

# POPULAR GOVERNMENT

PUBLISHED BY THE INSTITUTE OF GOVERNMENT / UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL



Local Government in the '70s / SUMMER 1974

# POPULAR GOVERNMENT

INSTITUTE OF GOVERNMENT

University of North Carolina at Chapel Hill

DIRECTOR: *Henry W. Lewis*

EDITOR: *Joan G. Brannon*

MANAGING EDITOR: *Margaret E. Taylor*

EDITORIAL BOARD: *Michael Crowell, Joseph S. Ferrell,  
Elmer R. Oettinger, Mason P. Thomas*

FACULTY: *Rebecca S. Ballentine / Joan G. Brannon / Michael Brough /  
William A. Campbell / Stevens H. Clarke / Michael Crowell /  
Anne M. Dellinger / Stephen N. Dennis / James C. Drennan / Joseph S. Ferrell /  
Douglas R. Gill / Philip P. Green, Jr. / John T. Greenwood, III /  
Gloria A. Grizzle / Donald B. Hayman / Milton S. Heath, Jr. / C. E. Hinsdale /  
L. Lynn Hogue / Dorothy J. Kiester / David M. Lawrence / C. Donald Liner /  
Ben F. Loeb, Jr. / Ronald Lynch / Richard R. McMahon / Elmer R. Oettinger /  
Robert E. Phay / Mason P. Thomas, Jr. / H. Rutherford Turnbull, III /  
A. John Vogt / David G. Warren / L. Poindexter Watts / Warren J. Wicker*

---

## CONTENTS

Local Government in the 1970's—A Special Issue / 1

*By Philip P. Green, Jr.*

Economic Problems and Opportunities Facing North Carolina  
Governments in the Future / 4

*By Charles D. Liner*

The Fate of Local Bond Referendums / 8

The Property Tax in the 1970's / 12

*By William A. Campbell*

Land-Use Regulation: A State or Local Function—or Both? / 17

*By Philip P. Green, Jr.*

Aspects of Regionalism in North Carolina / 20

*By David M. Lawrence*

North Carolina's Local Government of the Future? / 25

*By Warren J. Wicker*

New Federalism, New Localism, or What? / 28

*By Robert A. Cox, Jr.*

Citizen Participation in Shaping Public Policy / 33

*By Dorothy J. Kiester*

Campaign Costs in North Carolina: The 1972 Elections / 38

*By Jack D. Fleer*

North Carolina's Share of Federal Revenue-Sharing Funds / 50

Book Review / 51

VOLUME 40

SUMMER 1974

NUMBER 1

*Because this issue is primarily devoted to local government in the '70s, we went to Hillsborough for our cover shot. As county seat of Orange County, Hillsborough seems to symbolize both municipal and county government. The photo shows the old courthouse, dating from the eighteenth century, in the background. (Photo by Ned Earle.)*



Published four times a year (summer, fall, winter, spring) by the Institute of Government, the University of North Carolina at Chapel Hill. Change of Address, editorial business, and advertising address: Box 990, Chapel Hill, N. C. 27514. Subscription: per year, \$6.00. Advertising rates furnished on request. Second-class postage paid at Chapel Hill, N. C. The material printed herein may be quoted provided that proper credit is given to POPULAR GOVERNMENT.



# LOCAL GOVERNMENT IN THE 1970's— A SPECIAL ISSUE

---

*Philip P. Green, Jr.*

IT MAY APPEAR UNUSUALLY SHORT-SIGHTED to publish an issue devoted primarily to "local government in the 1970's" when the 1970's are already almost half completed. How much more fashionable to pontificate concerning "the final quarter of the 20th century" or "local government in the year 2000"! *Popular Government* has chosen a shorter time-frame for consideration in part because of the old maxim that "In the long run we'll all be dead"—and only a minority of our readers will still be occupying positions of importance in local government in the year 2000. But of greater importance is the sheer impracticality of projecting, forecasting, or even "brainstorming" with any reasonable degree of accuracy conditions for more than a few short years in the future, at a time when the entire world outlook is clouded with turbulence.

At a recent symposium in Chapel Hill, distinguished planning theorists from throughout the country attempted without success to visualize the world in which their students would be working some 30 years hence. As one pointed out, "Who in the early 1960's would have forecast the sudden concern for social planning which dominated planning curricula in the late 1960's, and who in 1968 would have forecast the recession of such concern by the mid-1970's?"

