EDUCATIONAL IMPLICATIONS OF LOCAL PROPERTY ASSESSMENTS IN THE LOWER PENINSULA REGION OF VIRGINIA

by

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TABLE OF CONTENTS

CHAPTER I

SIGNIFICANCE OF AND NEED FOR THE STUDY

The Lower Peninsula region of Virginia must have adequate educational facilities and personnel in order to offer all of its children the best educational opportunities possible. Especially is this necessary when one considers the impact that war has had upon this area. For the five year period 1940 to 1945, migration and increased marriage and birth rates were accountable for substantial increases in the school population and in the number of pre-school children.[1] A. J. Mapp, in speaking of the Hampton Roads-Peninsula area as a whole, says:

> The most significant population changes during the period, from the point of view of schools, were:
>
> 1. Resident population increased from 393,556 to 552,201, an increase of 40.1 per cent.
> 2. The average age of the population decreased.[2]

In 1945, the Lower Peninsula school population was 24,299, whereas in 1940 it was 18,265. The pre-school population in 1945 was 14,872. It was 6,758 in 1940. Mr. Mapp concludes that:

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[1]A. J. Mapp, "Impact of World War II upon School Population Enrollment and Attendance in the Hampton Roads-Peninsula Area," (unpublished Master's thesis, the College of William and Mary, Williamsburg, Virginia, 1946), p. 21.

[2]Ibid., p. 40.

> One of the outcomes of World War II in the Hampton Roads-Peninsula area will be a substantial increase in the school enrollment. This increased enrollment will necessitate larger school appropriations in order that school officials may meet the need for additional teachers and facilities. School officials not only will be faced with the task of expanding facilities, but they will also have the problem of meeting more effectively the needs of the individual.

Providing better educational advantages now means assurance later for a healthier, happier group of adults in this large area. Real estate taxes are an important source of school funds. To the degree that this study of the relationship between assessed and market values of real estate in the Lower Peninsula region of Virginia affects the productivity of these taxes, it thus has a bearing upon school financial problems.

In spite of recent tendencies toward greater state support, local property taxes are the chief source of school revenues. State support is the amount of money contributed by states to the operation of their local school systems. North Carolina has pioneered in providing state support. For instance, in 1945-46 that state spent $53,864,852.29 for the operation of its schools. Of this amount, the state contributed $43,871.169.30, the counties and cities paying the remainder.[4] This is a ratio for state support of 81.45 per cent

[3] Ibid., p. 48.

[4] An Analysis of School Expenditures, a reprint from <u>We the People of North Carolina</u>, April 1947 issue.

of the total. The following tabulation indicates that the Virginia Lower Peninsula communities receive a much smaller proportion of their school funds from the state:

Year 1944	Total School Expenditures (Thousands of dollars) (000s)	State School Supplements (000s)	Ratio of State School Supplements to Total School Expenditures (Per cent)
Elizabeth City County	416*	121	29.22
Warwick County	214**	68	28.17
York County	93**	50	53.60
Total	750	239	31.90
Hampton	62*	20	32.68
Newport News	759*	157	20.67
Total	821	177	21.58

*Figures taken from budget for fiscal year of 1944, Elizabeth City County Schools and Hampton City Schools and calendar year 1944 for Newport News.
**Figures taken from the Report of Auditor of Public Accounts, Commonwealth of Virginia on Comparative Cost of Local Government-1944.

It is true for the United States as a whole, that schools must depend mainly upon local instead of state support. The research division of the NEA has stated that: "Seven dollars out of every ten dollars spent for schools is obtained locally by means of a tax upon real estate. For the country as a whole the major portion of school money is obtained from local sources."[5] Extensive study of other possible sources of local revenue has been made, but it is generally agreed that local governments are obliged to rely principally on

[5]National Education Association, Department of Classroom Teachers and Research Division. Paying for Schools. Discussion pamphlet No. 4. Washington, D.C. the Association, January, 1945, p. 3.

general property taxes for their public funds. The following tabulation represents the situation as to revenue sources for local governments in the Lower Peninsula region of Virginia:

Year 1944	Total Revenues from Local Sources (Thousands of dollars)	Total Revenues from Property Taxes (Thousands of dollars)	Ratio of Revenues from Property Taxes to Total Revenue from Local Sources
	(000s)	(000s)	(Per Cent)
Elizabeth City Co.	439	319	74.74
Warwick Co.	278	235	84.48
York Co.	76	71	92.80
Total	793	625	78.78
Hampton	253	178	70.57
Newport News	2,591	1,645	63.50
Total	2,844	1,823	64.13

Educators need to recognize the following two basic principles of American government underlying plans for public support of education:

> (1) provision for free education in the form of tax-supported schools for all youth in need thereof is a primary responsibility of the State government; and
> (2) each community shall be permitted to tax itself for school purposes, which is interpreted as meaning that, under the general oversight of the State, local autonomy may be exercised in matters of detail concerning the conduct of the schools, management of the school program, and with respect to the question of improving the educational program of local expense.[6]

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[6] U. S. Office of Education, Department of Interior, Know Your School. Leaflet No. 53. Washington, D. C. Superintendent of Documents, Government Printing Office, 1940, p. 2-3.

