POPULAR GOVERNMENT

Published by the Institute of Government
The University of North Carolina at Chapel Hill

NOVEMBER, 1968

This month . . .

Civil Defense at the Local Level
Report of the Library Study Commission
Revenues from Beer and Wine Taxation
North Carolina's Water Resources Policy

POPULAR GOVERNMENT

Published by the Institute of Government

Contents

Volume 35 November 1968 Number 3

POPULAR GOVERNMENT is published monthly except January, July, and August by the Institute of Government, the University of North Carolina, Chapel Hill. Change of address, editorial, business, and advertising address: Box 990, Chapel Hill, N. C. 27514. Subscription: per year, $3.00; single copy, 35 cents. Advertising rates furnished on request. Second-class postage paid at Chapel Hill, N. C. The material printed herein may be quoted provided that proper credit is given to POPULAR GOVERNMENT.

On December 1, 1968, the district court system will have come to 83 North Carolina counties, and on November 14-16 an orientation seminar for the new district court judges was held at the Institute. The cover shows the discussion leaders for the seminar: Chief District Court Judge Derb Carter of Fayetteville; Bert Montague of Raleigh, Director of the Administrative Office of the Courts; Resident Superior Court Judges Rudolph I. Mintz of Wilmington and Maurice Braswell of Fayetteville; and C. E. Hinsdale, Assistant Director of the Institute of Government.

THE NEED FOR LOCAL PLANNING IN CIVIL DEFENSE

by Harvey D. Miller

[*Editor's note: The author is in charge of the Institute of Government's Training Program in the area of law enforcement. This article is adapted from his address to the North Carolina Civil Defense Association, October 7, at Southern Pines.*]

I come to you as a policeman by vocation . . . and a teacher by avocation. My field of specialty is law enforcement and the administration of general justice. I speak as a layman in matters of disaster control. However, as a former police officer, I speak with some firsthand knowledge of the problems resulting from the disasters of flood, fire, windstorm, civil disturbances, and the sometimes catastrophic consequences of these calamities.

The word "disaster" connotes unforeseen events bringing with them large-scale death and destruction. Thus, those of us concerned with the maintenance of some degree of social stability, cultural control, and, most important, human survival find that any situation of life and nature contains the seed of potential disaster. Indeed, the simplest act ill-timed, uncontrolled, and unheeded—if carried to conclusion—often affords the triggering mechanism for chaos. It is in times of disaster that reasoning fails and the best-laid plans for control go awry.

Through conditioning of the mental processes, most laymen think of civil defense as a protective response to the big blast—a means for the survival of something, though no one states specifically what, following a nuclear exchange between our nation and a foreign power. Certainly, the efforts of the United States toward reducing the number of nations holding or building nuclear weapons through advocacy of nuclear-arms nonproliferation treaties offer some hope that the world may live for yet a while longer, even under terms that some of us may disagree with or be suspicious of.

It seems quite likely that if someone in a moment of madness pushes a button somewhere and starts the cycle of actions and reactions leading to a general nuclear exchange among the world's major powers, the extent of the chaos created by the blasts, coupled with the residual effects of nuclear explosions, will make the problems of control a moot point. Given the conditions engendered in a nuclear attack on a large-scale, the necessity for *sheer personal survival* on an individual and family basis may change the fundamental relationships of man to man and man to neighbor and government to such an extent that the concepts of survival that CD originally introduced into our society have little or no value.

But the nuclear exchange, although furnishing the rallying point for CD efforts in the United States, has lost some of its saliency as the prime mover for long-range planning and control of CD-related endeavors.

The gamut of social, environmental, and physical possibilities of large or small calamities that may and often do affect our people offers a grim and forbidding list of man's and nature's failings. Aircraft (some military and some nuclear-armed), all containing a few pounds to a few tons of highly inflammable fuel, fly over our heads daily. The air buses of the future, carrying a passenger load of over 700 (a figure considerably greater than the population of many small towns of our nation) compound the possibility for large-scale disaster. The accidental crash of a nuclear-laden plane, though no blast results, can radioactively contaminate large areas and spread panic among the population. The non-nuclear crash can cause a holocaust that can destroy blocks of city property, or acres of forest and fields, and wipe out large segments of population. The use of atomic energy to fuel electrical power-producing plants—and the anticipated use of nuclear power to provide movement to conventionally powered machinery of today—introduces a new dimension of hazard, despite the built-in fail-safes that may be an integral part of the industrial and commercial use of nuclear power. The chance accident, the inadvertent happening, is bound to occur. And some

one, some agency, will be expected to pick up the pieces and return life to normal following such an accident. Storms of one kind or another can and have caused widespread disruption of the normal processes of life. It is also quite obvious that civil disturbance, regardless of the causes, can turn brother against brother in a jarring rip of the social fabric of our communities, our state, and our nation.

The recitation of what *might* happen is as dismal as a reading of "The Descent Into Hell," except that in the case of disaster the death and suffering are not academic exercises. They are real, for the book of life cannot be closed when the reader tires of its pages. The very fact that life must go on—the sick and the injured to be cared for, the dead to be prayed over and buried, damage cleared, construction started, and hope for the survival of man born anew—offers, as I see it, the real reason for CD on any large scale in our nation.

Given a disaster, particularly of the type that strikes without warning, what actually happens to The Plan that has become the shibboleth of our governments to ward off the evils that may beset them? From observation, it seems to me that two major courses of action invariably take place. Now, planning beforehand is an obvious necessity in disaster control. (I offer my observation here as a stage for future comments, so those of you who believe that The Plan is all that one needs for disaster control can be forewarned that more is coming on this.) Well, what does happen to the plan during and immediately following the occurrence of a disaster in a community? First, the plan is ignored or forgotten completely in the haste of the involved government(s) to deal directly with the task at hand, or second, some minor legal functionary is assigned the task of reading and interpreting the plan in an attempt to adduce legal support for an action already taken.

These courses of action are not unusual or untoward in the operation of government. Most governmental units are functionally geared to day-to-day operations and have very little capacity to react to crisis except by smothering it through containment or referral to committees for recommendation. Often, if a crisis becomes a catastrophe, the occurring event or its aftermath goes beyond the capabilities of a single governmental unit to contain and still carry on the "bare bones" requirements of social control in the less affected areas of its jurisdictions. It must then turn to some other agency for assistance. At times the issue of "who controls" arises.

The North Carolina General Statutes are not specific in answering who controls in disaster situations and the aftermath, particularly on the local level. It seems doubtful, considering the nature and complexity of local government, that any enactment of law at the state level could afford satisfactory formulas for all the calamities that might befall the people of this state or envision all provisions for the perpetuation of an orderly flow of governmental processes within or without a disaster-stricken area.

The governing act creating and enumerating the powers of the State of North Carolina relating to CD is found in Chapter 166 of the General Statutes. Emergency powers are spelled out in Chapter 166, section 6, authorizing the Governor to declare a state of civil defense emergency under specified conditions, including under subsection 1:

> To enforce all laws, rules, and regulations relating to Civil Defense, and to assume direct operational control of any or all Civil Defense forces and helpers in the State.

It seems obvious that all persons assigned to CD operations by the chief executive of a local political subdivision, under the conditions and at the times when the Governor declares a state of emergency exists, are under the command of the disaster-control commander appointed by the Governor. Certainly the provisions for emergency war powers of the Governor (G.S. Ch. 147) are reinforced by the emergency provisions of Chapter 166.

In addition, the Disaster Plan for the State of North Carolina of July 1, 1968, makes perfectly clear the limitations of local control of operations under prescribed and declared emergency conditions.

But the spelling out of state responsibilities in disaster control falls considerably short of affording adequate response to the something less than calamitous occurrences that might arise in peacetime. I speak now not of a hurricane that could affect most of the state, or of multi-county floods, but of those problems that arise during a single-city civil disturbance or a local flood or major fire. Who controls in these situations?

The lessons learned from the civil disturbances of many of our major cities in 1966-67 and 1968 emphasize the need for central control under the command of one who is familiar with the local geography, social structure, and government, and they point up the need for key officials with the power to make and enforce timely decisions for the safety and welfare of their communities unfettered by the cumbersome guidelines promulgated by a central governmental agency and unhampered by the slowness of response to requests for assistance to the central agency funneled through a bureaucratic maze. From Los Angeles, Newark, Detroit, Philadelphia, Washington, D. C., and elsewhere the salient feature of governmental involvement in damping down of civil disturbances has been the lack of unified control of the forces engaged in the effort. The early hours of riot and disaster control are critical. It is during this time that the possibilities for gaining the advantage of control are maximized. With each passing hour the task of containing the forces that threaten disaster

within a community are lessened. Requests for manpower and material resources must be met promptly, and the decisions as to the numbers and deployment of manpower and the kinds and distribution of other resources must be left, initially, in local hands.

Ray Giardin, Commissioner of Police for the City of Detroit during the civil upheaval of 1967, points out the necessity for someone to make appropriate decisions in a timely manner during times of civil disturbance as well as other types of disasters. Speaking to reporters following the riots, he was asked why federal troops were so slow to arrive in Detroit. He is quoted as saying:

> First, the Vice President called me from Minnesota; but I was out on the streets. He left a message that he would call back at ten minutes past ten. The Mayor [Jerome Cavanaugh] got here by then, so I said, "Why don't you take the call?" and he did. While he was speaking the Governor [Romney] arrived. The Mayor asked how he could get federal troops and was told to have the Governor call Ramsey Clark. But, the Governor couldn't make up his mind. Why the TV stations here have him saying even after General Throckmorton and Cyrus Vance had got here, that we didn't need federal troops! That's when Jerry Cavanaugh said, "Listen you guys, I want to be a good host but we've got to have federal troops. [Later Cavanaugh recalled, "We sat around treating each other like gentlemen while the whole goddam city burned."] We needed federal troops. That was our position right along.
>
> They (the Governor) kept telling me they had two or three thousand national guard in the city, but we couldn't find them. They just weren't on the goddam streets.[1]

I offer this quotation not as a criticism of the National Guard. It has performed with great ability in Watts, Baltimore, Washington, D. C., and a host of other places. What I want to emphasize is the importance of obtaining and maintaining control centers and decision-making people and apparatus in civil disturbances and all other disaster situations—and most important, in those instances when disaster strikes without warning, because at these times control and decision-making persons must have the resources, the information, the safety, and the personnel to make timely choices of action free from panic and free from the disruptive influences of jurisdictional and control arguments.

