     | 4,903.36    |   | 170,550      |
| Hutchinson     |    | 4,689                | .71       |     | 1.28        |   | 832.12   |     | 4,501.76    |   | 197,666      |
| Kingsbury      |    | 8,505                | .37       |     | 1.12        |   | 786.62   |     | 7,144.48    |   | 178,793      |
| Lake           |    | 4,666                | .66       |     | 1.40        |   | 770.22   |     | 4,898.60    |   | 139,250      |
| Lincoln        |    | 4,629                | 1.00      |     | 1.60        |   | 1,157.00 |     | 5,555.20    |   | 195,788      |
| <b>≋eCoo</b> k |    | 6,899                | .72       |     | 1.40        |   | 1,242.00 |     | 7,243.60    |   | 186,000      |
| Miner          |    | 7,380                | •50       |     | 1.15        |   | 922.50   |     | 6,365.25    |   | 155,000      |
| Minnehaha      |    | 1,033                | .84       |     | 1.85        |   | 216.72   |     | 1,433.75    |   | 37,400       |
| Moody          |    | 1,120                | .76       |     | 1.40        |   | 212.80   |     | 1,176.00    |   | 36,000       |
| Sanborn        |    | 9,770                | .43       |     | 1.10        |   | 1,050.92 |     | 8,058.60    |   | 275,022      |
| Turner         |    | 1,850                | -95       |     | 1.50        |   | 440.80   |     | 2,079.00    |   | 58,750       |
| Union          |    | 3,635                | -57       |     | 1.60        |   | 518.13   |     | 4,361.60    |   | 170,200      |
| Yankton        |    | 1,363                | -49       |     | 1.61        | _ | 167.09   |     | 1,645.42    | - | 50,170       |
| Total          |    | 119,620              |           |     |             | 1 | 4,600.33 |     | 107,549.77  |   | 3,133,860    |

<sup>\*</sup> Basic information obtained from 25th Biennial Report of Commissioner and ircular prepared by him for 1939 Session of the Legislature.

<sup>\*\* 25</sup> per cent of land leased for grazing, the remainder for agricultural purposes.

| Areas And   | :Total Acreage Involve |           |   | 14 No. 15 1 1 |             | :Principal |
|-------------|------------------------|-----------|---|---------------|-------------|------------|
| Counties    | : in Foreclosed and    |           | ate Per Acre  |               | e Income    | : Fund     |
| 744114100   | : Delinquent Loans     | : Grazing | THE RESERVE AND ADDRESS OF THE PARTY OF THE | : Grazing :   | Agriculture | : Invested |
|             | Acres                  | Dollars   | Dollars   | Dollars       | Dollars     | Dollars    |
| rea II***   |                        |           |   |               |             |            |
| Aurora      | 9,700                  | .38       | 1.05  | 3,686.00      |             | 153,224    |
| Beadle      | 15,472                 | •30       | .73   | 4,641.60      |             | 336,400    |
| Brown       | 19,680                 | .25       | .92   | 4,920.00      |             | 250,613    |
| Brule       | 16,660                 | •30       | .79   | 4,998.00      |             | 230,643    |
| Buffalo     | 6,533                  | .18       | .71   | 1,175.94      |             | 49,445     |
| Campbell    | 15,960                 | .19       | .65   | 3,032.40      |             | 152,500    |
| Charles Mix | 10,705                 | •39       | .94   | 4,174.95      |             | 259,850    |
| Day         | 25,246                 | .27       | .89   | 6,316.42      |             | 158,105    |
| Douglas     | 5,386                  | -51       | 1.20  | 2,746.86      |             | 142,125    |
| Edwunds     | 12,280                 | .17       | .67   | 2,087.60      |             | 115,860    |
| Faulk       | 25,660                 | .19       | .58   | 4,875.40      |             | 219,400    |
| Grant       | 6,560                  | .27       | .90   | 1,771.20      | 94.         | 126,800    |
| Gregory     | 17,918                 | .22       | .85   | 3,941.96      |             | 361,323    |
| Hand        | 15,370                 | .21       | .71   | 3,227.70      |             | 187,500    |
| Hughes      | 12,423                 | .12       | -55   | 1,490.76      |             | 114,035    |
| Hyde        | 28,475                 | .14       | .69   | 3,986.50      |             | 203,525    |
| Jerauld     | 15,580                 | .30       | 1.00  | 4,674.00      |             | 279,075    |
| Lyman       | 27,815                 | .12       | .50   | 3,337.80      |             | 229,437    |
| McPherson   | 9,700                  | .12       | .65   | 1,164.00      |             | 110,514    |
| Marshall    | 13,572                 | .18       | .82   | 2,442.96      |             | 102,531    |
| Potter      | 25,539                 | .18       | .38   | 4,597.02      |             | 202,465    |
| Roberts     | 19,060                 | .28       | .37   | 5,336.80      |             | 221,245    |
| Spink       | 16,800                 | .27       | 79  | 4,536.00      |             | 258,625    |
| Sully       | 14,460                 | .10       | .50   | 1,446.00      |             | 116,150    |
| Tripo       | 20,184                 | .15       | .65   | 3,027.60      |             | 219,425    |
| Walworth    | 21,230                 | .12       | .60   | 2.547.60      |             | 207,900    |
|             | 4.14                   | ***       |   |               |             |            |
| Total       | 427,968                |           |   | 91,683.07     |             | 5,008,716  |

