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This month

A City-County Consolidation Case Study

The State's Fiscal Policy

Criminal Code Revision?

Federal Revenue Sharing

North Carolina's Welfare Program for Dependent Children

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The cover of our late November issue features the December appointment of Former Governor Terry Sanford to the Presidency of Duke University.

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federal revenue sharing

BY H. RUTHERFORD TURNBULL, III

OVER THE PAST SEVERAL YEARS, the national interest in the concept of federal revenue sharing has increased remarkably. In the past four years alone, more than 100 bills were introduced in Congress; at least 47 already have been introduced in the first session of the Ninety-first Congress; the Nixon Administration recently announced its own revenue-sharing plan; and the National Commission on Urban Problems (the Douglas Commission) has strongly advocated that Congress enact revenue-sharing legislation. This article will set forth some major features of the concept, call attention to some noteworthy legislative trends and proposals, and illustrate briefly how it might work with respect to North Carolina.

Federal revenue sharing was proposed in 1964 by Walter W. Heller, then chairman of the President's Council of Economic Advisors, and later by Joseph A. Pechman, then chairman of a task force appointed by President Johnson. It is conceived as a way to overcome "fiscal drag" caused by an anticipated federal fiscal surplus in the absence of full employment upon the end of the Vietnam conflict, and also is advanced as a method of assisting financially hard-pressed state and local governments.

Under the plan, the federal government would distribute a "specified portion of the federal individual income tax to the States each year on a per capita basis, with next to no strings attached. The distribution would be over and above existing and future conditional grants."[1] The implications are best understood if one considers that the amount to be distributed represents a "share in the nation's economic growth"[2] and that the plan can be financed out of the growth without cutting back present federal spending for other purposes. Under the proposal, a percentage of individual income tax receipts (not all tax receipts and not the yield—which includes uncollected taxes) would be made available for distribution.

Heller conceded that the competing demands for expenditure increases and for federal tax cuts prob-

1. W. HELLER, NEW DIMENSIONS OF POLOTICAL ECONOMY 145 (1966) (hereinafter NEW DIMENSIONS); Heller, *A Sympathetic Reappraisal of Revenue Sharing* in HELLER ET AL., REVENUE SHARING AND THE CITY 6 (1968) (hereinafter *Sympathetic Reappraisal*).

2. HELLER, NEW DIMENSIONS 149.

ably would require that the plan begin at one-half of 1 percent, or possibly 1 percent, and build up to 2 percent of the base. He said that 2 percent of net taxable income of individuals would have yielded $5.6 billion for sharing in 1966 and $6.0 billion in 1967, and that each percentage point of this base would have yielded $3.0 billion a year and have cost the federal government about 5 percent of its individual income tax revenues. In spite of four recessions since World War II grants under the plan would have increased annually (figuring from 1949) except for a decline of one-tenth of 1 percent in 1958. The income tax base had grown from $65 billion in 1946 to an estimated $300 billion in 1967, and from 31 percent of GNP in 1946 to an estimated 38 percent in 1967. Heller assumed a 6 percent annual growth in the money GNP and an income tax growth 20 percent faster than GNP growth.

Pechman was more flexible in tying the grants to a fixed percentage of a growing tax base, suggesting that the base could be either total federal revenues, total income tax collections, or individual income tax receipts.[3]

Political economist George Break has written:

> If unconditional federal grants are initiated, they should be responsive to economic growth and to rising price levels, since state-local fiscal deficiencies are likely to increase with both. One way of doing this and of helping states to plan by enabling them to forecast their future grant receipts with reasonable accuracy would be to distribute each year $x\%$ of the federal individual income tax base, that is, $x\%$ of the total taxable income reported on federal individual tax returns. Between 1955 and 1963, while its statutory definition remained unchanged, the base grew by 64%, compared to an increase of only 47% in GNP. If this relationship continues to hold and GNP grows at 5% per annum, taxable income should rise from nearly $245 billion in 1965 to $340 billion in 1970. Grants that were proportional to the individual income tax base, then, would have a significant built-in growth component. Some automatic fall-offs during recessions could be expected, but for short economic declines the loss of grant funds is not likely to be great, and in more severe recessions Congress could, if it wished, provide supplementary allocations.[4]

Under Heller's plan, distribution of the funds would not be contingent on federal surpluses and would not be cut back or withheld if there were a deficit in the federal budget. Funds would be payable —at whatever percentage Congress provided—"through thick and thin."[5] The hitch, of course, is that Congress

3. J. Pechman, Financing State and Local Government 83 (Reprint No. 103, The Brookings Institution, Washington, D. C., 1965).

4. G. Break, Intergovernmental Fiscal Relations in the United States 156 (The Brookings Institution, Washington, D. C., 1967).

5. *Sympathetic Reappraisal* 10. See also Heller, New Dimensions 150.

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could reduce the percentage in thin times. This raises the possibility that the percentage would be negotiated yearly (Heller or Pechman have not suggested this course). In any event, Congress would be able to revise the percentage as it saw fit, assuming political feasibility.

But political feasibility cannot be assumed; it is not a simple matter to cut off aid once begun, although reducing its quantity might be easier. Also, political considerations may have to bow to budgetary planning: state fiscal programs must be planned on a constant and determinable basis. One solution to these problems would be a provision in the federal legislation for the percentage of the grant to increase annually to a fixed maximum. If revenue sharing became an unpopular concept, the automatic increase could be denied by amendment, but a total cut-off or even a reduction of aid could be avoided.

The funds would be placed in trust and distributed periodically. The use of the trust-fund vehicle indicates that the states are to receive the money as a matter of right. It also frees the funds from the annual appropriation process.

A significant element of revenue sharing as proposed by Heller and Pechman is that "next to no strings" would be attached to the use of the money by the states. (This in part reflects the growing dissatisfaction with federal controls imposed on categorical grants to the states.) Heller argued that there should be few limitations on the use of the funds: such limitations are inconsistent with the purpose of enlarging the states' area of "fiscal discretion" and would impose obstacles to building up the "vitality, efficiency, and fiscal independence of State-local governments."[6] Pechman has maintained that one restriction on the use of the funds should be compliance with all applicable local, state, and federal laws (particularly the Civil Rights Acts) by their recipients. He suggested that states be required to file statements with the federal agency supervising the distribution that would reveal in detail how the funds would be used and therefore would indicate whether they will be used toward the solution of "national" problems within the recipient state. He added that Congress might specify the "general areas" it regards as "most urgent, including a recommendation for making funds available for local governments." Finally, he suggested that Congress might require that governors "consult with" local officials and representatives of citizen organizations before incorporating the federal distribution in state budgets, to insure that the use of the funds "reflected a broad range of opinion."[7] The paradox of federal controls, as Break noted, is that, on the one hand, irresponsible state or local behavior virtually requires the imposition of detailed federal controls while, on the other, such controls cannot readily be adapted to the great variety of conditions in the different states.

Heller has taken the position that distribution of the federal dividend should be essentially on a per capita basis:

> Per capita sharing would transfer some funds from states with high incomes—and therefore high per capita income tax liabilities—to low-income, low-tax states. If the modest equalization implicit in per capita sharing were deemed too limited, a percentage—say 10 to 20 percent—could be set aside for supplements to states with low per capita income, or a high incidence of poverty, dependency, or urbanization.[8]

Pechman also has contended that distribution on a per capita basis is advisable, because population is:

> . . . the simplest and most appropriate measure of the relation between need and capacity. . . . On the one hand, population is a reasonably good indicator of the general need for public services. On the other hand, a per capita allocation would make some allowance for varying capacity: since the residents of high-income states pay more federal taxes per capita than do residents of low-income states, distribution on a per capita basis would redistribute resources from high-income states.[9]

He has maintained that greater equalization can be achieved by using a small part of the federal funds (10 percent) for only the poorest third of the states. "Poor" states could be identified in terms of the ratio of a state's population to national population, adjusted to take account of per capita personal income[10] and the state's capacity[11] or effort[12] to tax, compared with the capacity and effort of all other states. This device also might induce the states to maintain their revenue efforts and not succumb to the temptation to use the federal funds to decrease their revenue efforts. Heller suggests that the states that already have below par tax efforts or that cut their taxes in response to the federal subsidy should be penalized by a reduction in their allotments, while states that make a high tax effort or increase that effort should receive larger allotments.[13]

6. HELLER, NEW DIMENSIONS 147, and Heller, *Sympathetic Reappraisal* 5. See also Turnbull, *Restricting the Unrestricted Federal Grant*, 2 THE URBAN LAWYER — (Winter, 1970).

7. PECHMAN, FINANCING STATE AND LOCAL GOVERNMENT 83, and Pechman, *Money for the States* in JOINT ECONOMIC COMMITTEE OF CONGRESS, SUBCOMMITTEE ON FISCAL POLICY, 2 REVENUE SHARING AND ITS ALTERNATIVES: WHAT FUTURE FOR FISCAL FEDERALISM (90th Cong., 1st Sess. 786 (1967) (hereinafter REVENUE SHARING).

8. HELLER, NEW DIMENSIONS 146-47, 154-55.

9. PECHMAN, FINANCING STATE AND LOCAL GOVERNMENT 83.

10. *Id.*

11. PECHMAN, FEDERAL TAX POLICY 227.

12. *Id.*

13. HELLER, NEW DIMENSIONS 156; Heller, *Sympathetic Reappraisal* 8.

PASS-THROUGH PROBLEMS

One highly controversial question is whether the funds should be distributed solely to the state government or whether a portion should be "passed through" the state to the local government subdivisions of the state. The matter is controversial in part because: (1) revenue sharing is being advanced as a way to help solve the "urban crisis," the unrestricted funds being allotted directly to the cities; (2) a major realignment of the federal system might occur if the state governments are by-passed in favor of direct allocations to the subdivisions; and (3) a satisfactory determination of the formula for pass-through is difficult.

Any legislation that specifies the portion of the pass-through may be criticized on the grounds that the wide variations among states in both (1) the relative sharing of responsibilities for major governmental functions, and (2) the practices in state aid to localities make such a provision inappropriate. On the other hand, while bills that set a minimum percentage for intrastate apportionment can assure a pass-through of at least that percentage, in practice the minimum might be taken as a maximum. Finally, in the absence of pass-through provisions, there is no assurance that the states would share funds with their subdivisions in an amount sufficient to enhance the ability of the subdivisions to deal with their fiscal problems.

When Heller first suggested revenue sharing, he dodged the issue of "whether to leave the fiscal claims of the localities to the mercies of the political process and the institutional realities of each state, or to require a pass-through to them."[14] He advanced various arguments for leaving the widest possible discretion to the states in the expenditure of the funds:[15] (1) a requirement that a set percentage or amount should go to local governments "might encumber the plan with the rigidities it is designed to avoid"; (2) states "differ greatly in their division of responsibilities and finances between state and local governments"; (3) among the states there are "substantial varieties" in the allocation of functional responsibilities; (4) states employ differing formulas for intrastate aid and shared taxes; (5) the states already are raising sizable amounts of revenue for local governments; and (6) state reapportionment will enable the financially hardest-pressed local governments—the urban areas—to realize a greater share of the state's share. In addition, he rejected the claim that state and local governments are so inefficient, wasteful, and corrupt that they are "unworthy of anything but tightly controlled federal support."[16] Finally, he took issue with those who argue that the states would not apply the federal funds toward the solution of those problems that should receive high national priority.

Nevertheless, Heller concluded in 1967 that "the legitimate—and pressing—claims of local government require explicit recognition in the basic formula of revenue sharing" and that:

> . . . in light of urgent local needs, especially in urban areas—and observing the tendency of many state legislators to lean to more generous service standards at the state than at the local level—I have been persuaded . . . that setting a minimum percentage pass-through is desirable to recognize the legitimate claims of local government.[17]

Confessing the difficulty of devising a formula, he fell back on a simple minimum percentage, preferably 50 percent. "This leaves the form and division of the localities' shares to the states' discretion. This would put pressure on the states to recognize local needs while letting each state adapt the precise form and division of the local share to its particular pattern of local needs."[18]

Heller has been troubled by the obvious implications of pass-through: "a major flow of unconditioned federal funds directly to the cities would represent a basic realignment of powers in our federalism and should be recognized as such."[19] Before making his pass-through suggestion, he would have been content to require that the level of the state's financing of local government services be continued, accounting from the time the state first received the fiscal dividend, in recognition of the fungibility of money: a state might have conformed to the pass-through ratio but at the same time have reduced other payments to local governments.[20]

Pechman also has had difficulty in specifying that some "uniform percentage of the general grant be reserved for local use in all states" because of (1) the variety among the states in the forms of intergovernmental cooperation within each state, and (2) the assumption that states are in a better position to make the allocation in a manner suited to their particular needs.[21] Nevertheless, like Heller, he has been inclined to require that the federal funds be distributed to the states with an understanding that a major portion of the state's share be allotted to local governments under fixed percentages or under procedures insuring that local officials will participate in the pass-through decisions.[22] Pechman has recommended a fixed pass-through of between 40 and 50 percent.[23]

14. Heller, New Dimensions 156.
15. *Id.* at 159-65.
16. *Id.* at 163-64.
17. Heller, *Sympathetic Reappraisal* 7.
18. *Id.* at 34.
19. *Id.* at 35.
20. Heller, New Dimensions 163-64.
21. Pechman, Financing State and Local Government 83.
22. Pechman, Federal Tax Policy 223, 227.
23. Pechman *Money for the States*, 2 Revenue Sharing 786, 788.