It is necessary that school authorities and administrators have adequate knowledge of the taxation system in force in their own county, city or town. The need is particularly acute in view of increased expenditures for schools in general resulting from (1) dollar depreciation, (2) increased attendance, (3) disproportionate increase in primary school attendance, and (4) an increase in the number and quality of services rendered. O. C. Pratt states that educators should "Study taxation and be prepared to help actively in its much needed reconstruction; that the whole taxing machinery needs to be modernized."[7] Virginia educators now recognize that "adequate local tax sources in support of free public school education must hereafter depend upon fair and equitable assessments" in their own particular jurisdictions.[8]

Under present conditions, local property taxes are administered in an inefficient, inequitable manner. Dr. Charles F. Marsh states that there is:

> great variance in assessment procedures used in the different localities. Local assessment of property is notoriously inefficient, not only in Virginia but elsewhere. Not only are average assessed values likely to be far below true values but there are likely to be great differences in the degree to which particular parcels of property in the same taxing jurisdiction are assessed below or, in some cases, above true sales value.

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[7]O. C. Pratt, "Taxation and Public School Finance," Elementary School Journal, 31: 171-82, November, 1930.

[8]John H. Russell, "Adult Education in Taxation in Virginia," Virginia Journal of Education, XL (March, 1947), p. 314.

> Examples of this are legion. Further evidence of the weakness of local assessment methods is found in the fact that some taxable property never gets on the tax books.[9]

An example is cited in which the city of Bristol annexed certain Washington County territory July 1, 1942, and then discovered after completion of a new tax map that over 100 buildings in the county had never been on the books.[10]

Increased property tax revenues could be obtained without increase in rates on assessed values if assessed values were closer to sales or true values. The average level of property assessment in Virginia is low as compared with other states.[11] In the Lower Peninsula region, the special subject of this study, there is widespread underassessment.

Property tax administration could be made much more equitable if greater uniformity in the ratios of assessed to sales or true values within particular taxing jurisdictions could be developed. Dr. William H. Stauffer says that:

> more than one-tenth (1/10) of the counties and cities assess real estate at an average of less than 20 percent of its full value, and more than one-third (1/3) have an

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[9] Charles F. Marsh, Opportunities for the Improvement of the Virginia State Tax Structure (Report of the Committee on Taxation and Government of the Virginia State Chamber of Commerce, Finance Document No. 11, Richmond, Virginia, 1945), p. 135.

[10] Ibid., p. 135.

[11] Ibid., p. 136.

average assessment ratio less than 30 percent. Seven out of ten political sub-divisions assess real estate at less than 40 percent of its market value, and 12 percent of the counties and cities assess property at as much as one-half (1/2) of its sales value.[12]

The State Corporation Commission sets a uniform ratio of 40 percent of market value on Virginia public utilities, the localities collecting their taxes on the basis of the amount of utility property within their own jurisdictions. Great improvement in effective administration of local property taxation could be secured by greater uniformity in the assessment of non-utility properties as well.

The National Education Association, through its Research Division, made a study in 1946 entitled "School Finance Goals," in which it makes recommendations for school administrators who are interested in securing more adequate funds for education. The survey was planned by the NEA Committee on Tax Education and School Finance, which has a total membership of over 600 representatives from state and local associations of educators. Willard E. Givens, Executive Secretary of the Association, declares that:

the extent to which these goals are actually achieved in the school finance systems of the state is the major consideration. Re-examination of these recommendations, and selection for

[12] William H. Stauffer, "A Study of Property Values in Virginia with comments on the Assessment Thereof," (unpublished Manuscript, Richmond, Virginia, 1946), p. 7.

> immediate use of those policies which do most to improve the present system, should be the aim of the school finance committee in every state.[13]

As an indication of the importance of modern tax assessment methods, the Virginia Education Association at its 1946 annual meeting in Richmond, provided for a study of local taxation in its study program. The Virginia Department of Taxation has had a program of adult education in tax assessments for over a year.[14]

There must be a continued expansion in school funds, not only to educate our younger generation, but also the adult population. Extension classes are desired, which makes it a necessity for school superintendents and school boards to expand their educational programs. Parents are asking for extra help in educating retarded and handicapped children. It is the right of all citizens to have an equal opportunity in determining tax policies which will improve the chances of each individual receiving adequate education regardless of his need or environment. Hence, it is a necessity for educators to understand taxation policies in their own jurisdictions.

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[13]Willard E. Givens, National Education Association, Research Division. School Finance Goals. Washington, D. C., The Association, XXIV, No. 3, October, 1946, p. 88.

[14]John H. Russell, "Adult Education in Taxation in Virginia," Virginia Journal of Education, XL (March, 1947), p. 314.

CHAPTER II

SCOPE AND METHOD OF THE STUDY

The localities in which assessment practices were analyzed, are the cities of Hampton and Newport News, and the counties of Elizabeth City (including town of Phoebus), Warwick and York.

This area was selected not only because the communities of the Lower Peninsula area are daily growing more dependent upon one another, but also because of their many common problems, such as,

> problems in transportation, communications, sanitation, education and all forms of service and activity that not only require, but demand proper planning for the progress and well being of the entire Peninsula.[15]

Due to the thousands of property transactions taking place per year, it was necessary to limit this study. The periods of time studied were the first six months, January 1 through June 30, of the years 1944 and 1946. Two different years were selected, in order that comparisons between the two might be made. The use of 1944 data makes it possible to check and compare findings with a report made in 1946 by Dr. William H. Stauffer, Director of Research for the Virginia State Chamber of Commerce.

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[15] Annual Report Study and Recommendations of the Lower Peninsula Planning Commission. For period ending June 30, 1946, p.9.