<sup>\*\*\*</sup> All land leased for grazing purposes.

Table VII .- Continued

|             | II | otal Acreage Involve | sbe |         |               | :   |           |               | : Principal |
|-------------|----|----------------------|-----|---------|---------------|-----|-----------|---------------|-------------|
| Areas and   | 1  | in Foreclosed and    |     | Lease   | Rate per Acre | 1   | Le        | ase Income    | : of Fund   |
| Counties    | 1  | Delinquenc Loans     | :   | Grazing | : Agriculture | :   | Grazing   | : Agriculture | : Invested  |
|             |    | Acres                |     | Dollars | Dollars       |     | Dollars   | Dollars       | Dollars     |
| rea III     |    |                      |     |         |               |     |           |               |             |
| Bennett     |    | 8,170                |     | •09     |               |     | 735.30    |               | 64,484      |
| Butte       |    | 44,397               |     | .06     |               |     | 2,663,82  |               | 141,459     |
| Corson      |    | 53,271               |     | .08     |               |     | 4,261,68  |               | 186,450     |
| Custer      |    | 4,948                |     | •06     |               |     | 296.88    |               | 23,687      |
| Dewey       |    | 25,586               |     | .08     | 4             |     | 2,046.88  |               | 139,300     |
| Fall River  |    | 14,600               |     | .08     |               |     | 1,168.00  |               | 90,420      |
| Haakon      |    | 32,389               |     | .07     |               |     | 2,267.23  |               | 154,809     |
| Harding     |    | 43,375               |     | .06     |               |     | 2,602.50  |               | 115,728     |
| Jackson     |    | 17,922               |     | •06     |               |     | 1,075.32  |               | 91,520      |
| Jones       |    | 22,749               |     | .08     |               |     | 1,819.92  |               | 117,475     |
| Lawrence    |    | 11,617               |     | .09     |               |     | 1,045.53  |               | 114,732     |
| Meade       |    | 32,302               |     | .07     |               |     | 2,261.14  |               | 109,915     |
| Mellette    |    | 24,221               |     | .08     |               |     | 1,937.68  |               | 116,340     |
| Penning ton |    | 10,320               |     | .06     |               |     | 619.20    |               | 42,000      |
| Perkins     |    | 28,469               |     | .06     |               |     | 1,708.14  |               | 99,645      |
| Stanley     |    | 43,087               |     | .06     |               |     | 2,585.22  |               | 154,397     |
| Ziebach     |    | 21,265               |     | .07     |               |     | 1,488.55  |               | 90,595      |
| otal        |    | 438,688              |     |         |               | 100 | 30,582.99 |               | 1,852,988   |

\*\*\*\* All land leased for grazing purposes.