REVENUE SHARING AND THE CITIES

To an unexpected degree, revenue sharing is being advanced as a way to help solve the "urban crisis." Unexpected, because revenue sharing was conceived as a buttress for state governments and only incidentally for city governments. In fact, apparently not until representatives of the cities voiced strong opposition to revenue sharing were mandatory pass-through provisions deemed necessary on political grounds. Yet the addition of the pass-through element has increased the attractiveness of revenue sharing generally, and particularly as a weapon in the war on the urban problem. The change alters the entire nature of the concept, transforming it from a single-pronged attack on state problems to a double-pronged attack on state-local (urban) problems. Nevertheless, the pass-through idea has caused considerable confusion about the purposes and functions of revenue sharing. This is not to suggest, however, that it has made revenue sharing politically less attractive—quite the contrary.

A major argument against federal revenue sharing has been that the states will not use the funds where they are most needed. This objection becomes more specific when the "urban crisis" is considered. The contention is that the states simply will not respond to the needs of their urban centers. This view is based on (1) significant statistics illustrating the states' traditional neglect of their cities, and (2) the higher costs of government in urban areas for services, in comparison with costs for the same services in suburban or rural areas. This latter fact is used on the one hand to support some objections to revenue sharing and on the other to support arguments that any revenue-sharing program can be justified only if it contains mandatory pass-through provisions.

The Advisory Commission on Intergovernmental Relations (ACIR) recently documented the fiscal disparities between central cities and their suburban communities, indicating that "many of the largest central cities are in the 'highly disadvantaged' category" and that the disparities are growing.[24] When the fiscal disparities are considered in connection with the cost factor, the pass-through issue takes on even greater significance and complexity. The added significance lies in the political reality that, in the absence of mandatory pass-through provisions, revenue-sharing legislation will encounter strong political opposition from city representatives. The added complexity arises as a direct result of the initial decision to pass through the funds to local governments, for this decision in turn requires another decision establishing criteria for the pass-through and assessing the effect of pass-through on local governments. Thus, if it is initially resolved that federal legislation will require a pass-through, a question that still must be answered, as a matter of national policy and political expediency, is how to get the money where it is most needed by local governments.

The kinds of problems inherent in this question can be easily illustrated. For example, the share of urban expenditures financed by state or federal aid varies widely throughout the nation. This suggests that allocation of revenue-sharing funds on the basis of what units of government perform what functions would be manifestly unfair; the urban areas most in need of funds might receive proportionately fewer funds if (1) they already were receiving large amounts of state or federal aid, and (2) funds were distributed to areas that were not receiving as much aid but did not have the same need. In short, the element of relative need would be overlooked.

Also, if an object of revenue sharing is to help urban areas or poverty pockets throughout the nation, the object might well be subverted to the extent that allocation is patterned after existing state aid to local governments, since much state aid to local governments supports public services required in both rural and urban areas, not solely urban services.

Moreover, those units of local government with the heaviest concentrations of population tend to have to bear a larger share of responsibility for financing governmental services: almost without exception, combined state and federal aid is a smaller share of local general expenditures in each of seventeen selected metropolitan areas than in the rest of the state within which the metropolitan area lies, according to an authoritative study.[25]

Finally, one authority on public finance writes, "State-by-state differences in the allocation of functional responsibility and of taxation between localities and the State suggest wide variations in grant-in-aid patterns across State lines."[26]

ILLUSTRATIVE LEGISLATIVE PROPOSALS

Modification of the basic Heller-Pechman plan was inevitable when Congress became interested in revenue sharing. The modifications can briefly be grouped as follows:

(1) Bills providing for interstate equalization. Among these, the following are the most common (solely or jointly with each other) factors for allocating funds among the states: by population only, by per capita income, by revenue effort, and by state-of-origin.

(2) Bills that do not provide for interstate equalization. Among these, the above factors for allocating funds were present along with others, particularly: the amount of "urban" population in each state; the amount of population enrolled in public elementary and secondary schools; and the amount of tax effort made on law enforcement programs.

24. 2 FISCAL BALANCE IN THE AMERICAN FEDERAL SYSTEM 2, 5-7 (1967); Volume 2 is devoted to documenting the disparities and making recommendations for overcoming them.

25. Mushkin, *Intergovernmental Aspects of Local Expenditure Decisions* in PUBLIC EXPENDITURE DECISIONS IN THE URBAN COMMUNITY 43 (H. Schaller, ed., 1956).
26. *Id.* at 41.

Table I

Method of Calculating North Carolina Receipts in a Hypothetical National Distribution of $1.846 Billion of Revenue-Sharing Funds Under the Provision of the Hollings Bill (S. 911).

1.	State and local revenue from own sources, fiscal year 1966	$ 1,281.9 million
2.	Adjusted gross income, calendar year 1965	$ 7,893.6 million
3.	Revenue effort ratio (Item 1 divided by Item 2)	16.2%
4.	Relative state effort ratio (Item 3 divided by 16.3%, representing the national average state revenue effort ratio)	99.4%
5.	Total resident population, July 1, 1967	5.029 million
6.	State population as a percentage of national population	2.54%
7.	Allotment of 80% of fund ($1,477,000,000, representing 80% of total fund)	$36.869 million
8.	Per capita personal income of residents, calendar year 1967	$2,396.00
9.	Per capita income-deficiency factor ($3,137, representing the national average per capita income, calendar year 1967, divided by Item 8)	1.3093%
10.	Weighted population of income-deficient states (Item 5 multiplied by Item 9)	6.584 million
11.	State percentage of weighted population total	6.49%
12.	Allotment of 20% of fund ($369,000,000, representing 20% of total fund, multiplied by Item 11)	$23.948 million
13.	Total allotment (Item 7 plus Item 12)	$60.817 million

Interstate Equalization

Some of these concepts can be illustrated by legislation proposed by Senators Hollings[27] and Goodell.[28] Under their bills, part of the total fund available for sharing among the states would be shared by all of the states and part would be shared only among the states classified as "poor." On the one hand, the sharing by *all* of the states would be on the basis of their population (relative to total national population) and their "revenue effort" (relative to average national revenue effort, revenue effort generally being defined as the ratio of all state and local taxes collected within a state to the total adjusted gross income of resident individuals of the particular state.) On the other hand, the sharing by the *"poor"* states would be on the basis of their relative (to each other) populations and per capita income of their resident individuals. The "poor" states are generally defined as those that constitute the poorest one-third in terms of per capita income of their residents, or those that fall below the national average in per capita income. The two-part allocation of the total fund thus accomplishes an "equalization" among all the states by singling out the "poor" states for preferential treatment.

Under Senator Hollings' bill (S. 911), the revenue impact for North Carolina, based on a distribution of $1.846 billion, is determined in the manner shown by Table I. The table illustrates the division of 80 percent of the total fund among all states on the basis of relative population and revenue effort and the division of 20 percent among the "poor" ("income deficient") states on the basis of relative population and per capita income.

Significantly for North Carolina, although it benefits from the supplemental allotment by reason of being among the defined "poor" states, it could have benefited more if its revenue effort were 100 percent or higher. Under Senator Hollings' and similar equalization bills, the benefit to "poorer" states sometimes is diluted by the requirements of average tax effort. Also significantly, there is a discernible trend among proposed legislation to tie less of the total revenue-sharing funds to an equalization bonus. Finally, proposed legislation has tended to broaden the category of "poor" states by defining them in terms of increasingly larger absolute numbers (poorest 17, instead of poorest 13) or in terms of increasingly larger rela-

27. S. 911, 91st Cong., 1st Sess. (1969); *see* also 115 CONG. REC. (daily ed., Feb. 4, 1969) at S. 1225-27.

28. S. 50, 91st Cong. 1st Sess. (1969); *see* also 115 CONG. REC. (daily ed., Jan. 15, 1969) at S. 298; and 115 CONG. REC. (daily ed., Mar. 20, 1969) at S. 3004-5.

tive numbers (poorest third, or poorest half). The broader the definition of "poor," the more absolute dollars are available for distribution to all of the "poor" states.

The National Commission on Urban Problems (the Douglas Commission) has seen its recommendations substantially incorporated into S. 50,[29] introduced by Senator Goodell. Of total shared funds, 90 percent would be allocated among all states on the basis of population and tax effort, and 10 percent among the 17 states with the lowest per capita income on the basis of their relative populations and per capita incomes. (The Hollings and Goodell bills do not differ in the method of allocation—only in the amount of equalization: the Hollings bill sets aside 20 percent, the Goodell bill 10 percent.)

In its provisions that a great part of the money received by each state be required to be "passed through" the state government to "urban" local governmental subdivisions, this bill has become a model for much of the legislation introduced in the Ninety-first Congress. The Goodell bill requires a pass-through to cities with populations over 50,000 and to urban counties. An "urban county" is defined as having a population greater than 50,000, at least 50 percent of which was classified as "urban" in the latest U.S. Census. The pass-through is determined basically by the "local tax ratio" of the recipient urban city or county; this is the ratio between its revenues from its own local tax sources and the total revenues from all state and local taxes in the state. The bill uses a complicated formula to distinguish between two classes of pass-through beneficiaries: (1) cities and urban counties with populations over 100,000, and (2) cities and urban counties with populations between 99,999 and 50,000. The beneficiaries in the first class get more than those in the second, and, among beneficiaries in the second class, there is graduated treatment to prevent greatly disparate results.

The Goodell bill and the Douglas Commission proposals thus establish a "mandatory" pass-through under which the major urban centers of a state receive a portion of the state's share. Senator Goodell reports an estimate that the formulas set out in the preceding paragraph would allocate 22 percent of all revenue-sharing payments to cities, 13 percent to urban counties, and the remaining 65 percent to state governments. The use of the "local tax ratio" insures that the populous and fiscally active metropolitan governments are taken care of, while the less populous and less fiscally active metropolitan governments, which are deemed not so needy as larger ones, do not get windfall treatment. Moreover, the formula for pass-through makes the amount of pass-through depend on the relative shares of the total burden of state and local taxation (the state on the one hand, its subdivisions on the other). It also allocates payments between cities and urban counties that have overlapping boundaries and between cities located wholly within county boundaries. Finally, the graduated scale of payments for counties with a population between 50,000 and 99,999 prevents drastically different treatment for local governments just below and just above the minimum population of 50,000.

Under Senator Goodell's bill, the nonequalized distribution to North Carolina (which would also be entitled to share proportionately in 10 percent of the total funds under the equalization provisions) would total 2.407 percent of all revenue-sharing funds. Assuming a distribution of $1 billion to all of the states, North Carolina would receive $24.07 million. Of this amount, 78.1 percent (or $18.784 million) would be retained by the state government, 7.1 percent (or $1.718 million) would be passed through to qualified cities, and 14.8 percent (or $3.568 million) would be reallocated to "urban counties." Table II lists the North Carolina cities and counties that would be entitled to funds under the provisions of the Goodell bill.

A substantial variation from S. 50 was recently introduced in an effort to carry out the recommendations of the Advisory Commission on Intergovernmental Relations. This bill (S. 2483)[30] has several notable features:

1. A portion of state personal income tax collections is included in the base for raising the shared funds.
2. Individual residents of the states are entitled to a credit against their federal income tax liability for a portion of their state income tax payments.
3. The federal government agrees to collect and remit to the states the individual income taxes due to those states that enact income tax laws.
4. Two tax-effort factors are used to determine allocation; one (typically) divides total state-local tax collections by state personal income, and another (uniquely) gives weight to the most recent revenue increase action of the state by adding a factor of state-local effort in the year of distribution compared with the effort of the previous year.
5. Net profits from operating state-owned liquor stores are allocated to state-raised revenues for the purposes of determining state tax efforts.
6. School districts are entitled to a portion of the shared funds after the pass-through provisions have been complied with.
7. States are permitted to adopt alternative pass-through schemes if the alternatives would result in greater amounts of funds for qualified cities and urban counties or if a majority of all qualified cities and urban counties agree that the alternative should be put into effect.

29. *Id.*

30. S. 2483, 91st Cong., 1st Sess. (1969); *see also* 115 CONG. REC. (daily ed., Jan. 25, 1969) at S 7100-10.

Table II

North Carolina Cities and Counties Qualified to Receive Revenue-Sharing Funds Under the Provisions of the Goodell Bill (S. 50).