The research for this study was done in the offices of the Commissioners of Revenue and the Clerks of Court throughout the Lower Peninsula, except for Warwick County, which has the County Manager form of government. All necessary records for accomplishing the work in this county were found in the Department of Finance which includes the functions of the former Commissioner of the Revenue and county treasurer.

A large percentage of the transactions studied was taken from what are called "deed transfer records." These records are prepared at the end of every calendar year by the Clerks of Court and each page shows, in chronological order, the dates upon which property was conveyed. Following the date is a column labeled "Grantors," which gives the name of the person who is selling the property; next to this column is the name of the "Grantee," or person who is purchasing the property. The remainder of the record gives two additional pieces of information: (1) a general description, in which non-urban property is listed by acreage and urban property is listed by lot, block and plat numbers; and (2) the actual amount of money for which the property was sold or the recordation tax paid on the transferred property. The recordation tax is twelve cents ($0.12) per hundred dollar($100) value of the consideration shown in the deed, "or the actual value of the property conveyed, whichever is greater." From this item the sales price of the property can be determined.[16]

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[16]Tax Code of Virginia 1946, section 121.

Deed transfer records met the requirements for searching out property sold during the years under consideration, in all parts of the Lower Peninsula, except Elizabeth City County. In this county it was necessary to use what are termed "deed receipts." These are small forms bearing the name of the person selling, the names of the person buying, amount of money for which the property sold, the recordation tax, and a general description of the property in question.

In Newport News, a different situation was found as regards the location of data concerning the consideration for which property sold. In Newport News the recordation tax is not placed on deed transfer records. In all other localities the actual consideration or the recordation tax appears on deed receipts or deed transfer records. It was necessary in Newport News, therefore, to go through a special bookkeeping record kept by the Deputy Clerk of Court. This book listed names of Grantor and Grantee, a short description of the property, and the recordation tax.

Deed books, prepared by the clerks of Court in the localities studied, were used whenever it was necessary to check upon a piece of property, if a clear picture was not given in the deed transfer records or deed receipts.

Land books prepared by the Commissioners of Revenue for Clerks of Court were used to find the assessments upon each piece of property. The land book is divided into two main listings, White and Negro. In Newport News, each section is then broken down into wards, of which there are five (5). Names of Grantors in each ward are then alphabetized. To insure accuracy it was necessary to make a chart index showing all block numbers throughout the city. Block numbers were then grouped according to the wards in which they were located. When looking for a block number it was necessary only to find its location on the chart, which served as a valuable aid in tracing the Grantor's property in the land book.

In Hampton City there are no wards for showing location of property. In the counties of Elizabeth City, Warwick and York property is listed according to districts, Grantor's names then being alphabetized according to the district in which the property is located.

The data secured in the ways described were recorded on file cards and tabulated. Tables were constructed, from which the analysis was made. The number of transactions analyzed in this study was 3,421, broken down as follows: for the six months, January 1 through June 30, 1944, 1,290 transactions; for the six months, January 1 through June 30, 1946, 2,131 transactions.

CHAPTER III

RATIOS OF ASSESSED TO MARKET VALUES AND RANGES OF VARIATION THEREIN

The table below points out County-wide, City-wide and State-wide ratios of assessed to market values and ranges of variation therein in Virginia, as determined by various agencies since 1910.

TABLE I

Assessment Ratio's in Virginia Counties and Cities

Established by Official and Other Studies since 1910*

Year	Authority	County-Wide Ratio (Percent)	City-Wide Ratio (Percent)	State-Wide Ratio (Percent)
1910	Legislative Commission (1)	42.0	70.5	51.0
1913	Legislative Commission (2)	33.5	53.1	38.5
1918	Departmental (3)	30.8	56.5	39.4
1923	Legislative Commission (4)	32.4	56.6	41.4
1926	Stauffer (5)	30.46	55.86	41.20
1929	Departmental (6)	34.19	--	--
1931	Departmental (6)	39.39	62.48	49.87
1933	Departmental (6)	44.18	--	--
1936	Departmental (6)	42.71	79.60	57.28
1939	Departmental (7)	38.6	77.6	52.8
1942	Departmental (7)	35.4	70.5	48.8
1944	Stauffer (8)	30.20	58.66	41.10

(1) "Report to the General Assembly by the Tax Commission Appointed to Make an Investigation of the System of Assessment, Revenue, and Taxation now in force in this State," p. 141-144, 170-173, Richmond, Virginia 1911, and supplemented by data secured on Civil Works Administration Project sponsored by State Department of Taxation.

(2) "Report of the Joint Committee on Tax Revision," p. 11-12, Richmond, Virginia 1914.

(3) Bulletin #21, State Tax Board, Richmond, Virginia 1920.

(4) "Report of the Commission on Simplification and Economy of State and Local Government," p. 138, Richmond, Virginia 1924.

*Table taken from study made by William H. Stauffer, "A Study of Property Values in Virginia with Comments on the Assessment Thereof," Manuscript, Richmond, Virginia, 1946.