Table VIII .- Income from "Substitute" Lands Under Second Lease System.\*

| Areas and Counties                      | otal Acreage Involve<br>in Foreclosed and | d: | Tanna I | - | per Acre    | :   | 1-      |   | Income      |
|---|---|----|---------|---|-------------|-----|---------|---|-------------|
| areas and countles                      | Delinquent Loans                          | :- | Grazing | 1 | Agriculture | -:- | Grazing | 1 | Agriculture |
| *************************************** | <br>Acres                                 |    | Dollars |   | Dollars     |     | Dollars |   | Dollars     |
| Area I**                                |   |    |         |   |             |     |         |   |             |
| Bon Homme                               | 4,820                                     |    | -42     |   | 1.20        |     |         |   | 5,784.00    |
| Brookings                               | 3,113                                     |    | -57     |   | 1.20        |     |         |   | 3,735.60    |
| Clark                                   | 10,280                                    |    | •30     |   | .81         |     |         |   | 8,326,80    |
| Clay                                    | 1,182                                     |    | •50     |   | 1.60        |     |         |   | 1,891.20    |
| Codington                               | 12,192                                    |    | -29     |   | 1.20        |     |         |   | 14,630,40   |
| Davison                                 | 9,195                                     |    | -52     |   | 1.10        |     |         |   | 10,114.50   |
| Deuel                                   | 4,540                                     |    | -39     |   | 1.08        |     |         |   | 4,903.20    |
| Hamlin                                  | 12,921                                    |    | -36     |   | 1.15        |     |         |   | 14,859.15   |
| Hanson                                  | 5,838                                     |    | -50     |   | 1.12        |     |         |   | 6,538.56    |
| Hutchinson                              | 4,689                                     |    | -71     |   | 1.28        |     |         |   | 6,001.92    |
| Kingsbury                               | 8,505                                     |    | -37     |   | 1.12        |     |         |   | 9,525.60    |
| Lake                                    | 4,666                                     |    | -66     |   | 1.40        |     |         |   | 6,532,40    |
| Lincoln                                 | 4,629                                     |    | 1.00    |   | 1.60        |     |         |   | 7,406,40    |
| McCook                                  | 6,899                                     |    | •72     |   | 1.40        |     |         |   | 9,658.60    |
| Miner                                   | 7,380                                     |    | •50     |   | 1.15        |     |         |   | 8,487.00    |
| Minneheha                               | 1,033                                     |    | -84     |   | 1.85        |     |         |   | 1,911.05    |
| Moody                                   | 1,120                                     |    | .76     |   | 1.40        |     |         |   | 1,568.00    |
| Sanborn                                 | 9,770                                     |    | •43     |   | 1.10        |     |         |   | 10,747.00   |
| Turner                                  | 1,850                                     |    | -95     |   | 1.50        |     |         |   | 2,775.00    |
| Union                                   | 3,635                                     |    | -57     |   | 1.60        |     |         |   | 5,816.00    |
| Yankton                                 | 1,363                                     |    | •49     |   | 1.61        |     |         |   | 2.194.43    |
| otal                                    | 119,620                                   |    |         |   |             |     |         |   | 143,406.81  |

<sup>\*</sup> Basic information obtained from 25th Biennial Report of Commissioner and Circular prepared by him for 1939 Session of the Legislature.

<sup>\*\*</sup> All land leased for agricultural purposes.

| Areas and Countles : | : In Foreclosed and : |           | Lease Rate per Acre | Lesse     | Lease Income  |
|----------------------|-----------------------|-----------|---------------------|-----------|---------------|
|                      | Delinquent L          | : Grasing | ure                 | Gresin    | : Agriculture |
|                      |                       | Dollers   | Dollers             | Dollers   | Dollers       |
| Area Hank            |                       |           | 1                   | -         |               |
| Aurore               | 9,700                 | *38       | 1.05                | 2,764.50  | 2,546,25      |
| Beadle               | 15,472                | 30        | .73                 | 3,481.20  | 2,823,64      |
| Вгонп                | 19,630                | *25       | -92                 | 3,690,00  | 4,526,40      |
| Brule                | 16,660                | .30       | 62.                 | 3,748,50  | 3,290,35      |
| Baffalo              | 6,533                 | *18       | 77.                 | 882,00    | 1,159,40      |
| Campbell.            | 15,960                | .19       | \$9*                | 2,274,30  | 2,593,50      |
| Charles Mix          | 10,705                | .39       | 76*                 | 3,131,31  | 2,515,44      |
| Day                  | 25,246                | .27       | 68*                 | 5,111.91  | 5,616,29      |
| Dougles              | 5,386                 | •51       | 1.20                | 2,060-40  | 1,615,20      |
| Reminds              | 12,280                | *17       | .67                 | 1,565,70  | 2,056,90      |
| Faulk                | 25,660                | •19       | •58                 | 3,656.55  | 3,720,70      |
| Grant                | 6,560                 | •27       | 06.                 | 1,328,40  | 1,476,00      |
| Gregory              | 17,918                | *22       | *85                 | 2,956,58  | 3,807,15      |
| Hand                 | 15,370                | .21       | 7.                  | 2,420,88  | 2,727,82      |
| Hughes               | 12,423                | •12       | •55                 | 1,118,04  | 1,708.30      |
| Ryde                 | 28,475                | *7*       | 69*                 | 2,989.84  | 4,912,11      |
| Jereuld              | 15,580                | •30       | 1.00                | 3,505,50  | 3,895,00      |
| Lymen                | 27,815                | •12       | •\$0                | 2,503,32  | 3,477,00      |
| McPherson            | 9,700                 | .12       | \$9*                | 873,00    | 1,576,25      |
| Marshall             | 13,572                | .18       | -82                 | 1,632,22  | 2,782,26      |
| Potter               | 25,539                | *18       | 38                  | 1,647.72  | 2,426,30      |
| Roberts              | 19,060                | •28       | -87                 | 4,002,60  | 4,145.55      |
| Spink                | 16,800                | .27       | E.                  | 3,402,00  | 3,318,00      |
| Sully                | 14,460                | 970       | • 50                | 1,084,50  | 1,807,50      |
| Tripp                | 20,184                | •15       | \$90                | 2,270,70  | 3,279,90      |
| Helmorth.            | 21,230                | .12       | 09*                 | 1,910,76  | 3,184,20      |
| Tote1                | 701,707               |           |                     | 66,212,43 | 76,987.94     |
|                      |                       |           |                     |           |               |