	1960 Pop.	% Urban
Cities		
Charlotte	201,564	
Greensboro	119,574	
Winston-Salem	111,135	
Raleigh	93,931	
Durham	78,302	
High Point	62,063	
Asheville	60,192	
Counties (Populations over 50,000, of which at least 50% is urban)		
Mecklenburg	272,111	78.0
Guilford	246,520	76.1
Forsyth	189,428	69.2
Wake	169,082	63.2
Buncombe	130,074	52.7
Gaston	127,074	61.8
Durham	111,995	75.6
Alamance	85,674	51.2
New Hanover	71,742	69.0
Cabarrus	68,137	67.7

Source: County and City Data Book, 1967, Bureau of the Census.

Note: Population data for the counties is based on 1960 estimates. Both city and county data will have changed by the time of this article's publication. See, for example, data in Table III.

The income tax credit may result in a reduction of the federal tax base for revenue sharing, but the addition of state income taxes to the base may offset the loss in part. The obvious thrust of the bill is to induce states to enact income tax laws.

Because of these differences between the two bills, the estimated distribution to North Carolina under S. 2483 (after downward adjustment for tax effort and excluding school district entitlements) necessarily differs from a projected distribution under S. 50: assuming a grant of $1 billion, the total grant to the state would be $23.4 million, of which the state government would retain 75.3 percent ($17.6203 million); 7.14 percent ($1.6707 million) would be passed through to seven cities, three with populations over 100,000, and 17.56 percent ($4.109 million) would be distributed among thirty counties, eight with populations over 100,000. Table III shows the counties entitled to participate in revenue sharing under the provisions of S. 2483.

Nonequalization

The second major group of bills includes those that do not provide for interstate equalization. Chief among these is President Nixon's proposal,[31] under which funds for sharing initially would equal one-sixth of 1 percent of taxable individual income but would increase to a maximum of 1 percent. The taxable income of individuals is, of course, lower than actual federal receipts from taxes on individuals, because of the graduated feature of the income tax laws. Under the Administration's proposals, the allocation to the states would be on the basis of population and tax-effort ratios, as in the Hollings bill, the Douglas Commission and Goodell proposals, and the ACIR's recommendations. According to recent estimates, per capita sharing would average $5 nationally; North Carolina residents, however, would receive $4.90 per capita because of the state's below-average tax effort.[32] (See Table IV for the Nixon proposal's effect on North Carolina.)

Under the Administration bill, funds are passed through to "general political subdivisions." The pass-through is "based on the relative roles of state and

31. Presidential Message to Congress, 115 Cong. Rec. (daily ed., Aug. 31, 1969) at H. 7389-90 (H. Doc. 91-148). See also S. 2948, 91st Cong., 1st Sess. (1969).
32. U.S. News and World Report, Aug. 25, 1969, at 69.

Table III

North Carolina Counties Qualified to Receive Revenue-Sharing Funds Under Provisions of the Advisory Commission on Intergovernmental Relations Bill (S. 2483). 1960 Population.

	Populations Over 100,000	
Buncombe	Forsyth	Mecklenburg
Cumberland	Gaston	Wake
Durham	Guilford	
	Populations Under 100,000	
Alamance	Edgecombe	Onslow
Burke	Halifax	Pitt
Cabarrus	Iredell	Randolph
Catawba	Johnston	Robeson
Cleveland	Lenoir	Rockingham
Craven	Nash	Rowan
Davidson	New Hanover	Wayne
		Wilson

Source: 1967 Census of Governments, Bureau of the Census, Vol. 4, No. 3 and 4.

Note: Under 1966 population estimates, the number of counties with populations over 100,000 has increased to nine (add Onslow, with 102,100 population). Also, the number of counties with between 50,000 and 99,999 has increased from 22 to 26, deleting Onslow but adding Caldwell, Orange, Sampson, Surry, and Wilkes.

Cumberland and Onslow counties did not qualify as major urban counties for the purposes of S. 50 since less than 50 percent of their population were urban (see Table II). However, estimates for S. 50 were based on 1960 figures, now outdated; a change in the list of benefited counties necessarily follows population change.

ACIR did not estimate which cities would be benefited, but the estimates made in Table II apply, since the pass-through provisions are the same in all of these proposals for purposes of determining aid to cities. The population of cities also has increased since 1960, but the same cities are entitled to benefit under S. 50 and ACIR proposals even when 1966 state-estimated population data are applied.

local financing in each state. The amount which an individual unit of general local government will receive is based on its share of total local government revenue raised in the state."[33] This proposal looks to existing patterns within each state, and thereby avoids having the pass-through set by federal legislation. For example, if the local general government units are responsible for 30 percent of the combined state and local general tax revenues, they are entitled to a pass-through equal to that percentage, and each unit is entitled to its proportionate share of these pass-through funds. In his message to Congress, President Nixon explained: "The provisions make allowance for State-by-State variation and would tend to be neutral with respect to the current relative fiscal importance of State and local governments in each State." A state may modify the pass-through provisions, "working with its local governments" in doing so.

Whether the Nixon proposals will be acceptable to urban governments is open to question. Many cities and urban counties might fare quite well because the pass-through depends on the amount of taxes raised. Generally speaking, it has been assumed that the large cities raise more tax dollars than the suburbs or small cities partly because great concentrations of tax-paying populations are within the large geographical boundaries and tax jurisdictions of the cities, and partly because the cities also tax at higher rates, often have a wider tax base, and employ a wider variety of taxes than the suburbs.

The foundation for the Nixon pass-through formula was set by two sets of bills in the Eighty-ninth, Ninetieth, and Ninety-first Congresses.

One set of bills provides that each state shall

33. Presidential Message to Congress, 115 Cong. Rec. (daily ed., Aug. 13, 1969) at H. 7389-90 (H. Doc. 91-148).

Table IV

State and Local Shares in North Carolina Under Nixon Proposal, Based on Hypothetical Distribution of One-Half Billion Dollars (S. 2948)

1. State population, July 1, 1968	5,135,000
2. Personal income of residents, June 30, 1967	$12,267,000,000
3. State and local government revenues (includes school and special districts)	$1,405,187,000
4. State percentage of One-Half Billion Dollars (based on ratios of state revenue effort, computed as under the Hollings bill, S. 50, and state population, to national average revenue effort and national population)	.024252%
5. State share of One-Half Billion Dollars (Item 4 times One-Half Billion Dollars)	$12,126,000
6. Local government revenues (a portion of Item 3)	$4,874,000
7. Local pass-through percentage (Item 6 divided by Item 5)	.311612%
8. Local share (Item 7 times Item 5)	$3,778,607
9. State residual share (Item 5 minus Item 8)	$8,347,393

Source: 115 Cong. Rec. (daily ed., Sept. 23, 1969) at S. 11113.

Note: Figures may not total exactly due to rounding.

apportion funds to each local government in an amount not less than that which bears the same ratio to the federal allotment as the total amount of state revenues shared with local government during the five years preceding the fiscal year of distribution bears to the state's total revenues during the same five-year period.[34] The apportionment thus is based on a ratio of state-to-local revenue sharing.

The other set of bills provides for apportionment based on state-local tax-collection patterns. Each taxing jurisdiction within a state is entitled to receive an amount that bears the same ratio to state's federal allotment as the amount of tax collections by such taxing jurisdiction bears to the aggregate of tax collections by all taxing jurisdictions in the state.[35] The taxing jurisdiction that accounts for 5 percent of all tax collections in the state would receive 5 percent of the funds.

Another group of nonequalization bills provides for funds to be shared solely on the basis of population per state. Thus, in 1967, North Carolina would have shared in the total amount of funds trusteed for revenue sharing in the approximate amount of 2.407 percent, which is the proportion of total United States population represented by the North Carolina population. If a state's population is increasing at a rate greater than that of other states relative to increase in the national population, the allocation of funds by population only is advantageous; for states with relatively declining population, the converse obtains.

Another type of bill provides for allocation according to origin of tax collections. For example, if North Carolina taxpayers were responsible for contributing 1.5 percent of the total fund set aside for revenue sharing, the state would receive back the same 1.5 percent. Many state-of-origin bills limit the use of the funds to specified purposes, particularly education, but the trend is away from this restriction on use.

A significant variation on the state-of-origin concept takes into account the factor of urban population per state as a basis of allocation; the variation also frequently imposes limitations on the use of the funds, particularly for law enforcement purposes.[36] Still another variation focuses on the number of students enrolled in public elementary and secondary schools in a state in proportion to the same number nationally; this variation also imposes limitations on the use of funds, principally requiring their use for educational purposes.[37] Both variations attempt to recognize population density as a factor in determining allocations. In addition, these variations base the allocation to the state not only on its population but also on the amount of state residents' gross personal income spent by the state, through its taxing mechanism, on law enforcement or public education. This device is similar to a general tax-effort measurement, but is particularized as an education or law enforcement effort.

It has been suggested that the Ninety-first Congress will be the watershed for revenue sharing.[38] How accurate this prognosis is may depend to a large degree on state officials' understanding of the concept and its application and on how widely they make their views known.

34. H. R. 4070, 4080, 4107, 5450, 6040, 7176, and 8424, 90th Cong., 1st Sess. (1967).
35. S. 779 and H. R. 525 and 667, 90th Cong., 1st Sess. (1967).

36. H. R. 4479, 90th Cong., 1st Sess. (1967) and H. R. 12730, 89th Cong., 2d Sess. (1966).
37. H. R. 746 and 4865, 91st Cong., 1st Sess. (1969), H. R. 198, 308, 1343, and 2055, 90th Cong., 1st Sess. (1967), and H. R. 12259 and 15557, 89th Cong., 2d Sess. (1966).
38. Colman, *Revenue Sharing: Problems and Prospects*, 1 The Urban Lawyer 34, 46 (1969).

NORTH CAROLINA'S FISCAL POLICY

By Edwin Gill

The State Treasurer Addresses the North Carolina Bankers' Association

From time to time, I think it is the duty of public officials to give an accounting to the people of their handling of public affairs. This is particularly important in the field of public finance. This article will be a brief summation of North Carolina's fiscal policy, and will deal with where we are today in the light of our fiscal history.

It is logical for the State Treasurer to speak on this subject, but the fiscal policy of the state is the work of many people. The Governor, as Director of the Budget, bears perhaps the heaviest responsibility in matters of this kind. But we must add the State Auditor, the Commissioner of Revenue, and the Director of Tax Research. All of these, including the Treasurer, are a part of the Executive branch of the government. We must also include the Advisory Budget Commission, and of course the General Assembly, which is the actual builder of our fiscal structure.

North Carolina is today in excellent financial condition. The budget continues to be in balance, and our debt continues to be moderate.

What do we mean by a balanced budget? The principle is so simple as to require no complex interpretation. We mean that income and outgo are approximately the same, and that any variation from this would be for income to exceed outgo in order that there might be at all times a margin of safety. Since we are forbidden by law to have a deficit, the legislature must be sure to provide enough funds to meet all appropriations.

Balancing the budget is not an exact science. It is very difficult to know just how the tax structure will react to the economic conditions of the year, or biennium, with which we are concerned. But in line with our careful policy, we have had a credit balance, or surplus, in the General Fund every year since the depression years of the thirties. Some years this so-called surplus has been modest, but in others, it has been substantial. We have just received a report that indicates that the credit balance at the end of the last biennium was $153,300,000.

These credit balances have been utilized by the General Assembly in balancing the budget for the ensuing biennium. A good deal of it has gone into capital improvements that would otherwise have been delayed or built with borrowed money. In the current instance, the actual June 30, 1969, credit balance of $153,300,000 compares favorably with the estimated balance of $151,000,000 when the General Assembly adjourned on July 2, 1969.

I know of no one who likes taxes, nor of any tax that is really popular, but when needs of the state grow and it is officially estimated that the yield of our existing tax structure will not furnish the additional funds needed, then there are but two alternatives—either the needs must be in part denied, or new taxes must be levied in order to achieve the balance that is necessary if our good credit is to be sustained.

There is plenty of room for argument as to what appropriations are needed and as to what taxes are best, but once the General Assembly has arrived at an adequate answer to these two questions, the budget should be balanced accordingly. Fiscally speaking, achieving a balanced budget transcends in importance individual preferences for taxes and individual opinions as to the purposes for which appropriations are made.

The General Assembly of 1969 concluded that our tax structure was inadequate to meet needs that they regarded as imperative, and so they did what no General Assembly has done for many years. They levied additional taxes upon a scale without precedent since 1933. In some circles, the General Assembly has been criticized for levying these new taxes and for budget spending that reaches an all-time high. While these areas of criticism are recognized, from the standpoint of sound finance, it must be conceded by all that the General Assembly had the courage of their convictions. They insisted upon a balanced budget. From a fiscal standpoint, what the General Assembly did is to be commended.