Yet the theorists agreed on two propositions: First, there is an increasing worldwide acceptance of the "spaceship earth" concept that the world contains only finite resources, which are rapidly being exhausted, and that governments at every level will have to make major efforts to assure that these limited resources are carefully conserved and fairly allocated. Second, there is a strongly emerging humanistic outlook that calls for reshaping of institutions to assure that every individual has a maximum opportunity for "the good life" and freedom to define his life style in a highly personal way.

It was by no means clear what the implications of these forces might be, since they intermingle in a bewildering manner. The "good life" clearly involves both the opportunity to live in a healthy and interesting environment and the enjoyment of worldly goods, whose production may be destructive of that environment. Freedom for one group to enjoy the good life may diminish the opportunity for another group to do likewise. So the proper role of government is uncertain. But the theorists agreed that

the effort to sort out, reconcile, and assign priorities to such forces will impose strains upon the world's political, economic, and social systems unparalleled in its history to date.

No real effort is made in this issue to deal directly with problems of such magnitude. But in furtherance of the currently popular Sino-philosophical creed that "A journey of a thousand miles begins with but a single footstep," we have attempted to carve out of the global universe the State of North Carolina; out of that universe local governments in North Carolina; and out of that universe *some* of the aspects of local government in North Carolina that appear to be important in the half-decade or so ahead of us. Careful reading of these articles will reveal that each author, in a different way, takes his turn in confronting the global forces that have been described, as they become relevant in this limited universe.

ECONOMIC SYSTEMS are naturally the first to feel the impact of dwindling resources. This may be more true in America than elsewhere, both because of its prodigious consumption patterns and because of its historic dependence upon the free-enterprise system as the most efficient means of allocating resources and (because of its incentives) of producing the quantity of goods and services necessary for "the good life." To the extent that economic systems fail to respond to crises in a manner perceived as both efficient and equitable, pressures are brought on governmental systems and social systems to intervene.

The first two articles that follow this introduction, consequently, have a look at the state of North Carolina's economy. Dr. Liner examines the short-range economic outlook and makes a tentative assessment of resultant impacts on local governments—both in their role as representatives for and servants of their citizens and in their capacity as consumers of goods and services. Mr. Campbell then explores in somewhat greater depth the possibility of one form of local governmental response to economic strains: modification of the system of taxation.

Although in magnitude of revenues produced, local taxes now comprise a significant part of the total tax system, they have not been used so deliberately as the federal and state taxes to redistribute wealth or to accomplish other public objectives. But now there is a

constant stream of proposals to assist worthy causes by granting tax exemptions or favorable tax classifications, and the General Assembly is increasingly replying to such proposals. It remains to be seen whether there will be a similar response to proposals that more regulatory objectives be accomplished through the imposition of "charges"—e.g., special taxes geared to the amount of air or water pollution created by an industry, or charges for motorists' use of streets in especially congested areas of our cities.

While taxes and charges are commonly recognized as economic tools, local governments may be able to exercise more direct influence on the economic system through their "physical planning" powers—their ability to shape the pattern and intensity of development through the provision of public facilities and services to particular areas on a scale different from those in other areas, through land acquisition and retention for particular purposes, and through a plethora of land-use regulations.

It is no secret, for example, that some cities have deliberately sought to exclude in-migration by the poor through zoning no land for multi-unit residential development or for mobile home occupancy, or by requiring very large lot areas for individual residences, or by excessive requirements for improvements in new subdivisions. Most cities recognize that designating an area for commercial development or for high-density residential development on a zoning map may add value to that area, whereas tightly restricting permissible uses of land may reduce its value. The sharp appreciation of land values in the vicinity of interstate highway interchanges is yet another illustration of how governmental action may change the price of land and affect its availability for various kinds of potential users—both of which are essentially economic consequences. At the same time, such actions clearly have environmental consequences of a noneconomic nature.

So this is an area in which local governments can deal very directly with the fundamental forces outlined at the beginning. Past failure of local governments to exploit the potential for such intervention fully in order to accomplish environmental ends is now leading to demands that regional agencies, state agencies, and federal agencies step in and displace them in this area of activity. Only recently federal air pollution control authorities announced requirements that could effectively make almost all land-use developmental decisions turn on this one limited set of criteria. Within the past few years North Carolina's state government has begun to exercise varying degrees of supervision over, or pre-emption of, local governmental activities for the protection of sand dunes, prevention of water and air pollution, control of soil erosion and sedimentation, limitation on development in flood plains, and regulation of the construction of mobile homes. And these relatively limited measures have now led almost inexorably to the more comprehensive land-use control measures represented by the State

Land Use Policy Act and the Coastal Area Management Act passed by the General Assembly this spring. Mr. Green explores some of the issues in this reallocation.