It is in providing these crucial services of command, control, and personnel that the local CD director finds his peace-time role. And, it is here, in the role of coordinator of these services, that the success or failure of the local CD director's activities will ultimately be manifested. This is why I urge you as local CD officials to exert all the power and influence at your command and to engage all the persuasive eloquence at your disposal to make your local units of government aware of the need to supply adequate facilities and to prepare plans for disaster control before the fact rather than being found wanting after a catastrophe occurs.

Perhaps the most valuable things you can take home are (1) a new dedication to the principle that your role in the on-going life of your community is important, and (2) the knowledge that job you do as a local CD director is a vital part of the structure of local government.

I started this presentation with the question "Who controls in disasters?" I should like to conclude it with some general guidelines that may offer a basis for you to find your own answers.

Disaster control, it seems to me, must be geared to two major factors—(1) the scope of the occurrence, and (2) the real or potential hazards engendered by the disaster.

Nuclear attack would be all pervasive. In this eventuality, certainly, all local efforts must be coordinated and controlled at the state level, although allowance must be made for local decisions to answer the needs of rapidly changing situations. However, matters that are purely local at the outset, such as civil disturbances, must be controlled at the local level. The integrity of the local unit of government must be preserved. In local occurrences, officials of the community know the social and geographic characteristics of their areas and in the final analysis must ultimately be responsible for the actions taken. Again, the lessons gathered from the past several years of civil disturbances in our nation's cities point up the need for local control and command regardless of the nature of the forces used to dampen down the outbreaks of violence.

So, in conclusion, base your planning on the state and federal guidelines, but build into your local plan the control and decision-making apparatus to respond to small as well as large needs. Recognize that the local government leaders must live in their communities long after the immediate disaster has ended and must maintain on-going relationships with the public they serve. So make it easier for them to maintain these relationships by allowing as much disaster control at the local level as possible. But, most important, use your office to prepare ahead by providing the planning and building of facilities and the means of coordination to increase the effectiveness of your community's response to tomorrow's disasters. For in the end the only reason for the existence of any governmental agency, and this includes CD, is to ensure the safety and survival of the people we are responsible to and to guarantee the continuity of the democratic institution that we all cherish.

1. Gary Wills, *The Second Civil War* (New York: The New American Library, 1968), p. 45.

The Evolution of North Carolina's Water Resources Policy Since 1950

by Milton S. Heath, Jr.

[*Editor's Note: This article is the first of a two-part series devoted to water resources law and organization in North Carolina. It reviews and comments upon the history of water resources policy in North Carolina during the past two decades. Next month's sequel will examine more closely the effectiveness of our present water-rights law as a tool for planning and policy-making. These articles are adapted from two conference papers that were delivered, respectively, at the Second Annual South Carolina Governor's Conference on Water Resources, Greenville, South Carolina, September 24, 1968, and at the Conference on Land and Water for Tomorrow in the Carolinas and Lower Virginia, sponsored by the League of Women Voters at Charlotte, North Carolina, October 10, 1968.*]

Introduction

The past several years of North Carolina history have witnessed a period of extraordinary emphasis upon water resources. This emphasis has focused especially upon two happenings: the coming of phosphate mining to Beaufort County, with significant consequences for ground water supplies in the surrounding area; and this fall's drought, with significant consequences for local public water supplies in many places.

The great public interest generated by the water resources problems of the phosphate mining area stimulated a strong legislative response in the 1967 General Assembly. This response ranged from enactment of several important new laws relating to the use and management of water resources to a reorganization of state water resources agencies.

The drought of 1968 has exposed a new set of problems, geographically centered in the Piedmont and Sandhills regions—the inadequacy of many local water supply systems, pointing perhaps to underlying organizational and legal as well as engineering weaknesses.

At such a time it is plainly in order to re-examine our laws and public institutions concerning water resources. The recent history of these laws and institutions is an appropriate starting point for this review.

Water Law Developments in the Past Two Decades

The first important modern water law development in North Carolina was the adoption of a strong water pollution control law in 1951 after a lengthy legislative struggle that lasted three full sessions of our General Assembly. Water quality regulation is a full subject in itself, however, and not directly involved in water *use*, the main subject of this article. It is worth pointing out, though, that the enactment of the State Stream Sanitation Act in 1951 was the place of beginning for modern water legislation in North Carolina—and quite properly, since this is where the most serious problems and conflicts affecting water resources have first appeared in North Carolina, as in most of the eastern states.

The next important step in North Carolina was adoption of an irrigation permit law in 1951. This was our first effort in the direction of state control over water use. Supplemental irrigation was just beginning to come into vogue, and some apprehensions developed among non-irrigators about

the possible adverse effects of uncontrolled irrigation. Stemming from these apprehensions, legislation was introduced and passed late in the 1951 session requiring persons irrigating from lakes or streams in amounts that substantially reduce stream flows to obtain a permit from the state. This was in the tradition of the "midnight law," adopted the final day of the legislative session with little prior study. Although a laudable first step toward needed public control over water use, this law had the defects of undue vagueness and ambiguity that often are associated with hastily drawn legislation.

The irrigation permit law was so difficult to administer that in time it essentially stopped being administered. Even this proved no lasting solution, however, because around 1960 the Farmers Home Administration began asking applicants for FHA irrigation loans to obtain a North Carolina state irrigation permit before coming to FHA for loans. This posed something of a dilemma because the Water Resources Department had suspended issuing all permits, having concluded that the law was incurably unenforceable. A way out of this quandry was found by the repealing of the irrigation permit law in 1961 upon the recommendation of the Water Resources Department. Governor Dan Moore, who was then a member of the State Board of Water Resources, argued persuasively to his fellow board members that the law should be repealed so that the state could make a fresh start on water use regulation, unencumbered by an unenforceable law. Thus ended the first, but unsuccessful, modern experiment with water use legislation in North Carolina.

Our next brush with the subject came in 1955, on the heels of the prolonged early '50's drought that affected the entire southeastern region. A proposal was made to the 1955 General Assembly to replace the traditional riparian rights doctrine governing the use of surface waters in North Carolina with the rule of prior appropriation, modeled on principles that govern water use in the arid western states, and similar to bills introduced at about the same time in South Carolina and Mississippi. Although this proposal had fairly strong agricultural and municipal support, the General Assembly was not persuaded that such a drastic change was in order. It turned down the proposal, adopting instead a compromise addressed to the most pressing public concern involved—that is, the problem of emergency public water supply shortages. This compromise established a permanent state study commission to examine at leisure and make recommendations on state water policy. The compromise measure gave this board only one substantive power over water use: the power to authorize diversions of water for public water supply needs in situations of water supply emergency. North Carolina has never found the occasion to apply that emergency power during the thirteen years since its adoption, not even during the severe drought of this year.

One very productive result of the 1955 proposal was the creation of the State Board of Water Commissioners to study thoroughly the subject of water resources policy. It was as a result of studies made or encouraged by this board and its successor, the State Board of Water Resources, that North Carolina finally enacted substantial water use legislation in 1967 which addressed itself directly to certain concrete current problems in a way that was not realized by any of the premature proposals of the 1950's.

During the late 1950's North Carolina "edged up" to the subject of trans-basin diversions of water—and then promptly retreated even further than it had advanced. The occasion for this maneuver was a suggestion by some relatively water-short cities in the northern Piedmont region that they might need legal authorization to divert water from a neighboring basin in order to meet projected water supply needs. This prompted rumbles of opposition from established industrial water users, which quickly convinced the cities to withdraw their suggestion. Not content with this concession, however, the industrial users proceeded in subsequent legislative sessions to shore up their legal position by securing a series of riders to new water laws, riders that stated or restated an asserted common law privilege against diversion.

One consequence of this chain of events was to compel the cities involved to re-examine their sources of water within their own drainage basins. This re-examination proved to be very productive. It resulted in the planning and installation of more intensive local water resource developments that appear to have met the near-term water supply needs of these areas without any new legislation. As often happens, engineering solutions were found to be an adequate alternative (at least temporarily) to legal solutions.

A possible longer-term consequence of this chain of events was that some laws were placed on the statute books, in the form of the legislative riders mentioned above, that may prove to be something of an obstacle if and when the state finds it necessary to reconsider the issue of trans-basin diversions of water.

Summarizing the developments of the 1950's and early 1960's, it is obvious that—except for the Stream Sanitation Law — no substantial change was made in water laws in North Carolina, despite the lavishing of a great deal of attention on the subject. The spark that was to generate an extraordinary output of new water use legislation for North Carolina in the year 1967 was provided by the coming of the phosphate mining industry to our southeastern coastal region, the first installation being that of the Texas Gulf Sulphur Company. This vast mining and industrial complex in Beau-

fort County has been a boon to the economy of a sparsely developed area, but at the same time it has presented a major challenge for water resource management. To put the matter very briefly, the dry-pit form of phosphate mining was ultimately installed by Texas Gulf Sulphur in Beaufort County after some hesitation over alternate mining methods. The continuous pumping of vast quantities of water from the ground in order to keep the pit dry (60 mgd per day or more)[1] created a two-pronged problem: it lowered water tables significantly for miles around in a rich ground water aquifer, and it created a graver threat of possible salt-water intrusion into this aquifer.