\*\*\* 25 per cent of land leased for agricultural purposes, resainder for grazing purposes.

Table IX .- Income from "Substitute" Lands Under Third System.\*

|                    | :Total Acreage Involve | dı |                    |   |             |   |         | - | and the same |
|--------------------|------------------------|----|--------------------|---|-------------|---|---------|---|--------------|
| ereas and Counties | : in Foreclosed and    | -  |                    |   | per Acre    |   |         | - | ncome        |
|                    | : Delinguent Loans     | -  | THE REAL PROPERTY. | 1 | Agriculture | - |         | : | Agriculture  |
| man TAR            | Acres                  |    | Dollars            |   | Dollars     |   | Dollars |   | Dollars      |
| rea I** Bon Homme  | / #20                  |    | 10                 |   | 1 20        |   |         |   | E 701 00     |
|                    | 4,820                  |    | •42                |   | 1.20        |   | ~       |   | 5,784.00     |
| Brookings          | 3,113                  |    | •57                |   | 1.20        |   |         |   | 3,735.60     |
| Clark              | 10,280                 |    | •30                |   | .81         |   |         |   | 8,326.80     |
| Clay               | 1,182                  |    | •50                |   | 1.60        |   |         |   | 1,891.20     |
| Codington          | 12,192                 |    | -29                |   | 1.20        |   |         |   | 14,630.40    |
| Davison            | 9,195                  |    | •52                |   | 1.10        |   |         |   | 10,114.50    |
| Deuel              | 4,540                  |    | •39                |   | 1.08        |   |         |   | 4,903.20     |
| Hamlin             | 12,921                 |    | •36                |   | 1.15        |   |         |   | 14,859.15    |
| Hanson             | 5,838                  |    | -50                |   | 1.12        |   | -       |   | 6,538.56     |
| Hutchinson         | 4,689                  |    | .71                |   | 1.28        |   |         |   | 6,001.92     |
| Kingsbury          | 8,505                  |    | .37                |   | 1.12        |   |         | - | 9,525.60     |
| Lake               | 4,666                  |    | •66                |   | 1.40        |   |         |   | 6,532.40     |
| Lincoln            | 4,629                  |    | 1.00               |   | 1.60        |   |         |   | 7,406,40     |
| MeCook             | 6,899                  |    | .72                |   | 1.40        |   |         |   | 9,658.60     |
| Miner              | 7,380                  |    | •50                |   | 1.15        |   |         |   | 8,487.00     |
| Minnehaha          | 1,033                  |    | -84                |   | 1.85        |   |         |   | 1,911.05     |
| Moody              | 1,120                  |    | .76                |   | 1.40        |   |         |   | 1,568,00     |
| Sanborn            | 9,770                  |    | -43                |   | 1.10        |   |         |   | 10,747.00    |
| Turner             | 1,850                  |    | -95                |   | 1.50        |   |         |   | 2,775.00     |
| Union              | 3,635                  |    | -57                |   | 1.60        |   |         |   | 5,816.00     |
| Yankton            | 1,363                  |    | -49                |   | 1.61        |   |         |   | 2,194-43     |
| otal               | 119,620                |    |                    |   |             |   |         |   | 143,406,81   |

<sup>\*</sup> Basic information obtained from the 25th Biennial Report of the Commissioner of School and Public Lands and a Circular prepared by him for the 1939 Session of the Legislature.