This type of re-examination and reallocation of functions among various levels of government is reflected in countless other fields. The reorganization of North Carolina's state government that has attracted public attention in recent years is only a segment of the potential reorganization of our total state and local governmental structure anticipated by many observers. Now that Chapters 160 and 153 of the General Statutes have been rewritten so as to give cities and counties almost identical powers, is there any longer need for both? Do we have too many counties that are too small in their territorial coverage? What about the seventeen multi-county regions? Should their governing structure and statutory powers be strengthened? What functions can best be handled on a small geographic scale, either because of the nature of the operations involved or because of need for extremely sensitive responsiveness to the citizens served? What functions require financial support available only from large areas, or deal with problems extending over large areas? Are the coastal area, piedmont area, and mountain area satisfactory units for handling some functions—and if so, which ones?

Messrs. Lawrence and Wicker have a look at some of these problems from different perspectives. Mr. Lawrence is interested in the concept of "regionalism" and what it connotes in terms of governmental structure, for both present and future. Mr. Wicker reports on a "model" for local governmental organization visualized by a representative group of local officials.

AT FIRST BLUSH, it would appear that the very scale and complexity of the problems with which government must deal in the years ahead dictate an "upward" movement of functions from smaller to larger units, from local governments to state governments and from state governments to the federal government. Indeed, this is the pattern that has characterized at least our twentieth century history. The larger units have more in the way of fiscal resources, they are generally better staffed (whether because they can pay more or because their work seems more fascinating to the young intelligentsia or because of a lust for power that attracts the more vigorous and dynamic), their outlooks avoid at least part of the parochialism that characterizes some smaller units, and in general they seem better fitted to deal with economic and social problems.

But at the same time there has been an enduring theme in American history epitomized in the twin statements: "That government is best which governs least; that government is best which is closest to the people." While the power of the state and federal governments may be required in order to deal with large-scale economic interests, with the complex issues of sharing out equitably the resources of a vast nation, and with at least some of the threats to the environment, our citizens have a

visceral feeling that representatives of these governments are too far removed from the details of many situations to grasp their full implications, and that their well-meaning but uninformed efforts frequently do more damage than good.

It is ironic that the shock of Watergate with its implications of less-than-all-wise federal officials should reinforce the Nixon administration's attempt to decentralize functions from the federal government to the state and local governments, while some of those most sharply critical of Watergate are at the same time fighting to retain and increase the power of the central government.

Our final two articles go to the heart of this debate as they focus on questions of efficiency and responsiveness. Mr. Cox notes that local governments have been given a historic opportunity to demonstrate their ability to deal with governmental problems in an efficient and responsible manner, and he raises serious doubts as to whether they are capable of meeting this challenge. Do they really wish to make policy of a fundamental nature, or do they prefer merely to carry out policies enunciated from above? Do they have the skill, the motivation, and the training to do what needs to be done? Can they be trained in time? Or must this latest effort fail and the

process of governmental centralization resume at an accelerated pace?

Merely to ask such questions is to imply an elitist viewpoint: that the "common people" who tend to make up local governments are no longer capable of dealing with today's complex problems, and that the time has come when we must rely upon specially trained experts to handle our affairs sensibly.

If this is so, Miss Kiester's final article becomes meaningless, because she is concerned with carrying governmental decentralization one step further, back to responsible participation by the individual citizen. She, along with the new humanists, would argue that the major fault of centralized government is its tendency to deal in statistics instead of human needs, its lack of sensitivity (sometimes to the point of contempt) to the desires of individuals, its inaccessibility to the ordinary citizen. This is the area in which local governments can excel—if they make the effort.