(5) Stauffer, William H., "Taxation in Virginia," p. 87-90, Century Co., New York, 1931.
(6) From data secured in Civil Works Administration and WPA Projects sponsored by State Department of Taxation, and directed by William H. Stauffer.
(7) Russell, John H., "Changes in Real Estate Assessment Ratios," The Commonwealth, August 1945.
(8) Stauffer, William H., "A Study of Property Values in Virginia with Comments on the Assessment Thereof," Manuscript, Richmond, Virginia, 1946

A study of these assessment ratios shows that real estate has not, on the average, been assessed at full value in Virginia. The highest state-wide ratio of assessed to full value during the 1910-1944 period was 57.28 percent, and the lowest state-wide ratio was 38.5 percent. For counties, the highest ratio was 44.18 and the lowest 30.20 percent. City-wide ratios for this 34 year period of time were higher than county-wide ratios. The lowest city-wide ratio of 53.1 percent was 8.92 percent higher than the highest county-wide ratio of 44.18 percent. It will be noted that county-wide, city-wide and state-wide ratios were all lower in 1944 than in 1910.

Whereas Table I gives the general background of city-wide, county-wide and state-wide assessment ratios for the state of Virginia during the years 1910-1944 inclusive, the tables which follow will give a picture of real estate assessment conditions in the Lower Peninsula region of Virginia over the two years 1944-1946.

Table II is presented for the purpose of showing the wide-spread variations in assessments in Virginia's Lower Peninsula area. In 1944 the three counties studied had an overall average assessment ratio of only 26.65 percent. For 1946 this had dropped to

TABLE II

Analysis of Real Estate Transfers in the Lower Peninsula Region of Virginia during the First Six Months of the Years 1944 and 1946

Year County	No. of Transfers Analyzed	Gross Consideration	Assessed Value	Total Assessed Value	Estimated Total Full Value	Assessment Ratio
		(dollars)	(dollars)	(dollars)	(dollars)	(percent)
1944						
Elizabeth City Co.	408	1,155,785	338,727	11,130,400	37,974,753	29.31
Warwick Co.	352	1,297,018	330,973	7,075,726	27,726,199	25.52
York Co.	109	154,625	25,324	1,920,680	11,725,763	16.38
Total		2,607,428	695,024			26.65
Hampton	51	194,850	74,475	3,084,980	8,071,638	38.22
Newport News	370*	1,527,113*	891,500*	37,994,310	65,069,892	58.39
Total		1,721,963	965,975			56.10
Total Lower Peninsula Region	1290	4,329,391	1,660,999	61,206,096	159,515,550	38.37
1946						
Elizabeth City Co.	763	2,414,656	577,263	12,318,140	51,518,779	23.91
Warwick Co.	590	3,532,783	758,069	7,656,558	35,678,276	21.46
York Co.	165	347,200	58,199	1,973,195	11,773,240	16.76
Total		6,294,639	1,393,531			22.14
Hampton	86	379,010	122,325	3,104,820	9,621,382	32.27
Newport News	527	2,645,340	1,421,906	38,319,060	71,291,274	53.75
Total		3,024,350	1,544,231			51.06
Total Lower Peninsula Region	2131	9,318,989	2,937,762	63,371,773	179,882,951	31.52
Total Lower Peninsula Region 1944 & 1946		13,648,380	4,598,761			33.69

*Excludes Defense Homes Corporation transaction dated June 2, 1944, for gross consideration of $3,615,000, since the ratio of the assessed value of $2,773,543.50 to this consideration (76.72 percent) would distort the average ratio for the rest of the properties sold in Newport News during the first six months of 1944.

22.14 percent.[17] Elizabeth City County for 1944 had a ratio of 29.31 percent, which in 1946 had fallen to 23.91 percent. Warwick County for 1944 had a ratio of 25.52 percent and a ratio of 21.46 percent in 1946. York County showed the least change of any of the three counties, 16.38 percent in 1944 and 16.76 percent in 1946. The assessment ratios in the cities of Hampton and Newport News are higher than those for the three counties, whether the ratios are expressed as individual ratios for each year concerned, or as overall ratios. In 1944, the overall ratio for the two cities was 56.10 and in 1946 it was 51.06 percent. The overall ratios of assessment in the cities are thus more than 25 percent in excess of those for the counties both years. However, when taken singly, it is found that in 1944 the city of Hampton had a ratio of 38.22 percent and that in 1946 this had dropped to 32.27 percent; in Newport News, the ratio for 1944 was 58.39 percent which in turn dropped to 53.75 percent in 1946. From this it can be seen that the tendency to assess property at a higher figure in Newport News weights the figures favorably for the cities. This is not to say that Hampton does not assess at a higher ratio than the counties, for a glance at the percentages will show that Hampton assesses at a ratio at least 10 percent higher than either of the county-wide Peninsula ratios shown for the two years.

[17] 1946 ratios were less than 1944 ratios (except for York Co.), since real estate values increased over the two year period without an accompanying revision of assessments.

The Stauffer report for 1944 presents county-wide, city-wide and state-wide assessment ratios for the entire state of Virginia. (See Table I). In comparing the Stauffer and Lower Peninsula area studies, the Stauffer study shows a county-wide state average in 1944 of 30.20 percent, while the county-wide Peninsula study reveals a ratio of 26.65 percent, dropping to a low of 22.14 percent in 1946. The Stauffer report shows a ratio of 58.66 percent in the Virginia cities in 1944;[18] in the two Peninsula cities the ratio is 56.10, dropping to 51.06 percent in 1946. Dr. Stauffer's state-wide ratio for 1944 is 41.10 percent;[19] the Lower Peninsula area ratio for 1944 is 38.37 percent and for 1946 is 31.52 percent, with an average ratio for both years of 33.69 percent.