Confronted by this problem, and lacking effective legal tools to deal with it, the North Carolina Department of Water Resources secured a resolution from the 1965 General Assembly directing an in-depth study of the need for new water use legislation. The Department made a very thorough analysis of the subject, documented its findings carefully with consultant reports on legal and engineering aspects, held a series of public hearings to develop recommendations and public support, and went to the 1967 General Assembly armed with a complete set of recommendations. The results that followed fully justified all of the planning and study that went into this project. When the 1967 General Assembly adjourned sine die, more significant water legislation had been enacted in that one session than in the preceding fifteen years altogether. I will not attempt to review all of this legislation here, but will only mention two new laws most directly concerned with the problems that arose in the phosphate mining areas.[2]

One was the so-called "capacity use areas" law, modeled after similar legislation that has been on the statute books for some time in New Jersey. This act gives the Department authority to regulate the use of water by large water users in areas where it finds that water shortages exist or are impending. This is essentially a regional water management tool that will enable the state to focus its attention on water problem areas as they develop and to seek solutions for problems such as salt water intrusion and other unwarranted interferences with water uses in the area. The first capacity use area proceeding under this law went into hearings in October, 1968.

The other new law that is especially addressed to problems that were brought sharply into focus by the mining development—though not limited in scope to these problems—is a well-construction standards law. Under this act the Department may adopt rules concerning well location, construction, repair, and abandonment, and may require permits for construction of large wells.

* * * * *

A few simple lessons emerge from North Carolina's experience with water law in the past two decades.

The simplest lesson of all—a common thread that connects all of these experiences—is the old, old one that haste makes waste. Hurriedly drafted, unstudied legislation creates more problems than it solves, as our ill-fated irrigation permit law demonstrates. Or worse yet, the threat of inadequately considered proposals may generate defensive counter-measures that can stand in the way of future progress.

The other side of the coin is that thorough study and careful planning produce rich dividends. One has only to compare our premature effort at comprehensive water use legislation of 1955 with the extraordinary legislative response of 1967 to illustrate this point with utmost clarity.

The phosphate mining experience also drives home another obvious but important point: the value of having competent staff resources in the state water agency covering all potentially important fields. When the North Carolina Water Resources Department was getting under way in 1959 and 1960, one of its first important decisions was to develop and expand staff in an area where the Department was then largely unstaffed—ground water studies. This proved to be a fortuitous step because, as indicated earlier, the Texas Gulf Sulphur phosphate mine ultimately employed a dry-pit mining process that had serious implications for ground water resources. But that was not the way it started. Originally a wet-process mine was planned, and the Department of Water Resources went to considerable pains to prepare itself to deal with the anticipated consequences for surface water quality, on the basis of studies by its Division of Stream Sanitation. Then, in mid-stream, Texas Gulf Sulphur decided to install a dry-pit mine because of potential economies in this process. If the Division of Ground Water of the Water Resources Department had not had a staff competence in ground water geology, it is highly doubtful that the Department could have responded as it did to the challenge posed by the mining development for ground water management.

Another moral to be drawn from this history is a reminder of the ways in which law, economics, and engineering are interrelated wherever problems of water resource development are involved. As in the case of the inter-basin diversion that was briefly suggested by municipal water suppliers in the late 1950's, an engineering solution can often be found as an al-

1. 60 mgd is almost three times the average daily water consumption in the peak month of 1967 for the City of Raleigh.

2. In addition to the laws mentioned here, the 1967 General Assembly created the Department of Water and Air Resources and enacted a dam safety law, significant amendments to the small watershed laws, a registration law for earth-moving equipment in tidelands and marshlands, and several other significant statutes concerning water resources. The entire package of new legislation was reviewed in detail in an article by Milton Heath and Warren J. Wicker in the October, 1967, issue of POPULAR GOVERNMENT.

ternative to a legal solution. Whether one or the other is to be preferred depends upon the time, the circumstances, and the dollars and cents involved, and should be considered in light of a long-range strategy for water resource policy. Ignore any of these elements, or fail to study them with care, and you may be missing something important.

This suggests one further observation: a systematic approach to the study and planning of water use policy is essential for good long-range results. As a first step in this process I suggest the preparation of a graph, with the important groups of water users shown along one axis, and with an evaluation of their legal status shown along the other axis of the graph. In this fashion one can isolate the problem areas that may eventually materialize, but are not yet really ripe for attention, and spot the clusters of weakness in present law or policy that cry out for attention now. (A simplified version of such a graph is shown on page 8. In the next issue of *Popular Government* a more refined version of the graph will be used as the point of departure for an assessment of water use law in North Carolina today.)

State Water Resources Organization in North Carolina

Today in North Carolina there is a combined Department of Water and Air Resources, governed by a single policy board with unified jurisdiction over water quantity and water quality, as well as over air quality. This arrangement has evolved slowly over the past 15 or 20 years, starting from a situation in which water quality was the exclusive concern of the State Board of Health, air quality was not treated as a concern of state government, and water quantity programs were housed in the Department of Conservation and Development. (See the chart appearing on this page.) From this beginning, two parallel lines of evolution have occurred. Water pollution control was gradually moved out of the Health Department into independent status; surface and ground water studies and water use policy were gradually removed from the Department of Conservation and Development; and, thereafter, both the water quantity and water quality functions were gradually merged, first in a single department with two policy boards, and finally under one unified board. This last step, along with the addition of air pollution control authority, was another achievement of the 1967 water legislation program.

The first landmark in this evolution was the creation within the State Board of Health of a semi-

NORTH CAROLINA WATER RESOURCE LAW AND ORGANIZATION, 1950-1967

Organization	Law
Pre-1950	
(1) Department of Conservation and Development surface and ground water studies (2) State Board of Health (SBH), protection domestic supply (3) State Ports Authority (4) Fish and game agencies	(1) Common law: riparian rights for surface streams; "reasonable use" for ground water; "absolute ownership" for diffused surface water. (2) No regulatory legislation
1950-1955	
(1) State Stream Sanitation Commission created (1951) within SBH (2) State Board of Water Commissioners, long-term study commission created in 1955	(1) Stream Sanitation Law—water quality regulation (1951) (2) Irrigation permit law (1951) (3) Prior appropriation proposal, and emergency water supply compromise (1955)
1956-1960	
(1) Minor reshuffle, SBH-State Stream Sanitation Commission (1957) (2) General reorganization, creation of State Department of Water Resources with two policy boards (1959) (3) Small watershed enabling laws (1959)	No new laws (other than anti-diversion riders)
1961-1966	
Creation of North Carolina Seashore Commission (1963)	Repeal of irrigation permit law (1963) Seashore protection laws (1965)
1967	
Another internal reorganization within Water Department, with addition of air pollution function and elimination of dual boards (N.C. Department of Water and Air Resources).	A number of new laws, including: (1) Strengthening water quality control procedures (2) Well-construction standards (3) Dam safety-low. flow control (4) Capacity use areas law
Future Prospects	
A single natural resources or environmental resources or conservation agency (?)	New laws to accommodate more intensive management and planning of water resources on a broader scale (?)

autonomous board, the State Stream Sanitation Committee, to manage the water pollution control program. The next important step in the chronology was the creation in 1955 of a water-policy study group, the State Board of Water Commissioners, with limited authority to control water use in local water supply emergencies. During the late 1950's the water commissioners, led by General James Townsend, an early backer of water law reform, patiently studied water law and water resources organization. In 1959 the old Board was transformed into a new one, the State Board of Water Resources, originally conceived as a single coordinating board for all state water programs to be staffed by a single Water Resources Department. Nominally, a single Department was created by the 1959 Assembly; but instead of fashioning a unitary water board, the 1959 legislation created one Department with two policy heads: the State Board of Water Resources, to carry forward the water-use policy and development functions of the old water board, and the Stream Sanitation Committee, to continue as master of the state's water pollution control program. General Townsend moved over from the old board to head the new Board of Water Resources, while former Senator J. Vivian Whitfield, the father of the Stream Sanitation Law, stayed on as head of the Stream Sanitation Committee. Through the early 1960's the fledgling Department slowly gathered its forces, strengthening and expanding the stream sanitation program, building a ground water staff, and initiating a planning program.

From this long and slow evolution finally emerged in 1967 the first substantial water policy output of a decade of study and appraisal—legislation unifying the direction of the Water Resources Department under a single board and separate acts granting additional powers to the Department, including the capacity use areas law.

The 1967 legislation gave North Carolina a firm statutory basis for a unified program of coordination and control of both water quality and quantity. Soon after enactment of these laws, the retirement of General Townsend from the former Board of Water Resources and the appointment of Senator Whitfield as Chairman of the new Board of Water and Air Resources were announced.

* * * * *

If there is any subject upon which most students of water resources policy would probably agree, it is that there is no ideal permanent organizational form for water resources programs of state government. Under varying circumstances one arrangement or another has worked very well, or fair-to-middling, or poorly. However, if asked to construct a framework for evaluating organizational arrangements, I would probably concentrate on four or five factors:

The Number of Agencies Reporting to the Chief Executive: Does the present arrangement tend to minimize the undesirable factor of proliferating too many independent agencies reporting to the Governor?

Program Effectiveness: Is the present program operating effectively, with good staff morale?

Organizational History and Traditions: Is the present agency deeply rooted in organizational traditions that are long established or have evolved in a series of orderly steps?