And so our authors have held up a series of rather small mirrors in an effort to catch a glimpse of a large reality: "local government in the 1970's" as it exists in North Carolina and in an uncertain world. □



# ECONOMIC PROBLEMS AND OPPORTUNITIES FACING NORTH CAROLINA GOVERNMENTS IN THE FUTURE

---

*Charles D. Liner*

MANY OF THE PROBLEMS faced by North Carolina local governments in recent history have resulted either directly or indirectly from nation-wide economic developments. The depression of the 1930s, for example, caused widespread fiscal crisis among local governments; many governments defaulted on their bonds, and the state was asked to take over principal fiscal responsibility for education and roads. A most profound economic change in recent history has been the vastly increased productivity in agriculture. As machines and improved technology replaced human labor, millions of people had to move from agricultural employment to industrial or white-collar jobs. The resulting transfer of population from rural areas to cities has caused problems for both city and county governments. The shift from rural farm living, which produces relatively few demands for government services, to urban living, which requires a relatively high level of public services, necessarily increased the demand for these services.

Simultaneously with urbanization and the concomitant demand for services, postwar prosperity and industrialization presented new problems. With prosperity, people now had automobiles, which freed them from having to live and shop in the center of cities and towns. The expansion of suburbs required additional public services and greater public revenues to pay for them. As population shifted toward the edge of cities, so did business. Retail firms followed their markets, and manufacturers located their plants on the periphery of cities and towns or in the country where large tracts of land were available at relatively low cost and access to truck transportation was better. This economic decentralization, which has usually extended beyond previous political boundaries, has led to economic deterioration of many downtown areas and problems of financing expanded public services in the suburbs.

In the future, as in the past, local governments will have to cope with problems caused by economic forces beyond their control. Can we foresee some of the major economic forces that will affect local governments in the coming decade? How can local governments meet the problems presented by these economic forces? We cannot predict the future, but we can, by examining past and present economic developments and trends, try to get a

clearer perception of some of the problems that may lie ahead.

Since many past problems of local government were caused by nation-wide economic forces, we should first ask whether these forces will continue—in particular, the high rate of urbanization and economic prosperity.

## URBANIZATION

---

Although the mass exodus from agriculture is largely behind us, it seems likely that urbanization will go on, but probably at a slower rate, and that the rural nonfarm population will also continue to grow. As Table I shows, average annual rates of population change have been very large in urban areas and very low in rural areas. The urban population growth rate was lower in the 1960s than in the 1950s, but the growth rate for the rural population is misleading because rural population includes both farm and nonfarm population. Farm population has continued to decline but the rural nonfarm population has been growing rapidly, so that these factors tend to cancel each other out. Table II shows the population changes between 1960 and 1970. Urban population rose by 21 per cent, rural population by only 2 per cent. Most of the urban increase occurred in urbanized areas<sup>1</sup>—by 36 per cent between 1960 and 1970; urban population increased very little in other urban places. Although farm population fell by 34 per cent in the 1960s, this decline was offset by the rise—14 per cent—in rural nonfarm population.

Thus, population growth has not been limited to cities and towns; the rural nonfarm population has also been growing. This enlarged rural nonfarm population has already led to greater demands on county governments to provide new and expanded public services to rural residents. Although higher gasoline prices may slow rural nonfarm growth somewhat, the trend toward rural nonfarm living is likely to continue, and the implications for governments are important. The counties may be asked to provide services, such as garbage disposal, that

---

1. Urbanized areas have at least one city with more than 50,000 population. In North Carolina the urbanized areas are Asheville, Charlotte, Durham, Fayetteville, Greensboro, High Point, Raleigh, Wilmington, and Winston-Salem.

traditionally have been provided only by cities and towns. Governments will also have to deal with the well-known environmental implications of rural development, including waste-disposal problems, water pollution, and deterioration of rural beauty. Since many rural residents work in cities and towns, a new problem arises in how to finance public services in cities and towns that benefit rural residents. It appears that either traditional financing methods must be changed or city and county governments will have to cooperate more in providing services.

## ECONOMIC GROWTH

For about fourteen years North Carolina has experienced an economic boom. This remarkable growth is recorded in Table III. The average annual rate of growth in state personal income from 1960 to 1973 was 8.7 per cent; since 1965 the average annual increase has been about 10 per cent despite the business slowdown in 1969. This prolonged boom has increased state and local tax revenues, thereby permitting governments to finance a higher level of public services.

The problems and uncertainties in the national and world economies, particularly the energy crisis and shortages of many products, make it difficult to say whether North Carolina's economic boom will continue. The nation is now experiencing a business slowdown—real output declined 5 3/4 per cent in the first quarter of 1974 after increasing by small amounts in the previous three quarters. In North Carolina total personal income increased 9.7 per cent in 1973, but this was offset by higher prices. During the final quarter of 1973, however, total personal income in North Carolina increased 5.6 per cent, well above the rate for most other states, so it is difficult to determine the effect that the business slowdown will have on the state's economy. But it seems likely that a slowdown or recession will be temporary; fiscal and monetary policies available to the federal government should eventually lead to recovery.