\*\* All land leased for agricultural purposes.

Table IX. Continued

| Areas and Counties | :Total Acresge Involved:                  |   | Lease Rate per Acre |               | :   |           | T                          |   |
|--------------------|---|---|---------------------|---------------|-----|-----------|----------------------------|---|
| areas and countles | : in Foreclosed and<br>: Delinquent Loans | - | Grazing             | : Agriculture | -:- | Grazing   | se Income<br>: Agriculture | - |
|                    | Acres                                     |   | Dollars             | Dollars       |     | Dollars   | Dollars                    | - |
| rea II***          |   |   | -                   |               |     | -         |                            |   |
| Aurora             | 9,700                                     |   | -38                 | 1.05          |     | 1,843.00  | 5,092.50                   |   |
| Beadle             | 15,472                                    |   | .30                 | .73           |     | 2,320,80  | 5,647,28                   |   |
| Brown              | 19,680                                    |   | -25                 | -92           |     | 2,460,00  | 9,052,80                   |   |
| Brule              | 16,660                                    |   | •30                 | •79           |     | 2,499.00  | 6,580.70                   |   |
| Buffelo            | 6,533                                     |   | .18                 | •71           |     | 587.88    | 2,318,86                   |   |
| Campbell           | 15,960                                    |   | .19                 | .65           |     | 1,516,20  | 5.187.00                   |   |
| Charles Mix        | 10,705                                    |   | .39                 | -94           |     | 2,087.67  | 5,031.82                   |   |
| Day                | 25,246                                    |   | .27                 | .89           |     | 3,418,21  | 11,234.47                  |   |
| Douglas            | 5,386                                     |   | -51                 | 1.20          |     | 1,373.43  | 3,231,60                   |   |
| Edwards            | 12,280                                    |   | .17                 | .67           |     | 1,043.80  | 4,113.80                   |   |
| Faulk              | 25,660                                    |   | .19                 | -58           |     | 2,437.70  | 7,441.40                   |   |
| Grant              | 6,560                                     |   | .27                 | .90           |     | 885.60    | 2,952.00                   |   |
| Gregory            | 17,918                                    |   | .22                 | .85           |     | 1,970,98  | 7,615.15                   |   |
| Hand               | 15,370                                    |   | .21                 | .71           |     | 1,613.85  | 5,456.35                   |   |
| Hughes             | 12,423                                    |   | .12                 | •55           |     | 745.32    | 3,416.05                   |   |
| Hyde               | 28,475                                    |   | .14                 | .69           |     | 1,993.18  | 9,823.53                   |   |
| Jerauld            | 15,580                                    |   | .30                 | 1.00          |     | 2,337.00  | 7,790.00                   |   |
| Lyman              | 27,815                                    |   | .12                 | •50           |     | 1,668.96  | 6,954.00                   |   |
| McPherson          | 9,700                                     |   | .12                 | .65           |     | 582.00    | 3,152.50                   |   |
| Marshall           | 13,572                                    |   | .18                 | .82           |     | 1,221,48  | 5,564.52                   |   |
| Potter .           | 25,539                                    |   | .18                 | .38           |     | 2,298,60  | 4,852,60                   |   |
| Roberts            | 19,060                                    |   | .28                 | .87           |     | 2,668,40  | 8,291.10                   |   |
| Spink              | 16,800                                    |   | .27                 | •79           |     | 2,268.00  | 6,636,00                   |   |
| Sully              | 14,460                                    |   | .10                 | •50           |     | 723.00    | 3,615.00                   |   |
| Tripp              | 20,184                                    |   | -15                 | .65           |     | 1,513.80  | 6,559.80                   |   |
| Welworth           | 21,230                                    |   | .12                 | .60           |     | 1,273.80  | 6,369.00                   |   |
| otel               | 407,702                                   |   |                     |               |     | 45,351.66 | 153,979.83                 |   |

<sup>\*\*\* 50</sup> per cent of land leased for agricultural purposes, and 50 per cent for grazing purposes.