The Context of Related State Programs: Does the present organization of all state natural resources activities provide either for unification or for effective coordination of resources programs whose inherent relatedness ought to be recognized?

Long-Range Trends and Needs: Is the present organization adapted to any long-range trends of resource program organization that may be identified as desirable or likely to evolve (such as, a trend toward merger of activities oriented toward environmental concerns, or toward merger of all natural resources programs)?

Without dwelling further on the subject, I believe that the organization we now have in North Carolina scores fairly well on most or all of these counts. If the program does not continue to function effectively, or to operate in concert with other activities with which it should harmonize, however, there are undoubtedly alternative theories of organization for which a plausible case can be made, if necessary.

A FRAMEWORK FOR EVALUATING WATER RIGHTS LAW

	Ground Water	*Surface Water*	*Diffused Surface Water*
Irrigation			
Municipal			
Industrial			
Hydroelectric			
Fish and Game			

Report of the Legislative Commission to Study Library Support in the State of North Carolina

FINDINGS OF THE COMMISSION

It is the finding of the Commission that, as the result of tradition rather than plan, the basic responsibility for financing our public library system is now being borne by local government.

In fiscal year 1966-67 the figures were:

	Share	*Per Capita*	*Money Available*
Counties & Cities	73%	$1.02	$4,691,770
State Aid	10%	.16	666,250
Federal Aid	8%	.11	525,687
Private Donations, etc.	9%	.12	550,588
	100%	$1.41	$6,434,295

We find further that there is no mention of libraries in the Constitution of 1868, and that local government is prohibited from using tax income for library support except in those 16 counties and a limited number of cities where the electorate has authorized a library tax by special referendum. In the other 84 counties any funds appropriated for library use must come from limited "non-tax" sources; yet in 1968, despite other widespread demands for these funds, public library services were provided in all of our 100 counties.

It is our finding also, that there has been a dramatic change in the function of public libraries during the past twenty years as the emphasis has shifted rapidly from recreational to educational use and public libraries have become an integral part of the continuing education process. A basic purpose of libraries is to make available to the individual citizen the vast accumulation of knowledge which man has recorded. In addition our public libraries are now used regularly for supplementary study by students in our public schools during weekends, holidays, and after-school hours; they are a basic part of our new system of community colleges and technical institutes; they are used extensively by college students and in academic extension courses; and each year as modern technology becomes more sophisticated, industry and the business community are relying on them more and more for information and research.

Finally the Commission finds that the average of $1.41 per capita available for library support throughout the state is considerably less than one-half the amount considered necessary to provide good library service.

Thus, because of insufficient funding, the great majority of the 332 public libraries in North Carolina are inadequately housed, staffed, and stocked to meet these ever increasing demands for modern library service.

CONCLUSIONS OF THE COMMISSION

It is the conclusion of this Commission that North Carolinians, considering the limited funds available, are receiving relatively good library service. Pertinent factors are the establishment of regional library systems involving nearly half our counties, with resultant savings in overhead and increases in service; the dedicated efforts of a hard core of highly qualified librarians; and the continued interest and support of library oriented and concerned citizens and civic groups throughout the state. Of equal importance are the outstanding services of the North Carolina State Library in providing central purchasing and processing of books; in coordinating an excellent inter-library loan program; in maintaining a statewide telephone reference service which is the first of its kind in the nation; in supervising the allocation of federal assistance funds; and in providing guidance and assistance on a wide variety of other problems which daily face local and regional librarians.

The Commission concludes further, however, that **despite these efforts the great majority of North Carolinians still are not receiving adequate modern library services of the type already being made available to citizens in other states; and under the present system of financing public libraries North Carolinians can never expect the quality of library services they need and to which they are entitled.**

For it is our further conclusion that local government, to a large degree, has reached the end of its ability or willingness to provide funds for library support under the procedures now in force. Without a drastic change in the traditional library financing methods, most local libraries will be fortunate at best to secure sufficient additional funds in the future to provide for the demands of the expanding population and the increased costs of book purchases and library operation.

We conclude also that since recent changes in population have not coincided with the established geographic boundaries of our cities and counties, many of the larger city libraries now are being called on to provide services for citizens who live in other towns and counties and are not sharing in the costs of these services. It has therefore become imperative to devise a system of statewide library support which is attuned to the demands of modern education and technology, which involves each citizen both in receiving equal library services and in paying a proportionate share of the cost, and which is broad enough in concept and far-reaching enough in scope to insure that at sometime in the not too distant future every North Carolinian will have access to comprehensive modern library facilities.

RECOMMENDATIONS OF THE COMMISSION

It is the recommendation of this Commission that the General Assembly of 1969 affirm the principle that all citizens of North Carolina should have available to them adequate modern public library services and facilities; and that it is the responsibility of the state to share with local government the basic cost of reaching these goals.

It is our further recommendation that the General Assembly clearly define the responsibility of each echelon of government in financing libraries, as has been done previously with regard to the operation of our public schools, highways, courts, health and welfare services, and in many other areas. Because of the dependence of North Carolina county and city governing bodies on the General Assembly for guidance and instruction, it is our belief that no major improvement can be expected in over-all library service without the adoption of such a practical and understandable long-range plan for cooperative library support.

It is the specific recommendation of this Commission that the following division of responsibility be spelled out by the General Assembly:

Local Government

1. Public library operation should remain under the control of local and regional library boards, with continued guidance and assistance from the State Library.

2. The cost of providing library buildings should remain basically a local responsibility, with assistance from the federal government and private sources.

3. As a minimum, local governments must maintain their present level of library support, and be encouraged to increase their support gradually through the use of tax revenue. This would call for a change whereby local governments can levy taxes for library support without first having to receive voter approval.

State Government

4. The State of North Carolina should gradually assume equal responsibility, with local government, for public library support. To insure maximum results this should be accomplished over a period of several years with annual increases in state grants to public libraries amounting to the equivalent of approximately $0.20 per capita, allocated according to a formula adopted by the State Library Board. This would call for increased appropriations for state aid to public libraries of approximately one million dollars each year on the basis of present population figures. Thus it is the specific recommendation of this Commission that the 1969 General Assembly increase appropriations for state aid to public libraries to the equivalent of approximately $0.35 per capita in the first year of the biennium and $0.55 in the second year of the biennium.

5. The General Assembly should provide increases in appropriations to the State Library adequate to insure that the existing pattern of services to local libraries shall be intensified sufficiently to meet the demands brought on by the expansion of local public library services throughout the state, with special consideration to the need for competitive salary schedules for professional employees and a stronger book collection.

Sen. Mary Faye Brumby, Murphy
Sen. Hector MacLean, Lumberton
Rep. Charles Phillips, Greensboro
Rep. Thomas Strickland, Goldsboro
David Stick, Kitty Hawk, Chairman

BEER and WINE TAXATION

by David M. Lawrence

[*Editor's Note: The author is a staff member of the Institute of Government.*]

Intoxicating liquors provide a fertile source of revenue for the support of governments, and one often reaped. They also provide a fertile source of contention within society, and this too is often reaped. Many people would be satisfied only by the complete prohibition of all intoxicating beverages; others would prefer a minimum of government regulation of liquor. Not surprisingly, governments have usually chosen a middle path, devising a variety of methods to regulate the manufacture, transportation and sale of intoxicating liquors. Such regulation is usually linked with the government's over-all efforts to raise revenues. Indeed, a tax on the sale of liquors, in addition to raising revenues, also represents a compromise between the extremes of prohibition and minimal regulation.

North Carolina's policies in liquor regulation and taxation do not deviate from the common path. Presumably because of a conviction that there is a difference in nature between malt beverages and unfortified wines and stronger beverages, two different systems exist for their regulation, with differences in the means of raising revenue from each category: (1) Participation by private persons in the malt beverage and unfortified wines industries is regulated by the requirement that permits and licenses be purchased and retained. Revenue is derived from the fees on these permits and licenses and from a tax on sales. (2) Private industry in spirituous liquors is illegal in North Carolina; manufacture is prohibited and sale is a government monopoly. The monopoly operates at the local level, counties or cities operating stores by local option. The state taxes sales, while net profits from the stores belong to the local units. Fortified wines bridge the two systems. Some fortified wines are sold only through ABC stores; others, known as sweet wines, are also sold, for off-premises consumption, in grocery and drug stores. Excise taxes on fortified wines are levied in the same manner as those on beer and unfortified wines, but the proceeds are treated like proceeds from the taxes on spirituous liquors.

It is the intent of this article and another to follow in a later issue to investigate in detail the methods of raising revenue from liquor, with such discussion of the regulatory schemes as is necessary. This article will deal with malt beverages and all types of wine. The later article will deal with the ABC system and will also examine the costs of administering the two systems in order to determine the net return from liquor to the governmental units of the state.

First, some basic definitions are necessary:

Intoxicating liquors: As defined in the Turlington Act, anything potable containing one-half of 1 per cent or more of alcohol by volume. This is an all-inclusive term that will be used interchangeably in this article with *liquors.*

Malt beverages: Brewed or fermented beverages such as beer and ale containing one-half of 1 per cent to 5 per cent alcohol by weight. *Beer* will be used here as shorthand for all *malt beverages.*

Unfortified wine: Wine containing more than 5 per cent but not more than 14 per cent alcohol by volume. Champagne and some table wines are examples.

Fortified wine: Wine containing more than 14 per cent alcohol by

volume. Many table wines as well as sherry and port are included.

Sweet wine: Wine fortified only by pure brandy, with alcoholic content between 14 and 20 per cent by volume. This includes most of the fortified wines.

Alcoholic beverages: Intoxicating liquors containing in excess of 14 per cent alcohol by volume. Thus only beer and unfortified wines are excluded.

