

Legislation exists empowering cities to issue debentures enabling them to raise funds to pay school taxes in such cases, but from the fact that the schools do not need the moneys, this course should not be taken till all other courses have failed.

It is an understood fact that taxes levied on behalf of schools are held in trust by the city, and that they can be diverted in no case.

Truly, therefore, an interesting and complicated situation exists, which is applicable to several western communities, although not to the degree displayed in the question.

There would seem to be two courses open which are practicable.

The first is for the school boards to set forth the situation as it exists, in the form of a resolution to the City Council, giving a quit claim to the subdivision taxes in question. After this has been done, an agreement between the school boards and the council could be drawn up and presented to the Legislature for ratification by a special bill.

The second is for the council during the subsequent year, to reduce the amount of the demand of the schools by \$250,000, but to include in its own tax levy a sum of \$250,000 for the purpose of paying the school taxes on its subdivisional tax sale holdings. By this means, assuming the city to be able to finance the costs of application for title, the relationship of the city with the schools will be brought back to normal—with the acquisition of the land to the city it can either be sold or put back to where it always should have been, viz., acreage, in which case it will be able to pay reasonable school taxes, or as city property it will be exempt from taxation.

Of the two solutions, the latter is preferable, as it creates no legislative precedent.

The issue of debentures to finance bad debts—which is a correct definition of subdivisions in wildeatted districts—should never have been allowed. Cities should make reason-