Table IX.—Continued

|  | :Total Acreege Involved: |   |         |               | : |  |               |
|--|--------------------------|---|---------|---------------|---|--|---------------|
| Areas and Counties   |                          | - |         | Rate per Acre |   | Annual Control of the Person o | se Income     |
| - Martin Color Col | : Delinquent Loans       | 1 | Grazing | : Agriculture | 1 | Grazing  | : Agriculture |
|  | Acres                    |   | Dollars | Dollars       |   | Dollars  | Dollars       |
| Area III   |                          |   |         |               |   |  |               |
| Bennett  | 8,170                    |   | •09     |               |   | 735.30   |               |
| Butte  | 44,397                   |   | •06     | 1             |   | 2,663.82   |               |
| Corson   | 53,271                   |   | .08     |               |   | 4,261.68   |               |
| Custer   | 4,948                    |   | •06     |               |   | 296.88   |               |
| Dewey  | 25,586                   |   | .08     |               |   | 2,046.88   |               |
| Fall River   | 14,600                   |   | .08     |               |   | 1,168,00   |               |
| Haakon   | 32,389                   |   | .07     |               |   | 2,267.23   |               |
| Harding  | 43,375                   |   | .06     | 2 -2          |   | 2,602,50   |               |
| Jackson  | 17,922                   |   | .06     |               |   | 1,075.32   |               |
| Jones  | 22,749                   |   | •08     |               |   | 1,819.92   |               |
| Lawrence   | 11,617                   |   | •09     |               |   | 1,045.53   |               |
| Meade  | 32,302                   |   | .07     |               |   | 2,261.14   |               |
| Wellette   | 24,221                   |   | •08     |               |   | 1,937.68   |               |
| Pennington   | 10,320                   |   | .06     |               |   | 619.20   |               |
| Perkins  | 28,469                   |   | •06     |               |   | 1,708.14   |               |
| Stanley  | 43,087                   |   | •06     |               |   | 2,585.22   |               |
| Ziebach  | 21,265                   |   | .07     |               |   | 1,488.55   |               |
|  | ,,                       |   |         |               |   | -9.4000)   |               |
| otal   | 438,688                  |   |         |               |   | 30,582.99  |               |

<sup>\*\*\*\*</sup> All land lessed for grazing purposes.

Table X.—Tax Delinquencies in South Dakota for Year Ending December 31, 1937, and Eight-Year Period 1930-1938\*

| County      | : Tax Delinquency<br>: Year Ending December 31. 19 | : Tax Delinquency<br>337 : Eight-Year Period 1930-1938   |
|-------------|--|--|
|             | Per Cent   | Per Cent   |
| Aurora      | 26,88  | 15.1   |
| Beadle      | 25.29  | 14.9   |
| Bennett     | 32,60  | 27.0**   |
| Bon Homme   | 19.15  | 7.8  |
| Brookings   | 6.04   | ***  |
| Brown       | 19.07  | 8.6  |
| Brule       | 27.98  | 29.7**   |
| Buffalo     | 51.19  | 32.5**   |
| Butte       | 23.60  | 22.9**   |
| Campbell    | 55.69  | 27.9**   |
| Charles Mix | 14.84  | 10.8   |
| Clark       | 22.84  | 13.0   |
| Clay        | 31.62  | 100  |
| Codington   | 18.54  | 4.2  |
| Corson      | 41.95  | 10.7   |
| Custer      | 23.13  | 21.5**   |
| Davison     | 11.80  | 11.2   |
| Day         | 20.06  | 7.3  |
| Deuel       | 10.15  | 6.7  |
| Dewey       | 52.08  | A STATE OF THE STA |
| Douglas     | 14.16  | 34.8**   |
| Edmunds     | 46.52  | 6.4  |
| Fall River  | 31.27  | 21.9**   |
| Faulk       | 36.80  | 17.5**   |
| Grant       |  | 20.7**   |
| Gregory     | 9.30<br>25.00                                      | 4.6  |
| Haakon      |  | 15.4   |
| Hamlin      | 43.35  | 17.2**   |
| Hand        | 17.15  | 8.5  |
| Hanson      | 31.35  | 17.7**   |
| Harding     | 13.59<br>31.14                                     | 9.3  |
| Hughes      |  | 20.9**   |
| Hutchinson  | 30.96  | 31.4   |
| Hyde        | 12.47  | 4.1  |
| Jackson     | 33.66  |  |
| Jerauld     | 33.23  | 19.5**   |
| Jones       | 47.92  | 12.7   |
| Kingsbury   | 35.62  | 25.044   |
| Lake        | 12.87  | 7.1  |
| Lawrence    | 12.23  | ***  |
| Lincoln     | 9.12   | 5.7  |
| Lyman       | 8.80   | 3.4  |
| J. Marie    | 26.54  | 19.9**   |

Office of Division of Taxation, Pierre, South Dakota. Period less than eight years.