Spirituous liquors: Intoxicating liquors containing more than 24 per cent alcohol by volume, including whiskey, gin, vodka, and rum.

Licensing Prior to Prohibition

Licensing of various elements of the liquor industry has a long history in North Carolina. The Revised Statutes of 1837 list one license tax of $4 on ordinaries (typically, inns) and a second on retailers of spirituous liquors by the small measure. By the time of the Revised Code of 1854, ordinaries were no longer taxed (if indeed they still existed), but "every merchant, apothecary, druggist, or other dealer" of spirituous liquors "at wholesale or retail" had to pay a license tax reckoned at 5 per cent of his capital.

Following the Civil War, the state developed an extensive system of license taxation. Retailers and wholesalers paid flat license fees plus taxes on their purchases. Drummers were taxed until 1887, when the United States Supreme Court drew a constitutional distinction between peddlers and drummers and held a license tax on the latter to be unconstitutional.[1] For a short period immediately after the Civil War manufacturers were taxed, then not again until after 1901. From 1895 social clubs selling or providing drinks to members paid license taxes. Finally, the 1899 legislature imposed a tax on dispensaries, a short-lived experiment in municipal liquor stores.

This entire system was nullified in 1908, when the state forsook patchwork prohibition and submitted the question of statewide prohibition to a referendum. By almost 2-1, the voters caused North Carolina to become dry.

The Present Licensing System

The basic legislation establishing the present schedule of license taxes (see Table 1)[2] is the Revenue Act of 1939.[3] In that year the General Assembly abandoned biennial revenue acts, so that the 1939 act, heavily amended, remains law today. The beer and wine license taxes are found in Schedule F, denominated the Beverage Control Act of 1939 and now codified in Chapter 18 of the General Statutes. Most of the present license requirements and fees for manufacturers, bottlers, wholesalers, salesmen, and retailers are present in this act.

But while the present license tax structure is based on the 1939 act, it did not originate with that legislation. Many of the present license requirements were included in the Beverage Control Act of 1933,[4] passed in the waning days of Prohibition to legalize the manufacture, transportation, and sale of 3.2 per cent beer. North Carolina manufacturers, bottlers, wholesalers, salesmen, and retailers of 3.2 beer were each subjected to annual license taxes, and with one exception,[5] at the same rate as in the 1939 statute. County and municipal license taxes on retailers were authorized, also establishing a precedent for later acts. Finally, the tax licensing sale of 3.2 per cent beer on railroad systems transiting the state was also a feature of the 1933 act.

In 1935 the manufacture and

1. Robbins v. Shelby County Taxing District, 120 U.S. 489 (1887). A drummer was considered to represent one company, often one operating in interstate commerce, while a peddler was locally based and carried the goods of a myriad of manufacturers.

2. One special act modifies these rates. Guilford County is authorized to charge $50 for retail wine licenses and on-premises retail beer licenses, and $25 for off-premises retail beer licenses. N.C. Sess. Laws 1949, Ch. 1140.

3. Public Laws of N.C. 1939, Ch. 158.

4. Public Laws of N.C. 1933, Ch. 319.

5. All retail licenses were $5.00 in 1933. In 1939 on-premise retail licenses increased to $25.00. In addition, salesmen's licenses originally cost $25.00, but seventeen days later this was reduced to the present fee of $12.50. Public Laws of N.C. 1933, Ch. 558.

Important Liquor Legislation Since 1908

1908 *Statewide prohibition* adopted by vote of the people.

1923 *Turlington Act.* Conformed state law to federal prohibition. The Turlington Act is the basic liquor-control law in North Carolina and it is still applicable in all parts of the state that have not, by local option, adopted any of the later modifications in liquor law.

1933 *Beverage Control Act.* Permitted manufacture, transportation and sale of 3.2 per cent beer, establishing the basic structure of the present license and excise tax systems.

1937 *Alcoholic Beverage Control Act.* Established local-option system for selling spirituous liquors.
Schedule F, Revenue Act. Added wine licenses and excise taxes to the beer license and excise taxes existing since 1933; full-strength beer and wine both legal.

1939 *Beverage Control Act.* Established most of the present licensing system for beer and wine, and is the legislation presently codified in Chapter 18.

1941 *Fortified Wine Control Act.* Removed fortified wines from the 1939 Act and allowed their sale, except for sweet wines, only in ABC stores. Sweet wines were allowed to be sold in grocery and drug stores, for off-premise consumption.

sale of 5 per cent beer was legalized, as was the manufacture of light wines from domestically grown grapes, fruits, and berries and their sale as food products, but no licensing system for the manufacture or sale of wines was established.

In 1937 the license taxes first were included in the Revenue Act. All beer license requirements were carried forward without substantial change from the 1933 legislation. In addition, wine wholesalers and retailers were now subjected to license taxation, but manufacturers remained exempt.

Thus, the 1939 act was merely part of a continuum, accepting the basic licensing structure which came before. There were, however, two major changes. First, license requirements were imposed upon the entire wine industry, to the same extent as on the beer industry. Second, nonresidents who desired "to engage in the business of making sales of [beer and wine] to wholesale dealers licensed" by North Carolina were required to obtain licenses. This covers manufacturers, bottlers, wholesalers, and importers. Two exigencies account for the changes: (1) to insure that all beer and wine sold in the state was regulated; (2) to insure payment of the excise taxes on beer and wine (see below for a discussion of the changes in the administration of these taxes that created this exigency.)

Even though originally imposed during the Depression thirty-five years ago, before the dollar was scarred by inflation, the 1939 rates of license taxation (except two) continue today. The two exceptions were effected in 1943,[6] when county and municipal off-premises beer license fees were *reduced* to their present level, from $25 and $10 respectively.

The major additions in scope since 1939 occurred in 1957 and 1967. In 1957, importers were added to the schedule;[7] until then North Carolina firms could not engage in direct importation from overseas. In 1967 the General Assembly legalized the manufacture and bottling of fortified wine in North Carolina.[8] With this legalization came regulation and attendant license taxation. The method was to impose on manufacturers and bottlers of fortified wines "the same annual license tax imposed upon manufacturers and

Table 1

Beer and Wine License Tax Rates

Manufacturer:	
Resident, of beer	$ 500.00
Nonresident, of beer and/or unfortified wines	150.00
Resident, of unfortified wines; of fortified wines:	
Up to 100 gallons manufactured for sale	5.00
100 to 200 gallons	10.00
200 to 500 gallons	25.00
500 to 1,000 gallons	50.00
1,000 to 2,500 gallons	200.00
2,500 gallons or more manufactured for sale	250.00
Bottler:	
Resident, of beer	250.00
Resident, of unfortified wine	250.00
Resident, of fortified wine	250.00
Resident, of beer and wine	400.00
Nonresident, of beer and/or unfortified wine	150.00
Wholesaler:	
Resident, of beer (for each place of business)	150.00
Resident, of unfortified wine	150.00
Resident, of beer and unfortified wine	250.00
Nonresident, of beer and/or unfortified wine	150.00
Importer: (Resident, beer and/or wine)	150.00
Salesman: (Wholesale, beer or wine)	12.50
Railroads: (Per system operating in the state)	100.00
Retailers:	
Municipal:	
Beer: On-premises	15.00
Off-premises	5.00
Unfortified wine: On-premises	15.00
Off-premises	10.00
[For each additional license, add 10 per cent of cost of first license to cost of previous license; i.e., on-premise beer: first—$15.00, second—$16.50, third—$18.00, etc.]	
County:	
Beer: On-premises	25.00
Off-premises	5.00
Unfortified wine:	25.00
[Additional licenses cost the same as first license.]	
State:	
Beer:	5.00
[Additional licenses assessed on same principle as municipal licenses.]	
Unfortified wine: On-premises	25.00
Off-premises	5.00
[Additional licenses cost the same as first license.]	

Source: N.C. Gen. Stat. §§ 18-67, -68, -69, -70, -71, -74, -76, -79, -80, -83, -83.2.

6. N.C. Sess. Laws 1943, Ch. 400.
7. N.C. Sess. Laws 1957, Ch. 1244.
8. N.C. Sess. Laws 1967, Ch. 614.

bottlers of unfortified wines." Thus manufacturers will pay in accordance with the graduated scale that exists for unfortified wines. For bottlers, however, the amendment is less than clear. The prior law levied a license tax of $400 on a resident bottler of both beer and unfortified wine. Apparently if a bottler of beer or of unfortified wine wishes to bottle fortified wine, he pays a total of $400. But what of the bottler who has already paid $400? If he begins to bottle fortified wine, does he pay the basic $250 license fee, or does he pay $150, the normal cost of a second license? This is not a large problem, but it is one which the legislature ought to solve rather than abdicate its responsibility to the Revenue Department.

The 1967 changes expose two anomalies of the licensing system. First, when fortified wine was excised from the Beverage Control Act in 1941, and generally placed under the ABC system, the license taxes imposed on the fortified wine industry were also removed. Since 1941, then, nonresidents selling fortified wines to North Carolina wholesalers or to the ABC board have not been required to procure licenses, even though sweet wines are sold beside unfortified wines on grocery shelves. The logic of this arrangement might be argued so long as local manufacturing was not allowed; it paralleled the situation in the spirituous liquor industry. But now fortified wine manufacturing and bottling are legal businesses in North Carolina and must pay license taxes. Yet nonresident competitors are under no comparable obligation.

Second, since 1941 sweet wine has been sold in ABC counties "for consumption on the premises in hotels and restaurants . . . and . . . in drug stores and grocery stores for off premises consumption." As the excise tax figures set out in Table 2 demonstrate, where sweet wine is available, it far outsells unfortified wines. Yet the North Carolina sweet wine industry is not covered by the present licensing system. Wholesalers of sweet wine (should they be separate from wholesalers of unfortified wines) pay no state license tax, nor do their salesmen. The retail sale of sweet wines is also free of state-imposed license taxes.