In summary, the total appropriations authorized for the current biennium were some $700,000,000 more than the authorizations for the previous biennium. This increase was provided for through the levy of additional taxes amounting to an estimated $205,000,000 but principally through an estimated increase in the yield of our tax structure that has for so long proved both responsive and adequate to the growing needs of our people.

Lest anyone think that the General Assembly was careless in yielding to the demands of the hour, I would like to point out from the record that the appropriations actually made were $546,500,000 less than the official requests made by the spending agencies to the Joint Appropriations Committee. In other words, for every $5 requested, the legislature appropriated $4. This is some evidence of the careful scrutiny and analysis that the Advisory Budget Commission, the Joint Appropriation Committee, and the General Assembly gave to these requests.

I do not suggest that it is unimportant what taxes are levied. Good fiscal policy should be based upon an equitable tax structure—one that is not punitive or confiscatory—one that is not regressive, but encourages economic growth and, with growth, leads to an ever-broadening tax base.

I HAVE SAID that our debt is moderate; yet it amounts to $480,940,000. Is this sum moderate in the light of our ability to pay? Is this amount reasonable when related to the economic resources of our people? I think it is.

If you deduct from our gross debt those bonds already provided for by a sinking fund and those bond the retirement of which is fully provided for from the proceeds of a 1-cent motor fuel tax, we have left to be paid from General Fund revenues only $198,590,000. So you see, the debt that must be paid from the General Fund is relatively small and can be retired easily out of less than 2½ per cent of our annual General Fund appropriation.

If we study the present state debt in relation to annual revenue, we will see that the state is better able to cope with its debt than it was many years ago. For instance, in 1936, the state debt was $166,494,000, and the total revenues were $63,785,160, the debt being 2½ times larger than the annual revenue. Today the situation is reversed. State revenue last year was $1,104,533,917, which is 2¼ times larger than the present state debt.

When I became State Treasurer in 1953, the total assessed value of all property for taxation in North Carolina was $5,215,937,259; in the current year, the total assessed value of all property has mounted to $14,874,831,000. While the state has not resorted to ad valorem taxation since 1933 (such source of revenue being left to the local governments), the sensational increase in taxable value of all property is indirect evidence of the capability of the state to meet its obligations.

One more evidence of the tremendous growth of the state is shown by comparing the growth of earnings on Treasurer's investments in a ten-year period. For instance, in 1959, we earned $3,361,305.61, while in 1969, we earned $31,033,287.59.

As of June 30, 1969, the cash funds on deposit with the State Treasurer exceeded $705,000,000. Of this sum $652,000,000—or 92 percent—was invested in interest-bearing securities.

In addition to these fund balances, the Treasurer is responsible for the investment of trust funds, which are now over $900,000,000: if this sum is considered with the fund balances above referred to, the Treasurer is responsible for a portfolio of over $1,605,-000,000.

In speaking of our fund balances of $705,000,000, we must remember that this includes the total of funds previously committed and earmarked by the General Assembly to be spent. One of the larger items is, of course, the capital improvements that have been provided for. As to trust funds, it must be emphasized that they include funds belonging to the several retirement systems, which the North Carolina Constitution specifically provides shall not be used for anything other than retirement purposes.

Viewed from any angle, including such figures as growth in population and expansion of our industrial complex, North Carolina has grown in material and human values, which, in my opinion, adequately underwrite our present debt commitment.

IN MANAGING the state's public debt, the overriding consideration has been to borrow only if and when the money is needed. With this principle in mind, we of course try to pick what we consider to be the best time to sell our securities. We are very proud of our record in picking as nearly as we could the best week—the best day, etc. And yet honesty compels us to say that we are not gifted with foreknowledge, and that we have been helped in our selection of the time to sell not only by our long and valuable experience in the market but also by a bit of luck!

If the need is great and immediate, and the time for selling is not auspicious, we elect to do temporary financing with bond-anticipation notes rather than making long-term permanent commitments with bonds. If the decision is to issue bonds, the maturity schedule must be constructed in such a way as to keep the average maturity as short as possible to insure a lower average interest cost without making the annual maturities so large as to strain the state's ability to meet annual debt service payments.

We must keep in mind always that the General Assembly must first authorize the issuance of bonds; if the legislature acts, the Governor and Council of State must approve the details of the specific bond issue; they do this with the aid of recommendations from the State Treasurer, whose staff studies the day-to-day movement of the bond market.

I have recited these facts to emphasize that incurring debt on behalf of the state is a serious matter that is surrounded by safeguards—checks and balances, if you please. In other words, the State Treasurer moves in this matter under the sanction of the General Assembly and with the approval of the Governor and Council of State. And if the issuance of bonds is within the category restricted by the North Carolina Constitution, we must obtain, through a referendum, the approval of the people.

The state has, for many years, had the right to borrow in anticipation of taxes; this was needed because the collection of our taxes, especially the income tax, was a seasonal affair. It was not unusual for the Treasurer, with the approval of the Governor and Council of State, to borrow up to $25,000,000 in December or January, to be paid back the following April when revenue receipts were swelled by income tax payments. However, since we have had a steady flow of revenue, due to monthly sales tax reports and the withholding of state income tax, we have not found it necessary to borrow at all in anticipation of taxes.

NEITHER A MAN nor a state can build up a reputation for integrity by being responsible one year and irresponsible the next. It takes a lifetime—and for a state, many decades—to build up a fine reputation. Let us take a look back at some of the highlights of sound government in North Carolina.

An outstanding example of good budgeting was the levy of a penny additional gasoline tax in order to provide for the retirement of the $200,000,000 Scott bond issue in 1949—and its retention to finance the $300,000,000 bond issue of the Moore administration. Incidentally, experience has shown that the 1 cent motor fuel tax referred to will yield more than enough funds to pay principal and interest on all our highway obligations as they fall due. Also, in 1945 the General Assembly took $51,000,000 from surplus funds and set up a sinking fund to provide for the retirement of all the General Fund debt at that time. This was a sensational thing to do, and has never been forgotten by the securities market. While some may question the necessity for this bold action, there is no doubt that the General Assembly, having experienced the uncertainty of both war and depression, was afraid of further recession and was determined to be in good shape to meet whatever might come. Also, we must recall the cautious policy of the General Assembly in creating a post-war reserve of $20,000,000 in 1945, which was raised to $30,000,000 in 1947. At that time the fiscal experts expected a recession when peace came. In 1949 this reserve was used to help catch up with needed capital improvements that could not be made during the war years. Through all of these highlights (and I could name more) there runs the idea that North Carolina is concerned for both her *people* and her *creditors.*

WE ARE HEARING much talk these days of the New Federalism. While I am not sure what this phrase means, I hope it portends a real partnership between our national government and the fifty states. I hope it means that the states will have the opportunity to pursue their own concept of progress with a minimum of federal interference.

The steady growth and influence of the federal government that has been apparent for the last two or three decades reminds us that the ability of a state to follow an independent course in achieving its destiny is becoming increasingly difficult. Whether we like it or not, North Carolina is in the economic mainstream and is affected by the winds, the whirlpools, and the cross-currents that affect all other states. To paraphrase John Donne: North Carolina is not an island; it is a part of the Union. *("No man is an Iland, intire of it selfe; every man is a peece of the Continent. . . .")* While we can do much to determine the direction of our craft, we must remember that if an economic tidal wave sweeps the country resulting in either depression or inflation, it does not respect state borders. All of this is another way of saying that it is up to us to achieve our individual destiny as best we can within the framework of national conditions.

While North Carolina has been a victim, along with all the other states, of inordinately high interest rates, when we sell our obligations, we consistently get a shade better price than the going market because of our AAA rating. This rating, the highest that any state can obtain, is our most valued possession and has stood us in good stead in times of prosperity and in times of recession. It has given us a fraction better price for our securities, whether times have been good or bad. Over the years, this has meant millions of dollars to our taxpayers.

And how did we get this AAA rating? It came to us in 1960 and was, of course, the result of our long record of sound fiscal practice, of which I have given illustrations. Our modern fiscal history really begins with the passing of the executive Budget Act in 1925, and is highlighted by the sound use of this act over the years. It all began with Governor McLean, who recommended this legislation to the General Assembly, and was put into practice in hard times by Governors Gardner and Ehringhaus, who were compelled to cut appropriations due to falling revenues; and each successive governor has played an important part in building the edifice of our splendid reputation.

But what of the future? Revenue collections for the first three months of the current biennium reflect some increases over the comparable period of the preceding year. This is gratifying because it indicates a healthy economy. Will the revenue estimates of the legislature hold good? I think so. In other words, I believe that we will, during the current biennium, have available the revenues appropriated together with a surplus, the size of which I am unable to predict at this time. I must admit that I am no prophet—I can't even read tea leaves! I, along with others, can read the signs of the times as they unfold.

After all, we have experienced only three months of the twenty-four months of this biennium. In the twenty-one months to come, we may be faced with some surprises. Down the road, when we are further into the current biennium, we will be able to compare increased revenue, coming partly from new taxes, with the substantially increased appropriations provided by the General Assembly for this biennium.

Within the last few weeks, some have asked the question: Were these new taxes necessary? This is a very proper question and deserves an answer that we are not able at this time to give. If, when the next General Assembly convenes, we find that our economy has, in fact, rallied beyond expectations and resulted in an abnormally high credit balance, then it would be the duty of all concerned to make a thorough study, and, in the light of the then existing needs, see to what extent these new taxes could, with safety, in whole or in part, be repealed. I am sure that the General Assembly of 1969 did not plan or intend to levy taxes that were unnecessary. What they did, they did in good faith in the light of the circumstances at that time, and in the interest of sound government. Except in the sense of maintaining a "margin of safety," I do not believe that it is proper for a government ever intentionally to tax its people in order to build up surpluses.

Of course, some of our increased revenues are due to solid economic growth, but we should realize that a certain percentage is due to inflation. A great many informed people believe that we have reached the crest of a wave of inflation and that we may expect a leveling off during the second year of the current period.

The President of the United States has embarked upon an anti-inflation program of "cooling off the economy." Will he be successful? We hope so. But we must realize that any slowing down of the economy will be reflected in a leveling off and perhaps a slight decline in our revenues in the months ahead.

The forces of inflation and deflation are contending for the control of our economy. Let us hope that neither wins a clear victory. What we need is a tie—a draw, or an impasse—with a resultant stability in our economy.

I view the future with confidence and believe that official predictions as to revenue will be realized, but in a national and world economy, we may expect the unforeseen. We would be naive indeed if we did not realize, for instance, that the dollar can be affected by the status of the pound, the franc, and the mark. And any world crisis becomes a crisis for us. I do not predict a recession, but I do say that we are so involved in world affairs having to do with the war and whether it is brought to an end that our policy should be dictated by considerable caution.

Let me say that good fiscal policy is not an end in itself but is the medium through which the state is able adequately to serve its people. I think that not only must a budget be in balance but also the purposes for which appropriations are made must be justly related to the needs of the people. In other words, a budget must be partly judged by other than fiscal evidence. If it is a good budget, it must not only be in balance, but also provide for the true and evident needs of the state's more than five million people. Judged by this standard, we can be proud of the purposes to which our budget is dedicated.

It is, of course, impractical to describe or even list the many worthy objectives of the budget. So far as the Highway Fund is concerned, I will merely point out that it is totally dedicated to highway purposes, which includes the construction and maintenance of the largest system of public roads of any state in the Union. Its complex of interstate, primary, and secondary roads literally draws all parts of the state together into one great community.

In speaking of the General Fund, less than 4 percent goes to pay for what we call the general government in Raleigh. All the rest goes back to counties, cities, towns, or townships in one form or another—a vast program it is, including public welfare, public health, law enforcement and correction, and, of course, education, which embraces universities, community colleges, and, last but not least, the public schools that deal with the destiny of over a million children. To dramatize the importance of this last item, we find that approximately 72 percent of every General Fund dollar goes for some phase of education.

A hundred years from now, if people look back and read the purposes of our budget, they will know the nature of our people. They will know that we were concerned about the welfare of the handicapped and the disadvantaged. In fact, as they read of our hospitals, of our mental institutions, as they read of our program for the lame, the halt, and the blind, they will think of the spirit of the Good Samaritan! They will know of our devotion to justice and compassion in the treatment of those who have violated our laws. They will take note of our concern for the preservation of our history as expressed in the public archives, as well as our aid to outdoor dramas which sing of the story of our people. They will learn of our aid to art, music, and the drama, and of our provision for producing excerpts from Shakespeare and Carl Sandburg on the stage in the public schools. While these matters are, comparably speaking, minor in cost, they are significant as grace notes to our educational theme. Yes, those who read of our budget in future years will believe that we wished to do the best for our people within our ability to pay, and sought to dedicate the substantial burden of government to the humane needs of all North Carolinians.