In the long run, the basic factors that have led North Carolina's economy to grow faster than the national economy will favor continued growth. These factors include a good geographic location, an educated labor force, relatively low wage rates, and an expanding and increasingly affluent market for products. Also, the diversification of the economy, relying far less than in the past on the textiles and apparel industries, is a healthy development. Although future growth rates may not equal those of the 1960s, there are no apparent reasons for pessimism about future expansion and growth of the North Carolina economy.

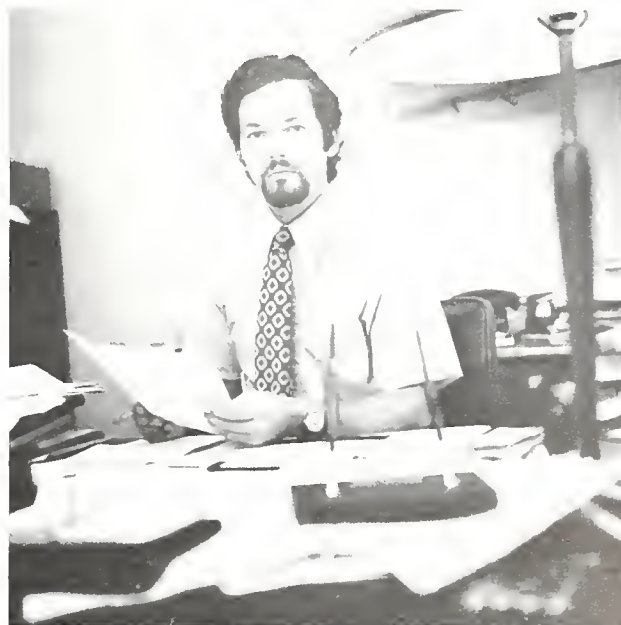
## THE SPECTER OF INFLATION

Although the long-run economic outlook for North Carolina seems good, a couple of black clouds hang over local governments. The first is the great inflation in

prices and wages in the last few years and especially the sharply higher rate of inflation that occurred in 1973. Figure 1 shows how the Consumer Price Index (see below) has increased in recent years. Between March 1973 and March 1974 the Consumer Price Index rose 10.2 per cent. Inflation has become persistent and very difficult to control throughout the world. It will probably not be reduced to previous levels for several years and probably will continue at fairly high rates for some years.

Recently general inflation in prices and wages has been accompanied by sharp increases in the prices of items that are in short supply. When there are shortages of certain items, such as gasoline and beef, high prices are necessary to allocate the supplies of these items. Shortages of certain commodities are likely to persist for several years until greater production of these materials is achieved or substitute products and processes are developed. These shortages may be considered the second economic black cloud over local governments, which will have to adapt to them by making more efficient use of items in short supply and by substituting other materials for them.

Inflation is measured by indexes of the prices of products and services. The most widely used index is the Consumer Price Index of the United States Department of Labor, which measures the level of prices of a selected bundle of about 400 products and services routinely purchased by urban wage earners and clerical workers. Figure 1 shows the increases in this "cost-of-living" index. The cost of living has risen constantly since 1945, but, except for the Korean War period, the rate of increase was relatively low until about 1965. The rate of increase went up during 1965-70 and then declined during 1971 and 1972. Then, in 1973, it shot up. In March 1974, the cost of the bundle of products and services included in the index was 43.1 per cent higher than its cost in 1967.



*Don Liner specializes in the field of economics at the Institute.*

TABLE I

Average Annual Rates of Population Change by Residence,  
North Carolina, 1900-70

Census Decade	Total	Urban*	Rural
1960-70	1.09%	2.38%	0.15%
1950-60	1.15	2.75	0.22
1940-50	1.28	2.32*	0.84*
1930-40	1.20	1.85	0.96
1920-30	2.09	4.90	1.32
1910-20	1.53	4.45	0.92
1900-10	1.55	5.41	1.01

\*The average annual rate of growth for the decade 1940-50 is based on a different definition of urban and rural population.

Source: Thomas E. Steahr, *North Carolina's Changing Population* (Chapel Hill: Carolina Population Center, 1973), Table II, p. 21.