Both anomalies are traceable to the Fortified Wine Control Act of 1941.[9] Under the 1939 law fortified wine was sold in the same manner as unfortified wine. When the change in selling methods was made in 1941, the legislature went through the 1939 act and deleted all references to fortified wines, without sufficient thought to the consequences that would follow. Thus the present disconformities were created by a series of intended housekeeping amendments.

How Many License Taxes?

Manufacturers, bottlers, importers, and salesmen (and railroads) pay only a state license fee for their activities in North Carolina. The wholesaler's license permits statewide activity, but if more than one storage warehouse or place of business is utilized, a separate license tax must be paid for each. The retail licenses, at all levels, cover only the premises named therein; additional premises necessitate additional licenses. Table 1 notes the cost for such additional licenses.

If any person, firm, or corporation engages in more than one trade or business in the industry, he or it must pay all appropriate license fees. Thus, in the most common example, a licensed wholesaler who decides to import directly must procure an importer's license. Similarly, a manufacturer selling directly to retailers must, given the definition of a wholesaler,[10] pay the wholesaler's tax. However, a manufacturer who does his own bottling is not so burdened, since a bottler is defined as one who receives beer or wine from *others* and bottles it.

Under G.S. 160-56, municipalities are authorized, *inter alia,* to "annually lay a tax on all trades, professions and franchises carried on or enjoyed within the city, unless otherwise provided by law." Counties enjoy no such power. Therefore, unless the law specifically states otherwise, cities and towns may exact license taxes from participants in the beer and wine industry, while counties may not. Generally, however, the law does state otherwise. The sections imposing state license taxes on manufacturers, bottlers, salesmen, and railroads plainly exempt the licensees from all other license taxes.

The Beverage Control Act establishes county and municipal as well as state license fees on retailers, and thus pre-empts any local schemes.[11] Counties are prohibited from levying a license tax on wholesalers, while cities are governed by the following language:

> . . . Nor shall any city or town, in which any person, firm, corporation or association taxed hereunder has its principal place of business levy and collect more than one fourth of the State tax levied under this section; nor shall any tax be levied or collected by any county, city or town on account of delivery of [beer or unfortified wine].[12]

The Attorney General's office, on the premise that a "statutory limit on the general power contained in G.S. 160-56 must specifically cover the particular fact situation in order to remove it from the general taxing authority of G.S. 160-56," has on at least three occasions advised that the above language imposes only two limits: (1) that the city in which a wholesaler has his *principal* place of business is

9. Public Laws of N.C. 1941, Ch. 339.

10. "The owner or operator of every distributing warehouse selling, distributing or supplying to retail stores [beer and unfortified wine] shall be deemed a wholesale distributor." N.C. Gen. Stat. § 18-69 (1965).

11. If a municipality in a dry county votes to allow the sale of beer or wine, only the municipal license tax is levied; the county receives nothing. N.C. Gen. Stat. § 18-127; N.C. Attorney General's opinion, September 7, 1955.

12. N.C. Gen. Stat. § 18-69 (1965).

Table 2

Beer and Wine Excise Tax Receipts for Selected Years

	Beer	*Unfortified Wine*	*Fortified Wine*
1940-41	$ 1,411,878	$441,931*	
1947-48	6,479,153	$190,426	$ 149,131
1950-51	4,763,610	117,258	287,189
1955-56	6,567,022	98,059	831,514
1960-61	8,632,072	142,096	989,324
1961-62	9,654,613	138,415	1,044,376
1962-63	9,739,254	154,903	1,123,658
1963-64	11,179,959	211,997	1,400,531
1964-65	12,192,888	196,360	1,355,152
1965-66	12,939,257	222,719	1,358,529
1966-67	16,139,879	299,575	1,482,683

*Figures showing the split between fortified and unfortified wines are not available for 1940-41.
Source: *Statistics of Taxation*, State of North Carolina, for the years indicated. Figures for 1966-67 were provided by the Bureau of Tax Research.

Table 3

Beer and Wine License Tax Receipts—Breakdown

	1947-48	*1955-56*	*1965-66*	*1966-67*
Beer:				
Wholesalers	$28,938	$14,250	$10,853	$ 9,458
Bottlers	250	—	—	—
Salesmen	3,557	4,747	6,498	6,173
Train Dealers	400	400	400	400
Retailers	48,812	35,419	47,420	54,532
Resident Manufacturers	500	500	—	—
Nonresident Manufacturers	8,550	3,750	3,000	3,150
Nonresident Wholesalers	1,200	1,200	900	1,372
	$92,207	$60,266	$69,071	$75,085
Wine:				
Retailers, On-premises	$ 4,010	$ 4,058	$ 8,502	$ 9,590
Retailers, Off-premises	7,335	3,460	6,411	7,166
Nonresident Manufacturers	3,000	1,950	3,000	3,150
Resident Manufacturers	1,100	500	250	250
Wholesalers, Beer and Wine	8,200	4,750	9,500	9,020
Bottlers	—	—	—	—
Resident Wholesalers	1,650	300	450	150
Nonresident Wholesalers	2,250	2,850	4,050	3,450
Salesmen	687	175	709	792
Salesmen, Beer and Wine	—	1,004	2,611	2,823
*Resident Importers, Beer and Wine	—	—	450	600
	$28,232	$19,047	$35,933	$36,991

*This license tax was not imposed until 1957.
Source: *Statistics of Taxation*, State of North Carolina, for the indicated years. Figures for 1966-67 were provided by the Bureau of Tax Research.

limited to levying a tax equal to one-fourth of the state tax, and (2) all other cities are prohibited from taxing wholesalers whose sole activity in the city is delivering.[13] As a result, the city in which a beer wholesaler is headquartered is limited to a license tax of $37.50, while any city in which that wholesaler *solicits orders* and makes deliveries may also levy a license tax, with no statutory limit on the amount.

While this is certainly a permissible reading of the statute, the result seems so incongruous as to compel a search for an alternative reading. One possibility is to read "principal place of business" in the context of a distribution area. A wholesaler will have a warehouse serving a certain geographical area, probably including a number of cities and towns. The city in which the warehouse is located would impose a license tax, but other cities in the distribution area, in which deliveries from the warehouse are made, would not be permitted to do so. The language prohibiting a tax on deliveries probably was a legislative reaction to *Hilton v. Harris* 207 N.C. 465 (1934). That case held that merely by making deliveries within a municipality a bakery could be taxed by that municipality. Although the bakery engaged in some solicitation, the Court emphasized the deliveries, stating that where the bread "is sold and where the money is collected is where the business is done and the trade carried on."[14] By prohibiting a tax on deliveries, the legislature intended to prohibit a tax on operations similar to the bakery's, even if some solicitation was included. If one person or firm has more than one warehouse, each would be considered the principal place of business within one distribution area. This reading of the statute avoids the seeming incongruity of the Attorney General's reading and is

13. N.C. Attorney General's opinions, March 25, 1957; January 15, 1957; October 31, 1950.
14. Hilton v. Harris, 207 N.C. 465, 473 (1934).

parallel with the state plan of licensing wholesalers.

The section placing a state license tax on importers is silent on local licensing; thus, municipal license taxes on importers are permissible.

The absence of state licensing of the sweet wine industry may work to that industry's disadvantage in municipalities. There is no ban on municipal license taxation of wholesalers, salesmen, or retailers of sweet wines; nor is there any state-imposed limit on amount. Thus, municipalities are free to levy license taxes against these concerns,[15] with no limit on amount save reasonableness.

Table 4

Beer and Wine License Tax Receipts for Selected Years

	Beer	*Wine*
1940-41	$56,154	$35,059
1947-48	92,207	28,232
1950-51	61,354	19,617
1955-56	60,266	19,047
1960-61	60,566	28,368
1961-62	61,735	26,452
1962-63	61,955	28,723
1963-64	65,308	34,819
1964-65	65,529	35,137
1965-66	69,071	35,933
1966-67	75,085	36,991

Source: *Statistics of Taxation*, State of North Carolina, for the indicated years. Figures for 1966-67 were provided by the Bureau of Tax Research.

The Permit System

Until 1945 licensing was the responsibility of the Revenue Department alone. In that year, however, the State ABC Board was given regulatory jurisdiction over most of the wine industry:[16] all persons applying for wine licenses were required first to procure a permit from the Board. Only retailers were excepted, and they only until 1947. In 1949 the beer industry, save wholesale salesmen, was put under the permit system, and wholesale salesmen were added the following session.[17] Presently all regulation takes place at the permit level; the Revenue Department must issue a license, upon payment of the proper fees, to anyone presenting a permit from the State ABC Board. The only licensees not required first to secure permits are railroad systems. Since 1963, all manufacturers, bottlers, importers, wholesalers, salesmen, and retailers who deal with beers and wines destined for North Carolina, including those dealing in fortified wines, must secure permits from the board. Thus, the permit system casts a far wider and more comprehensive net than the license system.

Originally permits cost nothing; the license fees produced all the revenue from beer and wine regulation. However, since 1965, nominal fees have been charged permit applicants. The basic fee for all permits is $25.00; if an applicant seeks a permit for both beer and wine at the same location, at the same time, he pays just one application fee. One of the conditions precedent to the granting of the permit is that the manager of the premises have been a resident in North Carolina for at least one year immediately preceding the application. Therefore, if managers are transferred, the new manager must meet the residence requirement, and a new permit is required. The fee for such a permit is $10.00, which can be waived if "within thirty days of the time of filing of the application [the new manager] held a permit as the manager of another establishment of the same person, firm, association, partnership or corporation."