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Examining the North Carolina Criminal Code

By Sidney S. Eagles

IN RECENT MONTHS considerable interest has developed in the possible desirability of revising the North Carolina criminal code. As a result, the Attorney General's office has set about investigating this question. The Attorney General will appoint an ad hoc committee that will include several eminent judges, experienced prosecutors, defense attorneys, and a number of law enforcement personnel. This composition is designed to give the Attorney General a recommendation from a cross-section of those elements of our criminal justice system who are concerned from day to day with the administration of justice.

This ad hoc committee will have a limited life and a limited task. Its duties will be confined to study, analysis, and recommendations relating to the answers to several critical questions. First, it must answer the question whether to revise our criminal law and criminal procedure *at all*. Then it must deal with the scope of any proposed revision; for example, whether a general revision of all North Carolina case law and statutory law from throughout the General Statutes should be included, or whether a general revision should be limited to the statutory law contained in Chapters 14 and 15, or perhaps simply a "spot revision" of certain areas of the General Statutes that have consistently presented problems to prosecutors, judges, and defense attorneys.

In the last few years some substantial changes and improvements have been made in North Carolina statutory law. The Business Corporation Act, Chapter 55, was enacted in 1955; the Intestate Succession Act became law in 1959; the Uniform Commercial Code superseded much of the state's commercial law in 1967; the Rules of Civil Procedure take effect in January, 1970. It is noteworthy that each of these major innovations is concerned primarily with the civil side of the law.

Diligent efforts have also been made by the Judicial Council, by the Governor's Committee on Law and Order, and by other groups, as well as by individual legislators, in recommending spot improvements to our criminal laws. Furthermore, significant legislation like the Riot and Civil Disorder Bill and the 1969 act reducing the punishments for many misdemeanors to exempt certain types of cases from the requirement for appointed counsel for indigent defendants has also been enacted. But these efforts at improving North Carolina criminal law and procedure often have been hampered by a lack of coordination and by the absence of any over-all plan.

The excellent job done by the Judicial Council, operating on a limited staff and with a limited mandate, is not to be minimized. However, the time has come for the over-all structure of North Carolina criminal law and criminal procedure to be closely examined to determine whether a general revision is called for. If it appears that a general revision is not required, then it must be determined whether some less extensive re-examination of the subject may be called for. No such examination in perspective has been accomplished in several decades.

The plan is that from the Attorney General's staff, from the several law school faculties, from the Institute of Government, and from such other sources as become available an overview will be provided for the ad hoc committee so that it can intelligently determine and recommend to the Attorney General the need, the scope, and the feasibility of a criminal law and criminal procedure review project. The committee will report to the Attorney General not later than June 1, 1970.

The committee's recommendations will include suggested answers to the following questions, among the many that will come to its attention:

- Should we undertake any revision of the criminal law and criminal procedure in North Carolina?
- Should this revision include a codification of the common law?
- Should this revision include Chapters 14, 15, 18, and 20 of the General Statutes or merely parts of these?
- Should the revision be undertaken by an academically inclined commission of draftsmen reporting directly to the Attorney General, by a drafting committee reporting to a special commission appointed by the Attorney General or by the Governor, by a semi-permanent commission charged with the long-range task of examining the criminal law, or by a combination of all or parts of these components with a more effective use of the presently existing Judicial Council with increased support and staff resources?

Upon a determination of these questions and the formulation of a recommendation, two questions that are primarily a matter of estimate remain: the estimated *time* required for a revision of the scope recommended using the technique suggested, and the estimated *cost* of the project in the form recommended by the committee.

Assuming for a moment that the ad hoc committee's recommendations indicate that many areas throughout the state's statutory criminal law and procedure need attention and that some form of temporary commission with staff be appointed to examine the problem areas, the Attorney General is prepared to seek from the Governor's Committee on Law and Order enough additional funding to do the job. The Law and Order Committee is the conduit through which federal funds are made available for projects of this type. Should funding from that source not be available, the Attorney General is prepared to solicit funds from private foundations and other nongovernmental endowments. As a third alternative, if all other funding alternatives fail, the Attorney General is prepared to request an appropriation from the 1971 General Assembly to implement the ad hoc committee's recommendations.

Assuming the availability of funds, which is a rather large assumption, we anticipate that a commission of temporary duration with a staff directed by an assistant attorney general will be appointed. The basic philosophy of this commission and its staff will be than change for its own sake is not desirable and that the primary aim of the project will be to clarify our criminal law and procedure, when possible eliminating those aspects of the procedure that are no longer required for protection of the rights of the accused in order to facilitate expeditious conduct of the court.

MANY law enforcement officials, lawyers, and judges have recently come to think that any revision of the criminal law automatically means a substantial reduction in the protection afforded society and an increase or addition to the rights or protections accorded to an accused defendant. While protection of accused defendants' constitutional rights must necessarily be a hallmark of any criminal code revision in this day and time, the criminal law revision project is not intended to be party to any wholesale watering-down of the traditional protections afforded society by the criminal justice system.

This article was adapted from a presentation made by the author before the Solicitors' Conference recently held at the Institute.

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UNIGOV

City-County Consolidation in Indianapolis

By DAVID M. LAWRENCE
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In the language of political scientists, "consolidation" broadly means the merger of a city government with a county government, resulting in one government where there were formerly two. This definition, however, subsumes more particular ones. Thus, "consolidation" differs remarkably in Miami-Dade County, Nashville-Davidson County, Jacksonville-Duval County, or Baton Rouge and East Baton Rouge Parish. Each of these consolidations has been motivated by different forces, resulted in diverse restructurings of local governments, and presented its own problems for the new single government. The most recent successful consolidation occurred in Indianapolis-Marion County, Indiana.

For North Carolina, consolidation has a special interest. Durham and Durham County failed to consolidate in 1960, and Charlotte and Mecklenburg County have obtained legislative authority to make a consolidation study, which is now under way.

The focus of this article will be on the reasons for the consolidation in Indianapolis, the form it has taken, and, to a lesser degree, some of the problems it has occasioned.

On March 13, 1969, the Governor of Indiana signed into law a bill consolidating the governments of Indianapolis and Marion County. Without resort to a local referendum, the state legislature had created the "Consolidated City of Indianapolis," the twelfth largest city in the United States. The boundaries of the "old city" were made coextensive with the "county." When interim arrangements are complete, in January of 1972, residents of the entire county will elect a mayor and a 29-member council, of which 25 members will be from districts. The mayor will direct the government through a six-man cabinet, while the council will operate as a legislature, with final budgetary control over the government (and over some independent agencies not consolidated). Until 1972, government will continue under the incumbent mayor of Indianapolis, whose jurisdiction has been extended to the boundaries of the "new city," and under a combined council of 14—the present nine-man city and five-man county councils. Of all incumbent elected officials in the county, only three—the members of the county commission—lost their jobs.

Despite the apparent simplicity of this outline, consolidation in Indianapolis has taken a complicated and confusing form—a form that is but a way-station on the road to total consolidation. To understand that form and why it was instituted, it is necessary first to sketch what came before.

The old city was governed under the so-called strong-mayor plan, with a mayor elected city-wide and nine councilmen also elected at large, but required to reside in districts. Although local elections in Indiana are partisan—indeed, highly so—each party was guaranteed some representation on the council by charter provisions that limited party slates to six candidates. In addition, interparty arrangements guaranteed at least one Negro seat on the council.

Marion County, before consolidation, was governed by a county commission and a county council. What little executive power there was in the county resided in the commission, which was primarily responsible for county roads and drainage; it also had minimal legislative powers. The more important legislative body was the county council. Although the traditional county council in Indiana was restricted to budget-making and taxing, the urbanization of unincorporated areas has necessitated expansion of the powers of this body, largely in the past two decades.

The county commission and council shared the operation of county government with a number of constitutionally required officers. Prominent among these were the sheriff, the auditor, the assessor, the treasurer, and the recorder, each with certain line responsibilities in county government, and each elected separately by county voters.

Another set of governments ran the schools. School systems are operated independently in Indiana, with separate borrowing and taxing powers. Marion County had eleven systems, one coterminous with the old city of Indianapolis and ten—usually organized along township boundaries—outside the city.

Townships lines were not utilized solely for school purposes. Each township in the county elected a tax assessor, responsible for appraisal and assessment under the direction of the county assessor. Municipalities (including Indianapolis) often contained portions of several townships, and differing appraisal policies among the assessors could and did create a certain amount of unfairness. Finally, each township also elected a trustee, who was responsible for providing general relief within the township.

A final level of governments was the special districts. The Constitution of Indiana restricts the debt of municipal corporations of the State to 2 percent on the value of the taxable property within each corporation. The present value of taxable property within all of Marion County is about $1.8 billion; 2 percent of that is a mere $36 million. For a county-wide population of 800,000, a borrowing power limited to $36 million is pitifully inadequate. Faced with this limitation, leaders in Marion County chose a path often traveled in the North and Far West. They created a maze of special, single-function districts. In the last twenty years most municipal line functions, with the prominent exceptions of fire and police, were extended to the county line or close to it and made the province of special-district governments.

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Each of these special governments was placed under the control of a board or commission, which set policy, levied its taxes, and issued bonds. (Bond referendums are not legally necessary in Indiana.) Although in some cases all members of a board might be appointed by the Indianapolis mayor, the more frequent arrangement saw appointments also made by the city council, the county council, and/or the county commission. Even when all appointments were made by the mayor, terms were often staggered, so that it was a rare board that was directly responsible and responsive to any one man or group.

Two examples should serve to portray the extremes to which this functional specialization was prone. When the city and county decided to construct a joint office building, they created a city-county building authority to sell the bonds and build and operate the building. That is the sole function of this authority. When the two governments decided that they ought jointly to build a civic center, they did not turn to their already functioning building authority but created a capital improvements board to sell those bonds and build and operate that facility. Doubtless future large construction projects would have begot new authorities.

The device of single-function governments enabled Indianapolis and Marion County to avoid financial confusion, but the price was uncoordinated development. According to the present mayor, the separate boards attracted first-rate members, men of high principle and strong conviction. That was part of the trouble. Their convictions often reflected the exigencies that confronted the boards on which they served, and they became advocates for a particular function. Coordination between functional governments became the exception, confusion—and occasionally conflict—the rule.

A second problem grew from the method of appointing board members. As noted above, appointments usually were made by a number of elected officials with differing constituencies. The result was that the Indianapolis mayor, reckoned by the textbooks as a strong mayor, was left with few functions under his control. (Since Indianapolis usually elected Democratic mayors while the rest of the county was strongly Republican, the possibility is evident that the isolation of the mayor was not without partisan motives.) Again, coordinated development of the region was the victim.

A final result of governmental fragmentation in Marion County was the practical impossibility of annexation by Indianapolis. Annexation in Indiana depends upon a successful referendum in the area to be annexed. Since the only real services that Indianapolis could offer for its higher tax rate were police and fire protection—services already enjoyed, albeit on a lower service level, by suburban residents—successful annexation referendums became few and far between.

In 1965, the Democrats, riding the crest of the Johnson wave, gained control of Indiana state government for the first time in recent years. The Democratic-controlled city government, seeking to press this advantage, presented to the legislature a plan to give the mayor sufficient appointive powers to control each of the single-function boards. The plan was objectionable on the grounds that it gave the mayor—elected only by city residents—control over bodies empowered to tax residents of the entire county. Perhaps this was the reason it was only partially successful—while some boards were restructured, many were not.

The next step in governmental reform was the creation of the Greater Indianapolis Progress Committee, a semiofficial group of professional and business leaders established to advise the mayor. Out of this body came two proposals submitted to the 1967 legislature. The one urging consolidation of the county and city police departments failed; the other, granting substantially increased powers to the Mass Transit Authority, a county-wide road-building agency, passed.

The municipal elections of 1967 and the state elections of 1968 led to a complete turn-about in political power in Indiana. For the first time in long memory the Republicans controlled Indianapolis, Marion County, the legislative delegation, the legislature as a whole, and the governor's chair. With the stars so in conjunction, the Republicans acted. The mayor, Richard G. Lugar, had been elected on a platform of "good government"; utilizing the offices of the Progress Committee, he and his advisers surfaced with the general plan that finally passed. He had traveled widely within the state before the 1968 elections, speaking for Republican candidates and raising funds, and these I.O.U.'s became the foundation of passage of the plan in the legislature. After an extensive local campaign (that resulted in a number of amendments to make the plan more palatable to various forces in the county), the delegation closed forces behind consolidation, and a partisan vote swept it through the legislature. Consolidation—dubbed Unigov by the press—was at hand.