Inadequate data.

| County :Year | Tax Delinquency | : Tax Delinquency<br>1937: Eight-year period 1930-1936 |
|--------------|-----------------|--|
|              | Per Cent        | Per Cent   |
| McCook       | 11.64           | 6.2  |
| McPherson    | 29.92           | 9.5  |
| Marshall     | 22.74           | 13.8   |
| Meade        | 38.74           | 22.5**   |
| Mellette     | 37.95           | 29.7**   |
| Miner        | 14.47           | 11.9   |
| Minnehabs    | 3.12            | •9   |
| Moody        | 5.46            | 2.5  |
| Pennington   | 20.10           | - ***  |
| Perkins      | 55.92           | 41.9**   |
| Potter       | 48.05           | 25.0**   |
| Roberts      | 65.27           | 11.6   |
| Banborn      | 17.28           | 11.4   |
| Spink        | 31.84           | 14.1   |
| Stanley      | 50.44           | 41.1**   |
| Sully        | 41.65           |  |
| Tripp        | 35.12           | 16.0   |
| lurner       | 6.36            | 3.0  |
| Inion        | 19.17           | 6.3  |
| Walworth     | 36.60           | 23.0**   |
| Yankton      | 51.40           | 100  |
| Ziebach      | 61.81           | 20.4**   |
| Average      | 28.2            |  |

Table XI.—Per cent of Total Land Area That Was Nontaxable in South Dakota, January 1, 1938.\*

| County      | Per cent | : County     | Per cent |
|-------------|----------|--------------|----------|
| Aurora      | 9.8      | : Hutchinson | 2.1      |
| Beadle      | 11.1     | : Hyde       | 28.2     |
| Bennett     | 56.6     | : Jackson    | 46.4     |
| Bon Homme   | 2.6      | : Jerauld    | 22.8     |
| Brookings   | 5.4      | : Jones      | 23.4     |
| Brown       | 9.2      | : Kingsbury  | 12.9     |
| Brule       | 1.5.3    | : Lake       | 6.4      |
| Buffalo     | 41.9     | : Lawrence   | 67.1     |
| Butte       | 35.4     | Lincoln      | 1.7      |
| Campbell    | 13.6     | : Lyman      | 30.5     |
| Charles Mix | 10.9     | : McCook     | 3.8      |
| Clark       | 10.1     | : McPherson  | 19.9     |
| Clay        | 1.5      | : Marshall   | 25.9     |
| Codington   | 6.6      | : Meade      | 18.3     |
| Corson      | 62.6     | : Mellette   | 58.8     |
| Custer      | 48.2     | : Miner      | 11.4     |
| Davison #   | 5.8      | : Minnehaha  | 3.5      |
| Day         | 10.6     | : Moody      | 2.9      |
| Deuel       | 5.2      | : Pennington | 48.5     |
| Dewey       | 68.8     | : Perkins    | 22.9     |
| Douglas     | 4.7      | : Potter     | 23.7     |
| Edminds     | 14.7     | : Roberts    | 16.4     |
| Fall River  | 39.5     | : Sanborn    | 11.4     |
| Faulk       | 18.8     | : Spink      | 10.8     |
| Grant       | 8.2      | : Stanley    | 25.1     |
| Gregory     | 18.3     | : Sully      | 26.6     |
| iaakon      | 18.5     | : Tripp      | 29.6     |
| ismlin .    | 6.5      | : Turner     | 1.9      |
| land        | 20.1     | : Union      | 1.6      |
| lanson      | 4.9      | : Walworth   | 19.3     |
| Harding     | 42.8     | t Yankton    | 6.2      |
| lughes      | 29.2     | : Ziebach    | 64.5     |

<sup>\*</sup> Supplementary Report of Tax Status of Farm Land. S. D. State Planning Board.