The State ABC Board had two purposes in requesting initiation of the fee. First, it hoped that the fees would cover the cost of investigation incident to issuance of permits. Success on that account has been problematical. Second, the Board hoped to discourage many of the underfinanced concerns that procure permits and then fail before the year is out. Here the fee simply has not been effective. Fees for the calendar year 1967 totaled $52,215,[18] an amount typical of annual fee revenues since 1965. Since the permit fee, unlike the license tax, is charged but once, these revenues indicate that some two thousand new concerns are entering the industry yearly. Yet the license tax figures in Table 3 demonstrate that participation in the industry has increased only slightly since 1965. Clearly many concerns are not making it. If the permit fee is to effect the purposes for which it was instituted, it must be increased, and increased substantially.

The permit and license system is essentially a regulatory device. This becomes clear with a glance at Table 4, where the license revenues for selected years are listed. Note the peak in 1947-48, before the 1947 law allowing local units to prohibit the sale of beer and wine by referendum affected revenues. That peak has not yet been regained. Compared with the revenues from the excise tax (see

15. N.C. Attorney General's opinions, August 9, 1951; July 3, 1953.

16. An observer at the time wrote: "Judged from newspaper comment, the explanation of the emphasis on wine control seems to be two-fold: first, more problems, iniquities and dissatisfactions result from the sale of wine than do from the sale of beer; second, the beer interests maintain one of the most successful lobbies in Raleigh." *Alcoholic Beverages*, POPULAR GOVERNMENT, 13 (July, 1945).

17. As a result of this piecemeal development, the permit requirements are spread throughout Chapter 18 and are not always consistent in their requirements or scope.

18. North Carolina State ABC Board.

Table 5

Beer and Wine Excise Tax Rates

	Basic	1955 Addition
Beer:		
In containers of not more than 6 ounces	1¼¢	½¢
In containers of exactly 7 ounces	1½¢	.6¢
In containers of more than 6 ounces and not more than 12 ounces	2½¢	1¢
In containers of one quart	6 2/3¢	2 2/3¢
In barrels (of about 31 gallons)	$ $7.50	3.00
[In containers of more than 6 ounces, the tax may be paid at a rate of: Basic—.21¢ per ounce; 1955 addition—.09¢ per ounce]		
Fruit Cider: (Not more than 14 per cent alcohol by weight):		
In containers of not more than 6 ounces	⅝¢	
Wine:		
Unfortified, per gallon	60¢	
Fortified, per gallon	70¢	

Source: N.C. GEN. STAT. §§ 18-81, 85.1.

Table 2), license receipts are indeed minor. As Table 3 demonstrates, they come mainly from two sources—retailers and wholesalers. No manufacturers or bottlers of beer presently operate in North Carolina, and but one manufacturer of wine. Like all license fees paid to the state, these go to the General Fund.

No comprehensive data are available for the local license collections. These of course would mainly be from retail licenses, and although the total in the state might be substantial, the amount realized by each municipality or county would be inconsequential.

The Excise Taxes

The primary method of raising revenue from beer and wine is the excise tax on sales. The present rates are shown in Table 5. These taxes are in addition to the usual sales tax on food products imposed by Schedule E of the Revenue Act;[19] that general sales tax is not the concern of this paper. Like the license taxes just discussed, the excise taxes, though dating formally from 1939, actually originated in 1933, with the return of legalized beer. Unlike license taxes, however, excise taxes were not a regular feature of post-Civil War revenue acts.

The 1933 act, of course, taxed only beer, and only barrels (at $3.00) and twelve-ounce bottles (at 1 cent). The tax was imposed on wholesalers and bottlers and was levied through a report system. Wine sales were first taxed in 1937, with rates listed for eight container sizes, from one gallon down to 1/20 of a gallon. As with beer, the wholesalers and bottlers were responsible for payment, but tax stamps took the place of reports. The wine tax included fortified and unfortified varieties. The Revenue Act of 1939 continued these arrangements and also increased the tax on beer (placing the responsibility for payment on manufacturers and bottlers, through the use of crowns and lids); stated the wine tax solely by the gallon, although permitting proration; and added a tax of 5/8 cent on fruit ciders in containers of not more than six ounces. As noted earlier, one reason for extending the license system to nonresidents was the need to achieve a degree of control over the non-North Carolina manufacturers and bottlers who would be paying the excise tax.

As Table 5 indicates, the succeeding years have witnessed substantial changes in the 1939 excise tax schedule. (Note the contrast with the license tax system.) Rates for quarts were added in 1945, for six- and seven-ounce containers in 1955. In 1947 the 1939 tax rates were doubled, and a second set of taxes was added in 1955. The 1939 act taxed fortified as well as unfortified wines, since at that time no distinction had been drawn between the two. The Fortified Wine Control Act of 1941 caused fortified wines to be sold through ABC stores and they were removed from the beer and wine excise system and taxed in the same manner as spirituous liquors. In 1951 the legislature reversed itself, putting a per-gallon tax on fortified wines and issuing tax stamps; this tax was raised to its present level in 1955. The most recent change in the tax system took place in 1967, when crowns, lids, and stamps gave way to a report system, much like the original system of 1933. Today the primary tax-paying responsibility is on wholesalers and importers; the one exception is railroad systems, which must report all sales of beer and wine in North Carolina and pay the proper excise taxes.

There are a number of exemptions from this tax schedule. Since 1945 sacramental wines have not been taxed. More generally, the tax is not levied in three situations: (1) when the beverages are sold to "army, navy, air force and coast guard services of the United States and their organized personnel in this State"; (2) when the beverages are exported from North Carolina for resale elsewhere (of little moment so long as no one manufactures here); and (3) when the beverages are delivered to an officer or agent of a vessel which "pl[ies] the high seas in interstate or foreign commerce in the transport of freight and/or passengers for hire exclusively."

The Commissioner of Revenue is also directed by statute to allow a discount of 2 per cent, for "com-

19. This "double" sales taxation began with the Beverage Control Act of 1933. A contemporary account called the double tax a legislative oversight [H. Brandis, *Legislation: General Assembly, 1933*, POPULAR GOVERNMENT, 74 (No. 3, 1934)], but it has remained in force ever since. Last year the Schedule E sales tax on beer and wine brought in an estimated $3,300,000.

pensation . . . for spoilage and breakage and for expenses incurred in the preparation of monthly reports and the maintenance of books, papers and invoices and bond required by" the taxing statute. In addition, there is no tax on goods actually destroyed, spoiled, or otherwise made unsaleable because of a "major disaster," defined as "the destruction, spoilage and unsaleability of fifty or more cases, or their equivalent, of [malt beverages] or of twenty-five or more cases, or their equivalent of [wines]."

Excise Tax Distribution

Originally excise tax revenues went solely into the state's General Fund. But when the rates were doubled in 1947, the additional revenues from beer and unfortified wines were earmarked for the municipalities and the counties.[20] In 1955 the local share of the beer taxes was reduced to 95 per cent of the 1947 increase (that is, the familiar 47½ per cent of the total collections under 1947 rate), while the additional excise taxes on beer enacted in 1955 were excepted from the distribution to local governments. Also, fortified wine tax revenues are not distributed. Even so, the totals distributed remain substantial. Table 2 lists the amounts of excise tax collections for selected years, while Table 6 details the amounts distributed to counties and municipalities since 1947.

Distribution is the responsibility of the Department of Revenue, and the formula is complicated. The funds go only to those cities and counties that permit the retail sale of beer and wine; if a local unit allows the sale of beer only, or wine only, the distribution is only of funds produced from the beverage sold. A municipality need not actually have beer or wine sold within its borders to participate; it is sufficient that the sale of the beverages be authorized. Distribution follows a population formula, using the most recent decennial federal census. Where all governments in a county are eligible, the money is distributed to that county by first crediting each municipality in accordance with its population, then giving the remaining funds to the county government. Thus, the county is credited only for its unincorporated population.

Although the statute[21] does not clearly authorize this distribution formula, the Revenue Department has used it from the beginning, acting on the advice of the Attorney General.[22] The argument supporting such an interpretation of the statute comes from the notion that each person in the county should be counted but once in distributing state funds. But the county serves its citizens living within municipalities just as it does those living in unincorporated areas; both groups will benefit from the uses the county makes of its beer and wine funds. Nevertheless the General Assembly has been apprised of the distribution scheme and apparently has acquiesced.

Occasionally the General Assembly has passed local acts prohibiting the sale of beer or wine, or both, within a municipality in a "wet" county, or prohibiting sales within a defined area around a church or school.[23] Where such "defined areas" exist, the share that would normally be shared by the local units of the county is reduced by the portion allocable to that municipality; where the area is less, the reduction is in the "same ratio that such areas bear to the total of the county or municipality."

The distributions are made yearly, based on collections from October 1 to September 30. This is an additional complicating factor, since all other records in the Revenue Department are kept on

Table 6
Yearly Distributions Beer and Wine Excise Taxes

	Cities		*Counties*	
	Number	*Amount*	*Number*	*Amount*
1947-48	333	$1,032,763	93	$1,946,353
1948-49	316	797,698	94	1,325,599
1949-50	244	859,401	72	1,284,761
1950-51	231	1,035,854	59	1,262,609
1951-52	217	1,037,397	59	1,228,031
1952-53	223	1,177,913	56	1,340,681
1953-54	216	919,177	53	1,039,963
1954-55	216	1,068,193	53	1,194,823
1955-56	216	1,068,646	53	1,191,628
1956-57	216	1,075,416	51	1,193,650
1957-58	217	1,061,069	51	1,175,926
1958-59	221	1,297,033	51	1,426,226
1959-60	221	1,433,316	51	1,433,316
1960-61	225	1,416,180	51	1,416,180
1961-62	226	1,748,541	50	1,562,587
1962-63	223	1,861,529	53	1,681,421
1963-64	236	2,040,968	53	1,845,146
1964-65	253	2,150,061	54	1,940,140
1965-66	252	2,583,220	55	2,351,080
1966-67	257	2,760,754	55	2,524,203

Source: *Statistics of Taxation*, State of North Carolina, for the years indicated. Figures for 1966-67 were provided by the Bureau of Tax Research.