The Executive

One of the major changes wrought by the Unigov legislation places the mayor in a position of legal and probably political leadership over most of the governmental activities in the city. For the first time in many years one official should be able to provide direction and coordination to government in the area. This was accomplished by merging into six departments eight of the single-function governments that lay, like so many geologic strata, upon the bedrock of city and county government. The directors of these departments—five of whom are appointed by the mayor, with council approval, while the sixth is subject to mayoral confirmation—serve in the mayor's cabinet, which is designed as the major policy-making and chief coordinative device in the government. Time and again, when department heads and division chiefs were asked how interdepartmental conflicts would be resolved, they replied, "through the cabinet."

Day-to-day operations of the government are the responsibility of the mayor, his staff, and his cabinet. He may dismiss the five directors he appoints, and probably can marshal great pressure to effect dismissal of the sixth. Through his directors he may control the hiring and firing of division heads. Since he also controls three of the five appointments to the departmental boards (elaborated on below), he should also be able to exercise great influence over their activities. A final power worth mention is his line-item veto over budget ordinances, which can be overridden only by two-thirds of the entire council.

No salaries are set by the charter. Rather, the council has this responsibility. The one restraint is that the salaries of the mayor and councilmen cannot be raised during their terms of office. Any such increases must take effect upon the beginning of the next term for those officials.

The Administration

The new departments eliminate eight of the formerly independent single-function governments. However, five other districts remain (although the new government will control their budgets), as do the constitutional officers, the township officers, and the independent schools. Budgets of the constitutional officers will also be set by the council, but schools and township trustees retain even their fiscal independence.

Each of those special districts incorporated into Unigov also retain their respective geographic jurisdictions, at least for the foreseeable future. This means that some departments operate over different geography for different services—a situation born not of logic but of politics.

• *The Departmental Boards.* An unusual feature of the Indianapolis consolidation is the provision for special boards for five of the six departments of government (the Department of Administration has no such board). Four of these boards can be discussed in terms of a general model—the Boards of Public Safety, Public Works, Transportation, and Parks and Recreation. They will each have five unsalaried members—two appointed by the mayor, two by the council, and the director of the department, who serves ex officio as presiding officer. (The original plan would have given the mayor all four appointments, but this feature was compromised out.) Generally these boards are empowered to review their departmental budgets before submission to the council, to approve all contracts, involving capital equipment or improvements when public advertisement is required, and to sell property of the department. In addition, all except the Board of Public Safety are empowered to hold those hearings their departments are required to hold. Finally, the boards have a nebulous policy-making power. The literature of the government mentions this, but the charter itself is not clear. During our visit, officials were not yet sure of the extent of policy-making activity by the boards, but seemed to think it would depend upon the strengths of the personalities involved.

The fifth board, the Metropolitan Development Commission (MDC), is somewhat differently constituted and has broader powers. Initially it too was intended to mirror the basic model outlined above, but political pressure caused revision. It will be a nine-man bipartisan board, appointed as follows: four by the mayor, three by the council, and two by the county commissioners. (Recall that the commissioners lost their jobs. However, for various appointments and for operating the county home, a county commission consisting of the county auditor, assessor, and treasurer—all serving ex officio—will continue to exist.) The commission will appoint the director of the department, subject to confirmation by the mayor. It will also act as a planning and zoning commission and as a redevelopment commission and will have the power to sue or be sued in its own name. It has the same contract-approval and budgetary-review powers as the other four boards.

• *Department of Administration.* All internal service functions of Unigov are included in this department: Finance, Purchasing, Law, Personnel, Citizens Affairs (primarily public relations, although it also handles citizen complaints), and Records. Because of their important responsibilities, the administrators of the Finance and Legal Divisions are appointed by the mayor rather than by the director of the department.

The legal division merges separate legal offices that had been serving the separate agencies of Marion County—this is a major accomplishment of consolidation. Unfortunately, in the process, each of these offices has taken on the character of the city's legal office—political and part-time. Traditionally each new mayor of the city has brought in his own attorney and legal staff, and transition has not always been smooth. Indeed, the present corporation counsel told us that he learned nothing from his predecessor upon taking office, save that the city had a brief due in the State Supreme Court in three days' time. The political character of the office—the incumbent sees his loyalties lying to the mayor and to the Republican county chairmen—will probably remain. There is, however, no danger that the council will react to the attorney's loyalty to the mayor by attempting to hire its own lawyer; Indiana law forbids that. The corporation counsel expressed hope that the legal staff might become less political and more professional, but to do so would require a revision of its other essential characteristics—its part-time nature. This aspect probably derives from the political nature of the job, as an attorney would not want to give up his practice for a few years' service in government. However, as with most part-time law offices in large city governments, the work has tended to become full time while the salary remains part-time, and this may be a pressure toward professionalization.

• *Department of Metropolitan Development.* This department represents an effort by Indianapolis to create a little HUD. The first division is Housing, incorporating the Housing Authority into the government. The department is responsible for planning and site location, but once that stage is past, the responsibility of construction and operation devolves completely upon the Authority, which has its own director and operates independently. (Its budget, however, like that of all parts of the consolidated city, is subject to control by the department, the mayor, and the council.)

The second division is Urban Renewal, with responsibilities as the name implies.

The third division is Planning and Zoning. The MDC acts as a planning commission, with responsibility for area-wide and long-range planning—and for developing the city's zoning ordinance. One of the proud accomplishments of the drafters of the Unigov legislation permits the MDC to hire examiners to hold public hearings, make findings of fact, and recommend courses of action to the commission. The full board holds hearings only if exceptions are taken to the examiner's report. A second feature provides that if the council does not approve the zoning as proposed by the board, it shall send the ordinance back to the board for further consideration. If the ordinance is resubmitted without change, the council must marshal 80 percent of its members to overrule the board. For granting variances (in Indiana, in contradistinction to North Carolina, use variances are perfectly proper), three boards of zoning appeal with concurrent jurisdiction exist within the department. In addition, each "excluded" town (see page 24) may have a board of zoning appeals—two members appointed by the MDC and three by the mayor of the town. If the director of development excepts to a decision of any of these boards, he may appeal it to the MDC. From there, the only recourse is judicial.

The Division of Buildings consolidates all inspections in the county.

Finally, there is the Division of Code Enforcement, headed by an attorney (full time) assigned by the Legal Division.

The Department of Metropolitan Development also has some built-in coordinative features with other departments of government. For instance, park acquisitions must be approved by the MDC. (There is no comparable site acquisition approval power vis-à-vis schools, but the director reported an excellent working relationship with the schools, and pointed out that the master plan makes general areal provision for school sites). The relationship with the Transportation Department regarding transportation planning is as yet obscure and may require mediation or even decision by the mayor before the lines are established.

• *Department of Public Safety.* The director of public safety has jurisdiction over police and fire services in Indianapolis. A prominent feature of the consolidation is the restriction of city police and fire services within the boundaries of the old city. The legislation drafters were faced with a county sheriff's department and a number of small municipal police forces and with a developed system of volunteer fire departments. Each of these provided services to the people outside the old city for less than the city itself could have afforded (albeit with commensurately lower service levels), and each had deep political strength. Also, Mayor Lugar had vowed not to raise tax rates, and expansion of police and fire services were inconsistent with this goal. At present (and under consolidation no change is imminent), there is little coordination between the city police and the sheriff's office; however, an extensive network of mutual-aid contracts coordinate fire protection, and the city helps train volunteer firefighters. Although the Charter provides for extension of city police and fire services, when this extension will occur is a matter for conjecture.

The director of the Department of Public Safety appoints the police chief and the fire chief, while these respective chiefs may appoint their own executive assistants. All other members of both police and fire departments are under civil service, and a large part of the legislation pertains to this system. (These are the only municipal employees under civil service, but sanitation workers have recently organized a union.) The act also provides for a police review procedure and for an education loan fund for college training of potential police officers.

Public Safety also has responsibility for civil defense, the dog pound, and weights and measures.

• *Department of Public Works.* Public Works took over the areas of sanitation (including refuse disposal and sewerage), drainage, flood control, air pollution, maintenance of municipal property, the motor pool, and the city market. The director of the department voiced a certain dissatisfaction with the arrangement. Like many officials, he admitted a bias toward private operation of municipal services wherever possible (for example, water is privately provided in Indianapolis), and he felt that garbage collection and disposal were prime candidates for return to the private sector. Since DPW is responsible for sanitation and air pollution, he also felt that logically it should regulate water pollution activities as well; at present the independent Health and Hospital Corporation (in charge of the general hospital and public health) does this. DPW motor pool responsibilities are only for maintenance; each department allocates its own automobiles. Although the DPW director wanted to retain maintenance, which dovetails with the upkeep of sanitation equipment, he did suggest that allocation might better be a central responsibility in the Department of Administration.

• *Department of Transportation.* This is the road-building agency of the government; it also is responsible for street lighting, street drainage, and traffic engineering. As noted above, the responsibility for transportation planning is still uncertain. The Department of Metropolitan Development has attempted to enter the field, but the director of transportation is highly dissatisfied with MDC's staffing arrangements for streets and highways and is not giving in quietly. Mass transportation in Indianapolis is handled by a private—at this time, highly successful—bus company, while the airport is operated by the still independent airport authority.

• *Department of Parks and Recreation.* The sixth department is smaller than it was under the old city. Under consolidation, the Parks Department lost certain highway functions, involving parkways and other landscaped roads, to the Department of Transportation. In addition, as noted above, it may not buy land for parks without approval of the MDC.

The City-County Council

One of the substantial changes made by Unigov was the consolidation of the city and county legislative bodies. Previously, the city council had nine members and the county five; all were elected at large but required to reside in districts. Under interim arrangements the city and county councils now sit as a combined council in which all members have equal votes. With this arrangement, the city has a majority vote if its members vote as a block.

Beginning January 1, 1972, the combined city-county council will consist of twenty-five representatives elected from districts and four representatives elected at large. General elections are scheduled for November, 1971, preceded by party primaries. Qualified voters of the three excluded municipalities will be eligible to vote for the election of councilmen from their districts, the at-large representatives, and the mayor. Because the 1970 federal census is imminent, Unigov legislation did not create the districts from which the twenty-five representatives would be elected; instead, it specified that the districts shall be as nearly equal in population as practicable, compact in figuration, and created by ordinance of the council. Unigov legislation also provides for a redetermination of the districts every eight years after the original districts are created. The ratio of district-elected councilmen to population initially will be approximately 1:30,000. A vacancy in the council may be filled by the majority vote of the remaining members of the council.

The council is required to set up a watchdog standing committee of not less than three members for each department of the government. A standing committee may investigate the policies and expenditures, subpoena employees, and examine any records or accounts of its department. Finally, the council has the power to establish such other committees with such other powers as it may deem appropriate. The council also has the power to have an audit of the government made by an auditor of its own selection.

The council, as the primary legislative body of the government, is empowered to pass ordinances concerning all affairs of the consolidated city. "Included" towns, townships, and "conservancy districts" (prior-existing sewer districts), however, retain legislative powers with respect to their territorial jurisdictions except that they may not issue general-obligation bonds or pass ordinances that are in conflict with or permit lesser standards of activity than ordinances of the consolidated council.

In addition, two types of special districts are authorized. One is a special service district, which is a district smaller than the consolidated city created to provide the property owners therein with a service or services. The special service district is a separate body corporate and is governed by a special service district council composed of the members of the city-county council elected from those electoral districts that encompass any part of a special service district. A special service district council has the exclusive right to adopt ordinances, approve a budget, make appropriations, and levy taxes for its respective district.

A second type is a special taxing district, which may be a district of less, equal, or greater territorial limits than the boundary of the consolidated city. In the special taxing district, the property owners bind themselves to pay for construction and maintenance of local public improvements, which may include storm sewers, sanitary sewers, flood control, drainage and water course improvements, parks, redevelopment projects, and streets and roads. The council must adopt a budget for and give prior approval to a bond issue of a special taxing district, apparently even when the district may be greater than the territory of the consolidated city.

Any tax levied for the support of a special taxing district project or for a special services district project is levied only on property within that district. All other taxes are levied county-wide.

The budgetary powers of the council have been substantially increased under Unigov compared with those given the previous city and county councils. The council has the exclusive power to adopt budgets, levy general or special taxes, and make appropriations for the consolidated city and any of its departments. The council's fiscal authority extends to many of the independent agencies and boards and to the offices of all of the "constitutional" officers of the consolidated government whose powers and duties have not been changed by consolidation. Thus, the council has the power to review and modify the operating budgets and the tax levies of the airport board, the health and hospital board, and the library board, but it has no power with respect to any bonds that may be issued by those boards. It also has power to review the budgets of the welfare board, the election board, voter-registration officials, municipal courts, court clerks, juvenile centers, the cooperative extension service, and all township assessors. (No bonds of any special taxing district and no temporary loan warrants or notes of any sanitary, flood-control, park, redevelopment, or thoroughfare districts may be issued without the prior approval of the city-county council.)