Not only are these assessment ratios low, as compared with the Stauffer report of 1944, but actually they have declined in the two years under study. Concerning future financial needs, this lack of a flexible assessment policy portends no increased revenues even as real estate prices increase. The average ratios in Table II for the Lower Peninsula range from 16.38 percent in York County to 58.39 percent in Newport News during the year of 1944. In 1946, they ranged from 16.76 percent in York County to 58.75 percent in Newport News.

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[18] William H. Stauffer, "A Study of Property Values in Virginia with Comments on the Assessment Thereof," Manuscript, Richmond, Virginia, 1946, Table I.

[19] Ibid., Table I, p. 15.

Of the five Peninsula localities, the three counties each assessed property at less than 30 percent of its true value, not only in 1944, but also in 1946; in the two cities the property of Hampton was assessed for less than 40 percent of true value for the two years and in Newport News real estate was assessed for less than 60 percent for both periods. Newport News is the only locality in which real estate was assessed for as much as one-half (1/2) of its sales or true value. The ratio for Newport News is about two and one-half ($2\frac{1}{2}$) times that for the counties and more than one and one-half ($1\frac{1}{2}$) times that of Hampton City.

Virginia counties and cities are supposed, under Virginia Constitution and Statutes, to assess property at its full value. C. H. Morrissett, State Tax Commissioner, says:

> It is hoped that the time will come in Virginia when all counties and cities will assess real estate at full value as required by the Constitution and statutes. (Virginia Constitution, Section 169; Tax Code of Virginia, Section 244.)[20]

The degree of underassessment is evident from the data presented; hence, the additional potential tax base which the Lower Peninsula communities could count on for improved school facilities. It is clear that the additional funds which would result in further increase for schools could be secured without increasing tax rates.

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[20]Letter to author from C. H. Morrissett, State Tax Commissioner, Department of Taxation, Richmond, Virginia, Dated June 4, 1947.

It is possible, however, that large increases in revenue may not develop, since there is a chance that tax rates might be greatly lowered.

TABLE III

Real Estate Assessment Ratios for the First Six Months of the Years 1944 and 1946 in the Lower Peninsula Region of Virginia Arranged to Show Variations According to Unit Sales Values*

Year & County	Average Assessment Ratios (Percent) Unit Sales Value of Properties Sold: Under $1,000	$1,000 to $9,999	$10,000 to $49,999	$50,000 and Over	Grand Average (Weighted)
1944					
Elizabeth City Co.	29.7	29.7	27.2	-0-	29.31
Warwick Co.	30.4	26.1	24.0	23.7	25.52
York Co.	21.7	15.6	15.1	-0-	16.36
Hampton	42.5	41.8	35.2	-0-	38.22
Newport News	83.9	52.8	65.5	66.6	58.39
1946					
Elizabeth City Co.	24.7	25.2	21.8	-0-	23.91
Warwick Co.	29.4	21.5	18.4	21.7	21.46
York Co.	16.4	16.3	17.6	-0-	16.76
Hampton	39.4	33.3	34.0	23.9	32.27
Newport News	91.4	51.7	59.0	53.1	53.75

*Ratios under each unit sales value bracket shown above are derived from analysis of 3,421 sales of property sold in the Lower Peninsula region of Virginia. Grand averages are the result of a projection of the individual county and city ratios against the total assessed values of real estate in the Lower Peninsula region.

Table III shows that Warwick County, Hampton and Newport News cities have a tendency to place a higher assessment upon property having lesser value, and a reduced or lower assessment upon property which has higher value. Disparities are shown in the brackets of real estate which

TABLE IV

Distribution of the Assessment Ratios for the Lower Peninsula Region of Virginia for the Years 1944 and 1946 to Show the Variations by Assessment Brackets*

	Assessment Ratios							
	Weighted Average (Percent)	Median Ratio (Percent)	Less than 20%	20% thru' 39%	40% thru' 59%	60% thru' 79%	80% thru' 99%	100% and Over
1944								
Elizabeth City Co.	29.31	28.0	9.2	80.0	9.1	1.0	.1	.2
Warwick Co.	25.52	26.89	26.5	68.8	3.3	1.2	.007	.07
York Co.	16.38	15.62	75.0	20.4	4.2	-0-	.4	-0-
Hampton	38.22	35.0	.5	67.3	22.0	6.5	2.8	1.1
Newport News	58.39	54.25	.8	14.0	37.9	38.7	5.6	3.2
Total (Percent)			13.4	50.9	17.9	14.5	2.1	1.2
1946								
Elizabeth City Co.	23.91	23.80	28.9	67.1	3.5	.3	.2	.02
Warwick Co.	21.46	22.00	27.8	70.9	.7	.5	.07	.04
York Co.	16.76	15.0	67.5	30.7	1.8	-0-	-0-	-0-
Hampton	32.27	30.47	7.4	66.2	18.4	7.9	.1	-0-
Newport News	53.75	50.47	.7	15.6	60.2	16.3	4.0	3.2
Total (Percent)			21.0	52.6	19.1	5.2	1.2	.9

*Based upon analysis of 3,421 sales of real estate in the Lower Peninsula region for first six months of the years 1944 and 1946. Weighted averages arrived at through projecting the respective city and county ratios against total assessed value of property in each of the five localities studied.

sells for less than $1,000 and that which sells for $50,000 and over.[21] In 1944 Newport News assessed property under $1,000 in value at 83.9 percent; for property values at $50,000 and over, only 66.6 percent, thereby giving the wealthier property owners an economic advantage. In 1946 this condition further deteriorated, in that this same city assessed property under $1,000 value at 91.4 percent, while assessing property at $50,000 and over at only 53.1 percent. In 1946 Hampton assessed property under $1,000 at 39.4 percent and property values at $50,000 and over at 23.9 percent. During both years Warwick County assessed property to the advantage of the $50,000 and over classification by slightly more than six percent. Equalization of assessments would bring added revenue without any change in rates and from sources best able to pay it.