In effect, the purchasing power of the dollar had fallen from \$1.00 in 1967 to \$0.70 in 1974. The prices of certain types of products and services had increased more than other prices. For example, all food items consumed in the home cost 59.1 per cent more today than in 1967; fuel oil and coal prices in 1974 are up 101.5 per cent over 1967 prices (58.8 per cent in 1973 alone).

Price increases are not a problem if people's incomes increase as fast as prices. On the average, earnings have tended to keep ahead of rising costs of living. The average weekly earnings of production and nonsupervisory workers went up by 46.4 per cent between 1967 and the end of 1973. Average weekly earnings of manufacturing employees in North Carolina rose 9.2 per cent between November 1972 and November 1973 (as estimated by the

North Carolina Department of Labor). Many employers give annual cost-of-living pay increases. Unfortunately, not everyone is so fortunate. Many people are on fixed incomes, or their incomes do not rise fast enough. Furthermore, if inflation continues at the 1973 rate, even more people will find that their incomes are not keeping up with the cost of living.

Inflation will affect local governments in several ways. First, it will mean higher prices for products and services purchased by local governments. Second, it will mean higher property tax and sales tax revenues, but since property tax assessments may lag behind increases in property values, revenues may not increase fast enough to keep up with higher prices of products and services. Third, if citizens' earnings do not rise as fast as the cost of living, citizens will in effect become poorer; as a result, more welfare services may be required, and resistance to public taxation and spending may increase.

The prices of products and services purchased by state and local governments have gone up as fast as the cost of living for consumers—about 47 per cent between 1967 and 1973, according to Department of Commerce figures.

How can local governments cope with this increased cost of the products and services they buy? One way is to insure that purchases are made at the lowest possible prices. Quantity discounts and an efficient inventory policy are important ways to keep purchasing costs low. Statewide, regional, or city-county purchasing consortiums might help cut costs.

The one area in which local governments cannot afford to economize is in obtaining capable personnel. Local governments must compete with the private economy for

TABLE II

Population of North Carolina by Place of Residence, 1960 and 1970

	1960	1970	Change	Percentage Increase
Total Population	4,556,155	5,082,059	525,904	10%
Urban	1,801,921	2,285,168	483,247	21%
Urbanized areas:	774,769	1,212,432	437,663	36%
Central cities	726,761	955,746	228,985	24%
Urban fringe	48,008	256,686	208,678	81%
Other urban places:				
10,000 or more	618,070	651,002	32,932	5%
2,500 to 10,000	409,082	421,734	12,652	3%
Rural	2,754,234	2,796,891	42,657	2%
Place of residence:				
Places of 1,000 to 2,500	237,954	246,084	8,130	3%
Other rural	2,516,280	2,550,807	34,527	19%
Farm or nonfarm				
Farm	808,379	530,316 <sup>1</sup>	-278,063	-34%
Nonfarm	1,945,855	2,266,222 <sup>1</sup>	320,367	14%

1. Does not add to total

Source: Bureau of the Census



employees, and to hire competent people, local governments will have to provide the higher salaries necessary to offset increases in the cost of living. Salaries will have to be increased frequently, and automatic annual pay raises may be required.

An important way to offset higher prices and salaries is to increase productivity—through new technology, use of labor-saving machinery, or increased administrative or organizational efficiency. In the face of rising prices, high salaries, and scarcity of labor, increasing the efficiency of government services will be a major challenge for local government leaders.

If local government tax and nontax revenues increase as prices and salaries increase, inflation should present no problem. Unfortunately, property tax revenues, upon which local governments rely most heavily, do not respond well to inflation in the short run. Even if property values increase as fast as the prices of products and services, property is assessed only every few years (North Carolina law requires that all property be assessed at least every eight years). Thus, local governments must pay prices and salaries that increase every year, but much of their revenue is based on assessed valuation that may be frozen for several years. If high rates of inflation continue, more frequent assessments may be needed.

Other sources of local government revenue are more responsive to inflation or can be adjusted more easily. The local-option sales tax is very responsive to inflation, since it is based on retail prices. Other fees and charges can be increased as necessary to offset higher costs, although care should be taken that higher fees and charges are not inequitable to low-income families.