The council has no budgetary or bond-approval powers over the building authority (responsible for financing and operating the municipal building), a capital improvement board (responsible for financing and operating a municipal auditorium), and the township trustees. School districts also are fiscally independent of the council and are empowered to levy taxes (which account for almost 50 percent of the property tax) for normal operating expenses and issue bonds for capital or other improvements, all without council approval.

After the council adopts a budget, it submits the budget ordinance to the mayor, who has a line-item veto. Upon approval by the mayor, the budget bill is transmitted to the County Tax Adjustment Board. This board is created by state law, which even before consolidation had required one for every county. It is the only agency in the county that reviews the budgets of all governments in the county. It assures that the budget has been prepared in compliance with all applicable laws, that the financial data and accounting reflected in the budget are accurate, that the levy of taxes is adequate to pay for the services to be furnished, that the bonded debt of the taxing authority does not exceed the constitutional limit, and that other legal requirements have been satisfied. It also may review the budget priorities and may amend budgets if it sees fit by reducing appropriations and carrying over funds from prior fiscal years.

As noted above, the council shares with the mayor the power to appoint members to the advisory boards that serve the six major city departments. It also has power to appoint an acting mayor and clerk of the council and to confirm the appointment of other officials of the government nominated by the mayor, such as deputy mayors and the directors of the Departments of Transportation, Public Works, Parks and Recreation, and Public Safety. These directors serve for a one-year term and may be reappointed by the mayor with council approval.

The council is expected to adopt a streamlined procedure for receiving public testimony and opinions on proposed ordinances and resolutions. Under the proposed procedures, a departmental committee (such as the one for the department of transportation) will hold the public hearing and recommend a course of action (such as the location of major thoroughfares) to the full council. Before the full council, only councilmen will be permitted to discuss the recommendations and other course of actions; the public will not be allowed to present testimony. However, since the council may establish its own rules of procedure, the council may decide in some instances to hold another public hearing, thus vitiating the streamlined committee-hearing procedure.

A similar short cut in the council's procedures has been proposed for rezoning matters. Under existing law, the city and county councils sitting as a committee of the whole must conduct public hearings on rezoning cases. Under the proposed procedures, the council will be permitted to pass zoning ordinances without hearing unless a majority of the councilmen vote to hold a hearing in any particular case.

Not all council members will be entitled to vote on all matters that come before the council. Only the at-large representatives and councilmen from districts affected by proposed ordinances or resolutions will be permitted to vote on them. It was suggested that this limitation would apply only to zoning matters and to issues concerning the extent of fire and police protection.

The Status of the Municipalities

Before consolidation, Marion County contained nineteen municipalities besides Indianapolis. Sixteen of these are "included" in the consolidated government, and three are "excluded," by choice and by definition. All municipalities with populations over 5,000 are excluded; apparently, if any of the sixteen included municipalities grow larger than 5,000, they become excluded. The included towns retain their identities and may continue to perform local functions. The primary difference between the included and excluded towns is that the latter may issue general-obligation bonds and pass ordinances that permit lesser standards than ordinances of the consolidated city.

There are several notable features to the relationship between the consolidated city and municipalities. The most striking concerns annexation, which involves a transfer of jurisdiction. Included towns may annex property that was unincorporated before consolidation, pursuant to general law procedures. An excluded town and the consolidated city may exchange jurisdiction over territory upon petition of 51 percent of the property owners in the area to be transferred and the approval of their governing bodies.

One legal challenge to Unigov legislation attacks the provisions that entitle residents of the three excluded municipalities to vote for the mayor of the consolidated government and at-large members of the council. These provisions are alleged to be part of a scheme to dilute Negro representation on the council in that the voters of the municipalities will tend to vote for white at-large representatives whose votes in the council will cancel out the votes of representatives elected from the "Negro districts." The justification for these provisions is that residents of the municipalities will be subject to county-wide ordinances enacted by the council and to county-wide ad valorem taxes levied for services furnished by the consolidated government.

The final notable distinction between the municipalities and the consolidated government concerns police and fire protection. The old city constitutes a special taxing district in which this protection is afforded and for which residents are taxed accordingly. The consolidated government does not undertake to furnish these services outside the old city, and the tax rates outside the old city are correspondingly lower than in the city. The municipalities presently provide limited police protection and some furnish fire protection as well. The charter provides that police protection can be extended by the consolidated government to the unincorporated or incorporated areas of the county upon the majority vote of the council, and fire protection can be furnished upon the petition of the majority of the property-owners in the area to be serviced, subject to council consent.

Partisanship, Race, Class, and Community Identification

Unigov was proposed for many reasons, and many groups have favored it. Likewise, Unigov has been deemed inimical to interests of certain community groups for many reasons, and many groups have opposed Unigov and still oppose it.

Undoubtedly, one purpose of consolidation was to make government "more responsive" to the electorate. Indianapolis and Marion County suffered a plethora of governmental units and a dispersion of responsibility for governmental services. The result was a series of independent authorities whose appointees were insulated from control by the old city's government. When the Republican stars were in propitious orbit, the time seemed opportune to change the nature of these authorities. Unigov does just that, in ways noted above. The justification for the changes is that the authorities are being made more responsive to the electorate.

Another reason for the changes in government and for the forms that those changes took has much less theoretical appeal and is subject to criticism on other than partisan grounds. For full understanding of these changes and criticisms, some of the area's competing interest groups need to be identified. As noted, there is a strong tradition of hotly contested partisan politics; the Democrats have been powerful in the city and the Republicans in the county, in the General Assembly, and in the state house. Also, the disparity between the city and the rest of the county along socioeconomic lines is growing; the city is increasingly Negro and middle-to-lower class, and the rest of the county is increasingly white and middle-to-upper class. Residents of the municipalities, however, cannot easily be characterized in the same manner as other "county" residents. The same partisan allegiances, at least, may be absent, and the extent of the socioeconomic grouping is in question. It is true, however, that the residents of the excluded towns share a strong sense of identification to their particular town—a type of identification prone to reject the racial, social, and economic integration that might (or is perceived by them to) attend consolidation.

A similar sense of community identification, coupled with a desire to control what happens in one's community, is shared by the Negro population in the central city ("Center Township"). One Negro lawyer, speaking with strong Democratic overtones, charges that Negro voting power is being diluted, and in pending litigation seeks to set aside those provisions of Unigov that create the four at-large seats (which he charges will be "safe white seats") and entitle residents of the three excluded municipalities to vote for the mayor and members of the city-county council.

The proportion of Negro voting power has indeed been reduced. The Negro population of the city is 25 or 26 percent, and the Negro population of the combined city and county will be about 16 or 17 percent. Of the total Negro population of the area, approximately 87 percent lives in Center Township. Extension of the voting area of the old city to a county-wide basis will dilute the effect of the Negro on the election of the mayor, and may affect the Negro's bloc vote power in councilmanic elections. The present city council now has one Negro member and the county council none. Estimates of the number of Negroes who will be elected to the city-county council range from one or two up to eight or nine. The amount of Negro representation on the city-county council will depend on how district lines are drawn. The opportunity to gerrymander the concentrated Negro population out of politics altogether is very limited, and the opportunity to draw district lines that will insure a limited number of "safe" Negro seats much greater.

The mayor suggests that district representation will create Negro power bases from which Negro representatives will be elected to the consolidated council. In his view, it is no longer entirely up to the whites, through the exercise of party discipline and endorsement in party primaries, to determine which or how many Negroes will be on the council. The mayor, of course, predicates his assumptions on fair districting. He believes that Unigov is the best vehicle for resolving the social, economic, and racial polarizations that face the city and its populations and questions whether the Negro population really would benefit by inheriting a city that is essentially "poverty stricken." What does it avail the Negro population, he asks, to control a city whose white population has moved out, taking its wealth with it.

In the end, what happens to the blacks in Indianapolis will depend not on Unigov, but on the people behind it.

Conclusion

Indianapolis-Marion County is less than a wholly consolidated government. In many respects, it still has vestiges of the two governments, and some of the problems that compelled consolidation in the first place apparently have not been squarely resolved in terms of the form of government. Moreover, this analysis of the structure of the new government suggests that new problems may be posed as a result of consolidation.

The new government's success, however, ultimately should be judged in terms of its leaders' ability to resolve the old and new problems, for the form of government matters little if the men in government lack the ability to use the form as a problem-solving device. The new government in Indianapolis is a considerable improvement over what existed before consolidation; many of the men who fashioned it are its leaders; and the hope for Indianapolis-Marion County accordingly is that they will be as imaginative and successful in resolving some of the incipient problems as they were in devising the form itself.

AFDC

one way to help the poor

BY LOUIS O'CONNOR, JR.

One fact about the twentieth century, whatever its imperfections, is that, viewed in historical perspective, it has truly come a long way in taking a more humane, constructive approach to the problems of the poor. From a time in which the public attitude was that poverty was a justified result of moral inadequacy, today many people have come to realize that the poor need help that leaves them with dignity and gives them an opportunity to do for themselves.

One of the many programs that are being extended to help the poor in this way is Aid to Families with Dependent Children (AFDC). It is probably also the most controversial and least understood of these programs. The misconceptions about AFDC are many. It is said, for example, that the program encourages illegitimacy. Yet the great majority of illegitimate children in North Carolina do not receive AFDC. Over the past 18 years 183,248 illegitimate children have been born in this state, of whom only 15,400 (approximately 8.4 percent) currently receive AFDC. Another contention is that once a woman becomes recipient of AFDC, she continues to have children in order to get welfare benefits. Our statistics indicate that only 3.4 percent of the children currently receiving AFDC were born after the mother became eligible for assistance. Moreover, a mother with two or three small children who has another child receives only pennies a day because of the additional child.

Basically, AFDC permits children deprived of full parental care and support to be brought up in their own homes, and it is a program that may expand in scope and character if the President's recently presented welfare policy is adopted.

To see how the AFDC program has developed in North Carolina, let's take a look at the history of public welfare here. In one way or another, provision has always been made for the poor in this state—from the arrival of the first settlers. Before statehood, this was a function of the church. For purposes of church government, the colony was divided into parishes. Each parish was managed by a vestry, one of whose responsibilities was care of the poor. After the statehood and the separation of church and state in 1776, this responsibility fell to the government. The county court, made up of all the justices of the peace of the county, was charged with appointing a number of landowners as overseers of the poor. These overseers were to find employment for the poor, bind out poor children as apprentices, provide relief for those unable to work, and build almshouses for the homeless poor. This was essentially a system begun in England during the 1500s and brought to this country by colonists up and down the east coast of America. Very little money was expended in the care of the poor, and public relief was based on the principle that poverty was self-deserved and disgraceful.

In 1868, the framers of the present North Carolina Constitution took a broader view of the problems of individuals and families and recognized that provision for the poor, the unfortunate, and the orphan was one of the first duties of a civilized and Christian state. This same provision exists today in Article XI, Section 7, of the North Carolina Constitution. The General Assembly at the 1868-69 session created the Board of Public Charities of the State of North Carolina. Individual members of that board devoted much attention to their duties, but the practices that had been brought over from England continued in the latter part of the nineteenth century much as they had for the preceding 250 years.

The beginnings of today's North Carolina public welfare program were laid in the General Assembly in 1917 and 1919 with the appointment of a larger state board and county boards of charity and public welfare. The system of county-administered programs of welfare began to develop into what we have today. The county superintendents of welfare were assigned the tasks of overseeing of dependent and delinquent children, the chief school attendance officer, and the enforcement of the child labor law.

The year 1923 is memorable in the annals of public welfare in North Carolina, for it marks the beginning of aid to dependent children in their homes. This was called the "Mothers Aid Law." The importance of a child's own family in his development was emphasized beginning about 1920 and the years immediately following. On July 1, 1923, a new law in which the state provided funds for the care of "needy orphan children in the homes of worthy Mothers" became effective. The immense sum of $50,000 was made available to counties on the basis of population, if the county matched from its own funds the amount paid from state funds.

Payments in North Carolina were made not only to worthy widows but also to mothers who were without the support of fathers because of divorce, desertion, incapacity, or confinement to an institution. A three-year period of residence in the state was a requirement for eligibility, and one year in the county immediately preceding application was specified. Only children under fourteen years of age were included in the provisions of the act. A further qualification of the mother was that she be possessed of sufficient mental, moral, and physical fitness to be capable of maintaining a home for herself and child, or children, and be prevented only by the lack of means.

Maximum payments were not to exceed $40 per family "except in extraordinary circumstances." No provision was made for the necessary expenditures of the mother, even though caring for the children made her taking a job both undesirable and unlikely.

The depression of the 1930s quickly showed the inadequacy of this county-financed and state-aided public welfare program. The problems resulting from the depression were nationwide in scope and knew no county or state boundaries. People looked to the federal government for action, which soon came in the form of programs for the aged, for dependent children, and for the blind. Most of the money to support these programs came from the federal government, with the state and local governments required to contribute as well.