A lack of uniformity in assessing real estate is evident from the analysis portrayed in Table IV, for both counties and cities. Newport News assessed 3.2 percent of its property in 1944 and 1946 at 100 percent and over. York County assessed 75 percent of its property in 1944 at less than 20 percent of its market value.

In 1944 there was an exceedingly small percentage of

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[21] In this study property selling at $50,000 or more was not found among the sales analyzed in the two counties of Elizabeth City and York during the two yearly periods considered; nor for the City of Hampton in 1944.

property in Hampton assessed at less than 20 percent. Within the next two years this same property increased to the extent of 2,366 percent. Elizabeth City County showed an increase in this bracket of more than 500 percent above the 1944 level. Warwick County also shows an increase in the percentage of assessable property in this bracket from 1944 to 1946, but this increase is less pronounced, since it is only 1.3 percent. In the 40 through 59 percent and 60 through 79 percent assessment brackets, it can be seen that Newport News assessments have fluctuated extensively. For example: in the 40 through 59 percent bracket, Newport News assessments climbed from 37.9 in 1944 to 60.2 percent in 1946, while the 60 through 79 percent bracket reveals a percentage of 38.7 in 1944 which had dropped to 16.3 in 1946. From 1944 to 1946, Newport News also showed a slight tendency to increase the ratio of property assessed in the 20 through 39 percent bracket. Newport News City authorities are evidently attempting to keep somewhere in the vicinity of the 40 percent assessment ratios used by the State Corporation Commission in assessing Virginia public utilities. Taken as a whole, the most notable thing about the overall total percentages is the fact that slightly more than one-half (1/2) of all assessable property in these localities is assessed at less than the State Corporation Commission's 40 percent assessment ratio for property of Virginia public utilities.

Areas of greatest concentration of property assessments in

TABLE V

Analysis of Property Assessments in the Lower Peninsula Region of Virginia for the Years 1944 and 1946, Showing Areas of Greatest Concentration and Extreme Variations*

Year & County	Assessment Ratios		Greatest Concentration		Percent of Property Assessed outside Bracket of Greatest Concentration	Percent of Properties Assessed		
	Weighted Average (%)	Median (%)	Bracket in which Located	Percent of Property in Bracket		Less than 20%	60% and over	100% & over
1944								
Elizabeth City Co.	29.51	28.0	20-29	52.1	47.9	9.2	1.3	.2
Warwick Co.	25.52	26.89	20-29	56.9	43.1	26.5	1.3	.07
York Co.	16.38	15.62	10-19	61.4	38.6	75.0	.4	-0-
Hampton	38.22	35.0	30-39	28.77	71.23	.3	10.4	1.1
Newport News	58.39	54.25	40-49	18.8	81.2	.8	47.3	3.2
1946								
Elizabeth City Co.	23.91	23.80	20-29	51.7	48.3	28.9	.5	.02
Warwick County	21.47	22.00	20-29	67.3	32.7	27.8	.6	.04
York County	16.76	15.00	10-19	54.0	46.0	67.5	-0-	-0-
Hampton	32.27	30.47	20-29	51.0	49.0	7.4	8.0	-0-
Newport News	53.75	50.47	40-49	39.5	60.5	.7	23.5	3.2

*Based upon a study of 3,421 sales of real estate in the Lower Peninsula region of Virginia for the first six months of the years 1944 and 1946. Weighted averages arrived at through projecting the respective city and county ratios against total assessed value of property in each of the five localities studied.

the Lower Peninsula region are pictured in Table V. It will be noted that the three counties, for both years of the study, have over 50 percent of their property concentrated in brackets wherein assessments do not fall below 10 percent nor exceed 29 percent of sales values. Conditions in the two cities in 1944 and 1946 are at variance with those in the counties. In Hampton and Newport News, the major part of the property is located in brackets in which assessments do not fall below 20 percent nor exceed 49 percent of sales values. Outside of these brackets of greatest concentration real estate was assessed not only less than 20 percent, but also as high as 100 percent or more above its true value. The extreme variations in assessing property throughout each of the Lower Peninsula communities are evident.

CHAPTER IV

CONCLUSIONS

School Boards are responsible for securing adequate financial support from local legislative bodies. Of vital concern is how their plans for the present and future are supported, impeded or modified by local financial considerations. Local school funds are affected by local property assessment practices in the Lower Peninsula region. A study of these practices has resulted in the following conclusions:

Conclusion No. 1. Additional income from present tax sources is a necessity.

Since the beginning of World War II, there has been a significant increase in birth rates for both races in the Lower Peninsula region. Many of the large influx of people who moved to this section have remained. Consequently, school populations throughout this area have increased.

This increase means a continued demand for more new schools or additions to existing faculties and facilities. Plant expansion, needed equipment, increasing transportation problems, need for more instructors and maintenance of salary schedules are financial problems that must be met. All of the above factors are affected further by rising costs. Therefore, despite increased state school funds, expanding school programs cannot be maintained without more income from present tax sources.