The last point brings us to the third reason why inflation will bring problems to local governments. Almost everyone suffers because inflation reduces his standard of living. But once more, the greatest hardship

TABLE III

Growth in Total Personal Income in North Carolina,  
1960-73

Year	Total Personal Income (millions of dollars)	Percentage Increase
1960	\$ 7,137	6.1%
1961	7,608	6.6
1962	8,166	7.3
1963	8,618	5.5
1964	9,303	7.9
1965	10,101	8.6
1966	11,330	12.2
1967	12,292	8.5
1968	13,567	10.4
1969	15,034	10.8
1970	16,383	9.0
1971	17,706	8.1
1972	19,809	11.9
1973	21,554	8.8

Source: Department of Commerce, *Survey of Current Business*

is on low-income families, whose income is spent mainly on necessities. The effect of inflation on the poor doubles the responsibility of governments to insure that tax burdens are fair and that public programs designed to aid the poor are effectively administered. Ironically, the burden of some taxes in relation to income probably falls more heavily on the poor than on the rich. Inequitable taxation should be remedied in any event, but as inflation hits the poor, the need becomes even greater. It is also important that present tax-relief measures be administered effectively to benefit the poor. For example, local governments might make special efforts to inform persons over 65 of recent changes in the law that permit a property tax exemption based on income.

## SHORTAGES

Another problem for local governments that will remain is the shortage of basic products. This problem has been dramatically demonstrated by the energy crisis of 1973 and 1974, in particular the gasoline shortage, but future shortages may include many primary products such as paper, electricity, chemicals, lumber, and plastics. The gasoline shortage has already demonstrated how directly local governments can be affected by economic circumstances. These shortages lead to high prices as an instrument to allocate the existing supplies to consumers who have the greatest need or desire for them; if prices are not allowed to increase, some form of rationing, perhaps including waiting lines, will be required. Local governments may find that they cannot afford to pay the high prices—or that at certain times some products cannot be purchased at all.

Eventually, production capacity will be increased to meet demands, or substitute products or processes will be found for products in short supply. This may take several years, however, and in the meantime local governments

FIGURE I



will have to adapt. As with general inflation, part of the solution will lie in increased productivity and efficiency and perhaps in purchasing consortiums or cooperative efforts among governments. Also, as with the gasoline shortage, local governments may be able to help the private sector cope with shortages by coordinating distribution plans and providing police assistance.

IN CONCLUSION, economic developments in coming years will provide both opportunities and problems for local governments in North Carolina. Greater wealth and continuing industrialization and urbanization will give local governments the opportunity to improve the quality of life through more and better public services. Conversely, rising prices will present problems for local governments and make it more difficult to provide these services. As always, the solution to local government problems depends on having qualified local leaders who anticipate problems and cope with them through effective planning and management. □

## THE FATE OF LOCAL BOND REFERENDUMS

---

THE TABLES SET OUT BELOW were prepared by the Local Government Commission. They detail voter reaction to proposed bond issues in North Carolina over the past three fiscal years. (Final information for the 1973-74 fiscal year is not yet available.) The tables show the number of separate propositions proposed compared with the number approved by the voters, and also the dollar amount of proposed issues compared with the dollar amount of approved issues. In addition, they show the percentage of dollars that were approved and the number and dollar amounts of non-voted issues.

Several interesting points emerge from the figures. First, counties have not had as good a track record with the voters as cities have. In each of the three years, the percentage of county dollars approved was substantially below the city percentage.

Second (and this may account for the county record), educational issues—both public schools and community colleges and technical institutes—seem to have the most trouble in gaining public acceptance. In part, this may be due to the very size of the school issues that were defeated. The seven unsuccessful issues would have authorized borrowing almost \$71 million—an average of some \$10 million per issue. Those are big issues by North Carolina standards, and their size may have had some impact on voter acceptance.

Third, 1972-73 clearly was not a good year to seek approval of a bond issue. One reason for this may have been the deteriorating economy. Another may have been the substantial increase in the dollar amount of bonds proposed as compared with the amount proposed in each of the previous two years. The total proposed by both cities and counties was almost 50 per cent greater than the total for each of the two previous years.

Fourth, in numbers of proposals, counties most frequently asked approval of bonds for public schools or community colleges or technical institutes; in terms of dollar amount, however, proposals for hospital bonds ranked high, reflecting the necessary size of hospital issues. Cities most often sought to issue water or sanitary sewer bonds, but the greatest total dollar amount proposed was for streets, sidewalks, and bridges, reflecting again the larger size of the average issue for those purposes—DML.