20. The juxtaposition of these two changes in the law in the same session leads to the thought that the distribution scheme may have been an attempt to convince local units not to prohibit beer and wine sales, which would have an adverse effect on state income.

21. N.C. GEN. STAT. § 18-81(p).

22. The Beverage Tax Division of the Revenue Department reports that this particular opinion was oral.

23. Such acts may well be in violation of Article II, section 29, of the North Carolina Constitution as local acts regulating trade. See State v. Smith, 265 N.C. 173, 143 S.E.2d 293 (1965).

Table 7

Beer and Wine Excise Tax Distribution, 1966-67

1. Amount Allocated to Counties and Municipalities:

Beer	$5,188,313.56
Unfortified Wine	160,306.52
Total	$5,348,620.08

2. Distribution:

	Beer	*Wine*	*Total*
Amount Distributed	$5,127,383.44	$157,573.79	$5,284,957.23
Amount Retained, for Defined Areas	46,642.09	2,198.34	48,840.43
Amount Held, for Inactive Municipalities	14,288.03	534.39	14,822.42
Totals	$5,188,313.56	$160,306.52	$5,348,620.08

3. County Governments Participating in Distributions (55):

Alamance	Gates	Pamlico
[1]Alexander	Granville	Pasquotank
Alleghany	Greene	Pender
Beaufort	Guilford	Perquimans
Bertie	Halifax	Person
[2]Buncombe	[2]Hertford	Pitt
Camden	Hoke	[2]Richmond
Carteret	Hyde	[2]Rockingham
Caswell	Iredell	Rowan
Catawba	Jones	[2]Stokes
Chowan	[3]Lee	Surry
Craven	Lenoir	Tyrrell
Currituck	Martin	Vance
Dare	Mecklenburg	Wake
Durham	Nash	Warren
Edgecombe	New Hanover	Washington
Forsyth	Northampton	Wilkes
Franklin	Onslow	Wilson
	Orange	

4. Counties not receiving funds, but in which one or more municipalities participate (21):

Anson	Cumberland	Lincoln
Brunswick	Duplin	Montgomery
Burke	Gaston	Moore
Cabarrus	Harnett	Polk
Caldwell	Haywood	Randolph
Chatham	Henderson	Watauga
Columbus	Johnston	Wayne

5. Some Extremes

Smallest County Share:	Alexander	$ 828.14 (wine only)
	Tyrrell	6,041.58 (wine and beer)
Largest County Share:	Forsyth	131,837.29
Smallest Municipal Share: Chadwick Acres (Onslow)		12.76
Largest Municipal Share: Charlotte		367,552.37

1. Participants in wine distribution only.
2. Participants in beer distribution only.
3. Participants by virtue of N.C. Sess. Laws 1961, Ch. 105, a special act requiring Sanford to split its shares 50-50 with Lee County.

Source: North Carolina Department of Revenue, Beverage Tax Division.

a normal fiscal year of July 1 to June 30.

Chapter 18 contains no specific limitations on how local units use their shares of the excise tax distributions. Indeed, G.S. 18-81.1 allows the funds to be used "as any other general or surplus funds of said unit may be used." And unlike the situation with respect to ABC profits, a systematic search of the Session Laws uncovered no special acts modifying the general law.

Excise tax funds are welcome to the local governments for a number of reasons that stem primarily from the restrictions imposed on local taxing and spending powers by the North Carolina Constitution. Article V, section 6, limits county property tax financing of the general purposes of government to 20 cents per $100 valuation. Special purpose functions, with the special approval of the General Assembly, may be financed by additional levies; taxes to maintain the school system may also be levied at higher rates. Because the 20-cent limitation is unrealistic for modern counties, the legislature has labeled a wide variety of functions as special purposes. The Supreme Court, the last arbiter in these matters, has not always accepted the legislature's judgment; in addition a number of other functions have always been labeled general purpose.[24] Excise tax distributions offer a supplement to the property tax revenues available to counties for general purpose expenditures.

Article VII, section 6, prohibits counties and municipalities from using their taxing power or from contracting debt or pledging credit for any non-necessary expense without special approval of the people. Again the Court has been the arbiter of what is or is not a necessary expense, with the result that a number of popular local functions have been deemed non-necessary—among them hospitals,

24. A more extensive account of the twenty-cents limitation is found in Robert Byrd, County Finance, 46-65 (1967).

libraries, airports, recreation, and industrial promotion.[25] The necessary expense limitation does not extend to state-assessed taxes distributed to local units; the beer and wine tax distributions are therefore a possible source of support for these functions. (But, the beer and wine license taxes which municipalities and counties are permitted to levy *are* subject to the necessary expense limitation).

As a listing of distributions for a single year would be too long for the purposes of this article, Table 7 presents some information selected to give a general idea of the scope of the distributions. Although figures for 1967-68 are now available, the changeover from crowns, lids, and stamps to the report system has distorted the totals; therefore the information presented is from 1966-67. As the table highlights, presently 55 counties share to some extent in the distributions. This compares with the all-time high of 94 in 1948-49 (before the law allowing local units to prohibit the sale of beer and wine took full effect) and the all-time low of 50 in 1961-62. As noted, one county shares only in wine distributions, while five more receive only beer tax money. Another 21 counties contain municipalities that receive distributions, although the county itself does not.

Two hundred fifty-seven municipalities presently share in distributions.[26] The high was 333 in 1947-48, and the low was 216, from 1953-54 through 1956-57. Of the 257 municipalities, two share only in wine taxes, 40 are limited to beer taxes, and the remaining 215 share in both. Two hundred twenty-six are in counties that receive shares; the other 31 are in counties that receive nothing.

In the fiscal year 1966-67 North Carolina collected some $18,000,000 in revenues because beer and wine are sold in the state. Of this, over $5,000,000 was distributed to the cities and counties, while the rest went into the state's General Fund. These figures represent an all-time high, continuing a trend that began in 1957-58 and has caused revenues to more than double in that decade. Whether and for how long this trend will continue is a matter of conjecture. But no one can gainsay that beer and wine have proved an important source of revenue to the governments of North Carolina.

25. For a more detailed account, see *id.*, 22-45.

26. The Bureau of Tax Research counts municipalities that are situated in more than one county once for each county they are in. For consistency I have followed this system, but I should note that presently nine North Carolina municipalities receiving beer and wine money are in more than one county: Gibsonville, Mebane, Blowing Rock, Battleboro, Sharpsburg, Whitakers, Rocky Mount, Littleton, and Grifton.

Institute staff member Robert Phay and Raleigh E. Dingman of the North Carolina School Boards Association.

Credits: The cover photo is by the UNC Photo Lab. All others are by Ted Clark. Lois Filley did the layout.

The Institute Calendar

December

Driver License Hearing Officers	2-5
Probation Officers	2-5
Legislative Orientation	6-7
Committee on Standard Jury Instruction	6-7
School for Newly Elected County Commissioners	9-11
New Superior Court Judges	13-14
District Court Prosecutors	13-14
Forest Rangers	16-20
Day-Care Consultants	18-20

January

Highway Patrol Basic School No. 44	January 5 through April 18
City and County Planners	10
District Court Judges	10-11
New County Commissioners	13-15
Utility Management	13-16
Day-Care Consultants	15-17
Health Directors Conference	16-17
Sheriffs School	27-30

February

New Magistrates School	3-4
City and County Managers	5-7
Day-Care Consultants	5-7
City and County Planners	7
Probation Assistant Supervisors	10-12
School Board Attorneys	14-15
Probation Officers	17-21
Wildlife Supervisors School	17-19
Wildlife Patrolmen	24-2'
Building Inspectors	Feb. 28-Mar. 1

Continuing Schools

Municipal and County Administration	Dec. 12-14
	Jan. 3-4
	Jan. 23-25
	Feb. 20-22
Police Administration	Dec. 17-19
	Jan. 5-8
	Jan. 20-22
	Feb. 11-13

Here are some juicy additions to R. J. Reynolds Tobacco Company:

Hawaiian Punch and Vegamato and College Inn Tomato Cocktail.

Diversification often brings totally unrelated products together in the same family, and our diversification program is no exception.

R. J. Reynolds—with over 90 years of experience in making and marketing such fine tobaccos as Winston, Camel, Salem and Prince Albert—now finds itself the parent of subsidiaries that make fruit juice beverages, convenience foods and packaging materials.

Besides a variey of juices, one subsidiary R. J. Reynolds Foods, Inc., also brings consumers such famous brands as Chun King Oriental-style and Patio Mexican-style prepared dinners. My-T-Fine desserts. Cheez-Trix and other snacks. Vermont Maid and Brer Rabbit syrups.

These are only a few of the consumer products that diversification has brought into our corporate family. We look forward to long range growth in all these areas. And to further acquisitions, to enlarge our capacity for serving the public.

RJR R. J. Reynolds Tobacco Company
AND SUBSIDIARIES

TOBACCO PRODUCTS • FOOD PRODUCTS • FRUIT JUICE BEVERAGES • INDUSTRIAL CORN PRODUCTS • ALUMINUM PRODUCTS • PACKAGING MATERIALS