<u>Conclusion No. 2. Educators should suggest application of modern tax assessment methods for improving the effectiveness and fairness of property taxation.</u>

Assessment of real estate cannot be equitable unless it is uniformly applied. Property assessments in the Lower Peninsula region are not uniform. (See Table IV, Chapter III). It is the responsibility of educators to show local legislators that improved methods not only would be more effective in property assessments, but would result, also, in increased funds for schools and for other purposes.

School officials could recommend to Lower Peninsula authorities that they call upon the State Department of Taxation for assistance. This Department has a staff of trained appraisers who will come into a community and make professional appraisals; also, they will train local people in the art of scientifically appraising real estate.

<u>Conclusion No. 3. There should be a permanent board of assessors.</u>

Under existing law, property assessments are mandatory every eight years. In such a long period, real estate values could either rise or fall to a considerable degree. Communities can lose revenues under this system, since real estate values may increase greatly during these eight year periods.

Sometimes there is confusion in assessment policies. An example of the confusion that can exist in assessment policies is evidenced by the recent attempt by the City of Newport News and the Newport News Shipbuilding and Drydock Company to reach "a so-called compromise" on assessment of land within the confines of the Shipyard.[22] Use of trained assessors would reduce the number of such occurrences.

Today, interim assessments are made by Commissioners of Revenue. It is probable their estimations of property value would be less consistent and uniform than the estimates of part-time boards of assessors who assess a large body of real estate in a short period of time. "A permanent body of assessors could devote more time and attention to assessment of new properties."[23] This means the opportunities for Lower Peninsula communities to secure more equitable assessments would be advanced by the establishment of a permanent board of assessors. Thus, "a permanent board of assessors of real property for tax purposes is, in the long view, a decided step forward."[24]

<u>Conclusion No. 4. Real estate should be assessed at full value as provided in the Virginia statutes and Constitution. (Tax Code of Virginia, Section 244; Constitution, Section 169).</u>

Widespread underassessment of property in the Lower

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[22]News item in Newport News (Virginia) Times-Herald, June 20, 1947.
[23]Ibid., Dec. 11, 1947.
[24]Ibid., p. 6.

Peninsula area causes a potential loss of revenue. Assessment at full value is a method of opening the way to collecting larger property tax revenues with less opposition on the part of property owners, when the needs of the community for schools and other purposes require such additional revenues. Assessing at full value not only permits greater flexibility in setting tax rates, but, also, results in simplification of tax accounting. The burden upon all taxpayers is more evenly distributed under a 100 percent assessment program, for equalization means uniformity in assessment practices and reduction in the extreme variations which now exist.

The presentations which follow picture the additional revenues which could be obtained from a 100 percent assessment program, if tax rates were not changed. The development of ratios of local school expenditures to total revenues from local property taxes is a necessary step for arriving at the additional amount of funds available to schools, provided all the gain in revenue from moving to the full value basis were used for schools rather than for other municipal services. The tabulation on page 29 shows how these ratios were derived.

The results of the application of these ratios to the revenues available for schools under full value assessment are presented in the tabulation on page 30, Table VII. The total of locally collected funds

TABLE VI

Development of Ratios of School Expenditures to Property Tax Revenues in the Lower Peninsula Region of Virginia

Year & County	Total Revenues from Real Estate Taxes* (Thousands of dollars)	Total School Expenditures**	Ratio of Total School Expenditures** to Total Revenue from Property Taxes
	(000s)	(000s)	(Percent)
1944			
Elizabeth City County	319	295	92
Warwick Co.	235	175	73
York Co.	71	43	60
Total	625	511	82
Hampton	178	42	23
Newport News	1,645	602	36
Total	1,823	644	34

*Includes taxable personal property and state assessed public utility real estate.
**Exclusive of state school supplements.

which would have been available to school boards and superintendents of schools in the Lower Peninsula region is shown. It is assumed that existing tax rates are continued in effect and that schools have allocated to them the same proportion of property tax revenues under full value assessment as under actual 1944 conditions.

If these increases in school funds should result from full value assessments, it would then be necessary for superintendents to

TABLE VII

Results of the Application of Ratios from Table VI to Revenues Available under a Full Value Program in the Lower Peninsula Region of Virginia

Year & County	Total Revenue from Full Value Assessment Program*	Amount Increase in School Funds**	Total Locally Collected Property Tax Revenues Available for Lower Peninsula Schools
	(Thousands of dollars)		
	(000s)	(000s)	(000s)
1944			
Elizabeth City Co.	1,017	641	936
Warwick Co.	692	332	505
York Co.	263	127	170
Total	1,972	1,100	1,611
Hampton	332	34	76
Newport News	2,525	307	909
Total	2,857	341	985

*Total revenues were determined by dividing assessment ratios into revenues received from locally assessed real estate; actual public utility real estate taxes were then added thereto.
**Exclusive of state school supplements.

see how these additions would be distributed over the various types of educational expenditure categories.

In this state and in the United States as a whole, the major item of school expenditures is the cost of instruction. The percentage of school expenditures for instruction in 1944 in the

TABLE VIII

Amounts of Money Available for Instruction
in the Lower Peninsula Region of Virginia
under a Full Value Program

Year and County	Percentage of Current School Expenses Expended for Instruction	Amount of Funds Available for Instruction* (Thousands of dollars)
	(Percent)	(000s)
1944		
Elizabeth City Co.	70	655
Warwick Co.	70	354
York Co.	69	117
Total	--	1,126
Hampton	72	55
Newport News	82	745
Total	--	800

*Determined by applying percentages of current school expenses in 1944 to total of funds available under a full value assessment program. (See column 3 of preceding tabulation).