These new programs were embodied in the Social Security Act passed by Congress in 1935. In the 1937 session of the North Carolina legislature, the act of 1923 was repealed and the Aid to Dependent Children Act was passed.

Under this new law, the age of children eligible for assistance was raised from fourteen to sixteen. In addition to children's own mothers, who alone could qualify for assistance under the 1923 act, fathers stepmothers, stepfathers, grandparents, aunts, uncles, brothers, and sisters who were maintaining their own homes and caring for dependent children in them were eligible for grants under the new law. It also stated that all grants should be money payments and that a residence requirement was reduced to one year for the dependent child. As in the 1923 act, maximum grants were specified. The total grant was not to exceed $65 except in extraordinary circumstances.

The main purpose of the 1935 Social Security Act was to provide financial assistance to state and local public welfare programs. Assistance was denied to residents of county homes and other public institutions, particularly because of the poor reputations of county homes generally. Uniformity in administration of relief and elimination of politics was sought through the requirement that federally aided programs be administered by persons who had proper training and experience without regard to political considerations. Emphasis was placed on services to public welfare recipients in addition to monetary assistance in order that they could more quickly become self-supporting.

Aid to families with dependent children is unquestionably the most controversial of all the welfare programs as well as the most widely misunderstood, and it is the one that receives the most criticism. It is designed to assist children, but because a payment cannot be made to an infant, or to a four-year-old, or even a fourteen-year-old, the payment is normally made to an adult, usually the mother. And because it would serve little purpose to make a payment for a child and to let the mother be without subsistence, the payment normally includes an adult.

This paper is adapted from a talk before a meeting of county social services board members held recently at the Institute of Government. The author is director of the Division of Welfare Programs in the Department of Social Services.

The eligibility requirements for AFDC are as follows: children must be deprived of parental care and support because of the death, physical or mental incapacity, or continued absence of one or both parents from home and must be without adequate means of support; adults in this category must be registered for employment, and if a bona fide job offer is made they must accept.

The Social Security Act was amended fourteen times from 1935 thru 1967. The first significant amendments came in 1956 when Congress:

(1) Broadened aid to dependent children coverage slightly by including additional relatives with whom a child may live and receive this assistance and by deleting the school attendance provision.

(2) Amended statements of purpose in all four public assistance categories to enable states to furnish appropriate public welfare services to help recipients toward independent living. In ADC the goal was to "help maintain" and strengthen family life and to keep children in their own homes.

(3) The federal government also began to share in the states' cost of providing appropriate services as well as assistance to needy people.

Beginning with President John F. Kennedy's welfare message of February 1, 1962, the entire legislative history of the 1962 amendments to the Social Security Act emphasized the importance of the rehabilitation factor in the public assistance programs. His words were a reflection of the times: ". . . merely responding with a 'relief check' to complicated social or personal problems . . . is not likely to provide a lasting solution. Such a check must be supplemented, or in some cases made unnecessary, by positive services and solutions, offering the total resources of the community to meet the total needs of the family to help our less fortunate citizens help themselves."

To give incentive to the states to increase and improve services, federal matching in certain services and the cost of staff training was increased from 50 percent to 75 percent by the 1962 amendments.

Each state plan was required to provide for the development of such welfare and related services program for each child recipient as may be necessary because of home conditions and the child's special needs. It must also provide for coordination of these programs with the child welfare services plan.

The 1967 amendments brought about so many changes and new programs that, even though two years have passed, many of these programs have not been implemented. These include:

The Work Incentive Program
Extended Day Care Services
Family Planning Services
Expansion of Social Services.

Although the 1967 amendments have not been fully implemented, President Nixon has recently outlined a new program called the "Family Assistance Plan," which would establish an income floor for all families with children. A family with no children would not be eligible to receive benefits. The principal new group that would be made eligible under this plan consists of the more than two million "working poor" families headed by males working full time. For

IN NORTH CAROLINA the program for aiding dependent children has gone like this:

- In 1923 a Mothers Aid Law made $50,000 available from the state to the counties for aid to dependent children. In the first year 206 families and 794 children benefited.
- In 1932—ten years after the law was enacted—1,148 families with 4,592 children received assistance.
- In 1937-38, 7,959 families with 22,196 children received payments totaling almost $820,000, one-third of which was federal money (under the Social Security program) with the remainder coming from state and county funds.
- In 1968-69, under an AFDC program totaling $36,426,735, a total of 108,814 received assistance, with average payments of $27.90. Seventy-five percent of this money was federal and 25 percent state and county.

Unlike the rest of the nation, until recently North Carolina has had a decrease in the number of people receiving public assistance since the fiscal year ending June 30, 1963. For that year an average of 113,037 individuals received AFDC payments. Between 1963 and 1968 the number of recipients increased sharply in the nation as a whole, especially in the AFDC category—a 14 percent national increase in this category in 1968. During this same 1963-68 period, however, North Carolina showed a steady decrease in AFDC recipients.

But with the beginning of the 1968-69 fiscal year, a new trend began. The Aid to Families with Dependent Children category, instead of continuing to decrease, turned sharply upward, and the average number of recipients for the year rose once more to 108,814. This was an increase of 2,087 over the previous fiscal year. The last few months of the past fiscal year showed a marked growth, with 114,626 recipients for June, 1969. When compared with June, 1968, this figure represents an increase of 7,393 AFDC recipients.

a family with no other income, the benefit formula would be \$500 a year for each of the first two members and \$300 a year for each additional member. A family of four would be guaranteed an income of \$1,600 a year and a family of seven, \$2,500. Exempting the first \$60 per month (\$720 per year), benefits would be reduced by fifty cents for each dollar earned. Thus, for a family of four, federal benefits would terminate when net income reached \$3,920 a year. For a family of seven, the cutoff point would be \$5,720 a year.

States would participate financially subject to a "50-90" rule, under which each state would be required to contribute at least 50 percent, but not more than 90 percent of what it would pay as its AFDC share under existing law. Conversely, for all states the present AFDC costs would be reduced by 10 to 50 percent.

Much more could be said for or against AFDC. True enough that many aspects of the AFDC program might be improved. But I do not buy the statement of those who say welfare is a failure. What kind of mess would our society be in today if there had not been a welfare program?

Social revolution such as we are experiencing today all over the United States does not happen overnight; *it evolves*, and there is much pain and sorrow and, *yes*, suffering connected with it. We are going through one of the most difficult periods of our history. But I believe that the controversy over welfare, and particularly over AFDC, is a healthy sign that public welfare is very much alive.

I agree with Wilbur Cohen, who said, "For years social workers alone fought the battle for the poor, the illegitimate, and the disadvantaged. For decades they have been calling the public attention to the social causes and effects of poverty, squalor and crime. By arousing public sentiment and promoting social action, they have contributed to the acceptance of public responsibility for meeting these problems that we are experiencing today."

We welcome you as part of the social services team to bring about the many changes that are needed. Our job together is to keep our feet firmly on the ground but to be willing to change wherever necessary to meet the needs of our fellow citizens who are poor.

Institute Trains Thai Officials

In recent years the Institute of Government has conducted training programs for a number of foreign officials at the request of the Agency for International Development of the United States Department of State. This fall several visitors from Thailand have received instruction.

At left, posed beneath the Institute sign, is Miss Sukon Kanchanalai, executive officer of the Technical and Planning Office, Ministry of National Development in Bangkok.

The photo below shows six other officials with Dr. Elmer R. Oettinger, who was in charge of their two-week training program. Left to right (seated): Winai Chuanprapan, Professor Oettinger, Thagerng Charoensee, and Chanchai Chaisai. Left to right (standing): Wisut Tulsook, Somchai Soracha, and Somanas Keokongyot. Upon their return to Bangkok, the group is scheduled to teach and train other Thai officials.

GENERAL COURT OF JUSTICE—DISTRICT COURT DIVISION

Conference of Chief District Court Judges

Effective January 1, 1970

TRAFFIC OFFENSES FOR WHICH COURT APPEARANCE IS MANDATORY

1. All pleas of *not* guilty.
2. All felonies.
3. Any violation resulting in personal injury.
4. Driving under the influence. G.S. 20-138; G.S. 20-139.
5. Careless and reckless driving. G.S. 20-140; G.S. 20-140.1.
6. Exceeding the applicable speed limit by over 15 mph.
7. Racing (prearranged, spontaneous, permitting such use of an owned vehicle, betting on prearranged racing). G.S. 20-141.3.
8. Passing stopped school, school activity, or church bus.
9. Failure to yield right-of-way to emergency vehicles.
10. Failure to obey directions of a traffic officer, or of a fireman at the scene of a fire.
11. Illegal transportation of liquor, except as in #7 below.
12. Leaving the scene of an accident in which involved, or failing to report such an accident. G.S. 20-166; G.S. 20-166.1.
13. Driving while license suspended or revoked, or permitting an owned vehicle to be so operated. G.S. 20-28; G.S. 20-34.
14. Driving with false, forged, or altered driver's license, or permitting an owned vehicle to be so operated.
15. Any violation of the financial responsibility laws (Chapter 20, Articles 9A and 13).
16. Any violation of the vehicle registration laws involving stolen or altered registration plates or certificates.
17. Any violation involving a false affidavit, or false statement under oath, or perjury. G.S. 20-17(5); G.S. 20-31; G.S. 20-313.1.
18. Any violation in the same warrant or summons with a mandatory court appearance violation.

TRAFFIC OFFENSES FOR WHICH COURT APPEARANCE MAY BE WAIVED
(on execution of written waiver of appearance and trial, and plea of guilty)

A. Speeding violations

Speed over the applicable limit, mph	*0-5*	*6-10*	*11-15*
$15 costs plus fine of	$0	$5	$10

B. Other violations:

1. Driving without, or with expired, operator's or chauffeur's license (except when revoked or suspended), or knowingly permitting an owned vehicle to be so operated	$25 and costs
2. Driving the wrong way on a dual-lane highway	$25 and costs
3. Litterbugging	$15 and costs
4. Improper passing	$10 and costs
5. Failure to dim lights	$10 and costs
6. Height and width violations	$10 and costs
7. Illegal transportation 1 quart or less tax paid alcoholic beverage with seal broken in passenger area of motor vehicle [G.S. 18-51(1)]	$10 and costs
8. Driving too slowly	$5 and costs
9. Any parking violation	Costs
10. Violation of vehicle inspection law	Costs
11. Exceeding a safe speed	Costs
12. Following too closely	Costs
13. Failure to stop for a red light or stop sign	Costs
14. Failure to yield right-of-way	Costs
15. Improper turn and/or improper signal	Costs
16. Driving the wrong way on a one-way city street	Costs
17. Improper vehicle equipment	Costs
18. Violation of the vehicle registration laws, except as in #16 of mandatory appearances	Costs
19. Any other traffic violation for which court appearance is not mandatory	Costs

The Institute Calendar for January and February

Public Information Seminar	Jan. 5-6
Local Government Administration	Jan. 5-31 Feb. 23-26
Human Relations of Model Cities	Jan. 12-14 Jan. 26-28 Feb. 2-4 Feb. 9-11 Feb. 16-18 Feb. 23-25
Utility Management	Jan. 12-15
Communications Seminar	Jan. 16-17 Feb. 26-27
Health Directors Conference	Jan. 15-16
Juvenile Court Conference	Jan. 16-17
State Management Development Training	Jan. 18-23
Building Inspectors	Jan. 23-24 Feb. 13-14
Wildlife Recruit School	Jan. 26-Feb. 14
City and County Managers Seminar	Feb. 4-6
School Board Attorneys Conference	Feb. 6-7
County Attorneys Conference	Feb. 13-14
District Court Judges Conference	Feb. 13-14
Wildlife Superintendents and Assistant Superintendents	Feb. 16-21
N. C. Juvenile Correctional Association	Feb. 23
Wildlife Patrolmen's School	Feb. 23-28

Continuing Schools

Highway Patrol Basic School	Jan. 4-April 10
Police Administration	Jan. 6-8 Feb. 10-12
Municipal and County Administration	Jan. 8-10 Jan. 30-31 Feb. 19-21

Tobacco is first with us.

Last year we had about one and a half billion dollars worth of tobacco sales.

We are proud of that fact, and of our tobacco friends who made it possible. Growers. Dealers. Warehousemen. Wholesalers. Vendors. Everyone in the tobacco industry.

With their help, we are first in tobacco sales in the U.S.A.—and we intend to stay that way.

But, like most modern-thinking companies, we're also expanding into other areas: Food. Beverages. Aluminum. Packaging. Corn Refining Products. Containerized Shipping.

And, we need a new name under which all of our companies can cluster. That's why we plan to become R. J. Reynolds Industries, Inc. This will be our new corporate logo:

RJR

R.J.Reynolds Industries, Inc.

R. J. Reynolds Tobacco Company

Winston-Salem, North Carolina