Lower Peninsula schools is presented in the above table.[25] The increased amount of money for instruction which would have accrued from the total of funds available under a full value assessment program is also shown in that tabulation.

Assuming that existing tax rates continued in effect, it is clear that additional revenues for schools would result

[25] Percentages were secured from offices of school superintendents in each locality concerned.

from a 100 percent assessment program. Even if, as seems probable, the establishment of such a program were accompanied by reduction in the tax rate, it would still contribute to the improvement of school financial conditions. It is unlikely that rates would be lowered to such a degree as to wipe out all of the gain from moving to the 100 percent assessment basis. In the event that rates were greatly reduced, a full value program would still be a means of lessening inequalities and lessening hostility to property taxes because of lower tax rates. Taxpayers and government officials would better understand actual tax burdens and possibilities of collecting more tax revenues from real estate.

Conclusion No. 5. Necessary changes in assessment practices require a well-planned and efficient public relations program.

Virginia school boards are fiscally dependent upon local governmental bodies who in turn are responsible to the people. A. B. Moehlman says:

> the duties of the board of education may be conceived as responsibility ... for ... keeping the people intelligently informed of the purpose, value, conditions, and needs of public education within the community.[26]

[26]A. B. Moehlman, School Administration, New York, 1940, Houghton-Mifflin Co., p. 452.

Educators must not forget that:

> The American public school is an extension of the home, through specific delegation of power by a public act of the citizens to the individual state, and represents a partnership between the parent and the State, necessitating the active interest and intelligent participation of parents in the education program.[27]

Popular support for proposed tax changes in the Lower Peninsula area can be secured by demonstrating the need for more school funds. The public should be informed that the schools put the welfare of children first; that everything done by the administrator, supervisor and teacher is to be of service to children. The public should be told of the schools' constant effort to expand and enrich its curriculum, how they are always on the watch for well qualified teachers, how they follow up students who have left the schools, how teachers and administrators are engaged in in-service training, how school facilities are constantly being used by the general public for recreation and how adults continually use the schools for extension classes. By making it clear to the public that the schools are open day and night for the whole community, the School Board will have shown their great value as a social force and as a social investment for future generations.

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[27] Ibid., p. 131.

<u>Conclusion No. 6. Superintendents should constantly keep the needs of schools before local legislative bodies.</u>

Since local schools receive the major share of the tax dollar, it is essential that superintendents show why it is necessary to modernize present tax assessment methods. (See Conclusion No. 2). Also, local legislators must be convinced the public would benefit from a further increase in money for school systems.

Ways and means by which local superintendents could focus attention upon local school requirements are: (1) The preparation and presentation of actual school needs, not only for the coming fiscal year, but, also, for future years. These items should be emphasized: increased enrollments, changes in curricula, new text-books, demands of the public for extension classes, new equipment and repairing of the old, plant expansion, insurance, transportation problems, auxiliary agencies and coordinate activities. (2) Attention should be directed to the higher costs due to the operation of a dual school system. Whereas the total population of Newport News is made up of approximately 30 to 35 percent Negroes, Negro pupils constitute 50 percent of the total school population. Similar conditions prevail throughout the remainder of the Lower Peninsula area. (3) Significant comparisons of the educational situation in the community may be made not only with other communities in the Lower Peninsula area, but, also, with communities of like size in other states. This could be accomplished by giving statistics upon percentage of students graduating, and percentage of those who go on to higher education, or become drop-outs; also, information should be supplied upon pupils' average daily attendance, number of students taught per day per teacher, and quality of teaching personnel and administrative force. (4) Loss to the community resulting from number of young people who leave because of lack of educational opportunity may be pointed out. (5) Educational surveys which would reveal the high correlation between excellent educational facilities and per capita wealth in various communities could be utilized, and applications made to the local schools. (6) Local legislators should be acquainted with the fact that between civic organizations and the School Boards there is unity of interest and effort, and that this interest and effort is continual. Local Parent-Teacher Associations are a fine example of citizens and taxpayers who are concerned with progress made in all local phases of educational endeavor.

The factors causing Lower Peninsula school populations to increase have been made evident. The needs for additional buildings, equipment, teachers, textbooks, and the like, have been pointed out. That these needs would result in requests for increased funds for schools is made clear.

In the Lower Peninsula area, property taxes are still the chief source of school revenues. Desired increases in the amount of money allocated to local educational needs must of necessity come from local property taxes. Local assessing cannot be fair, equitable or uniform unless it treats local people of different economic status in like manner. Furthermore, the mechanics involved in securing equalization of assessments cannot be properly administered by part-time bodies of assessors; the necessity for permanent assessors has been made evident.

Widespread underassessment of real estate in this region has been proven. (See Table IV, Chapter III). Assessing at full value is a method by which the potential revenues now needed could be secured, for 100 percent assessments mean uniformity in assessing and a reduction in the variations now existing. Therefore, the relationship between assessed and market or true values of property in the Lower Peninsula area has bearing upon local school financial problems. Hence, development of a more equitable, efficient system of property tax assessments would tend to create a more favorable fiscal environment for school administrators and increase their opportunity to carry on an effective educational program.

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