Bond Referendums and Authorizations in North Carolina Local Governments  
Fiscal Year July 1, 1972, to June 30, 1973  
(Dollar amounts are expressed in thousands.)

	PROPOSITIONS		BONDS		
	Proposed	Approved	Dollar Amount Proposed	Dollar Amount Approved	Percentage Approved
<b>COUNTIES:</b>					
<i>Voted Propositions</i>					
Community Colleges and Technical Institutes	7	7	\$ 10,775	\$ 10,775	100 %
Hospitals	4	3	11,600	7,100	61.21
Landfills	1	1	75	75	100
Library	1	-	1,500	-	-
Recreation	2	-	1,225	-	-
School Buildings	9	6	67,400	30,650	45.47
Water	1	1	2,000	2,000	100
Total	<u>25</u>	<u>18</u>	<u>\$ 94,575</u>	<u>\$ 50,600</u>	<u>53.50%</u>
<i>Non-Voted Propositions</i>					
Landfills	4	4	\$ 435	\$ 435	100
School Buildings	5	5	403	403	100
Total	<u>9</u>	<u>9</u>	<u>\$ 838</u>	<u>\$ 838</u>	<u>100 %</u>
<b>TOTAL</b>	<u>34</u>	<u>27</u>	<u>\$ 95,413</u>	<u>\$ 51,438</u>	<u>53.91%</u>
<b>CITIES AND TOWNS</b>					
<i>Voted Propositions</i>					
Airports	1	1	\$ 6,250	\$ 6,250	100 %
Fire Station	1	1	150	150	100
Land Acquisitions	1	1	700	-	-
Library	1	1	150	150	100
Public Buildings	4	3	4,033	933	23.13
Off-Street Parking	2	2	7,700	7,700	100
Recreation	5	4	3,600	2,100	58.33
Redevelopment	1	-	4,900	-	-
Sanitary Sewer	16	16	25,513	25,513	100
Storm Sewer	1	-	650	-	-
Streets, Sidewalks, and Bridges	9	5	37,080	22,910	61.78
Transit Systems	3	2	1,695	1,650	97.35
Vehicles and Equipment	2	1	615	285	46.34
Water	18	18	25,872	25,872	100
Total	<u>65</u>	<u>54</u>	<u>\$118,908</u>	<u>\$ 93,513</u>	<u>78.64%</u>
<i>Non-Voted Propositions</i>					
Electric Systems	1	1	\$ 18	\$ 18	100
Public Buildings	2	2	900	900	100
Sanitary Sewer	3	3	3,560	3,560	100
Streets	1	1	300	300	100
Water	1	1	3	3	100
Total	<u>8</u>	<u>8</u>	<u>\$ 4,781</u>	<u>\$ 4,781</u>	<u>100 %</u>
<b>TOTAL</b>	<u>73</u>	<u>62</u>	<u>\$123,689</u>	<u>\$ 98,294</u>	<u>79.46%</u>
<b>DISTRICTS</b>					
<i>Voted Propositions</i>					
Schools	5	4	\$ 10,775	\$ 6,775	62.87
Water	1	1	1,135	1,135	100
Total	<u>6</u>	<u>5</u>	<u>\$ 11,910</u>	<u>\$ 7,910</u>	<u>66.41%</u>
<b>SUMMARY</b>					
<i>Voted Propositions</i>					
Counties	25	18	\$ 94,575	\$ 50,600	53.50
Cities and Towns	65	34	118,908	93,513	78.64
Districts	6	5	11,910	7,910	66.41
Total	<u>96</u>	<u>77</u>	<u>\$225,393</u>	<u>\$152,023</u>	<u>67.44%</u>
<i>Non-Voted Propositions</i>					
Counties	9	9	\$ 838	\$ 838	100
Cities and Towns	8	8	4,781	4,781	100
Total	<u>17</u>	<u>17</u>	<u>\$ 5,619</u>	<u>\$ 5,619</u>	<u>100 %</u>
<b>TOTAL</b>	<u>113</u>	<u>94</u>	<u>\$231,012</u>	<u>\$157,642</u>	<u>68.24%</u>
<b>REVENUE BONDS</b>					
Cities and Towns	1	1	\$ 700	\$ 700	100
Authorities	1	1	3,000	3,000	100
Total	<u>2</u>	<u>2</u>	<u>\$ 3,700</u>	<u>\$ 3,700</u>	<u>100 %</u>

Note: Number of units holding elections: counties, 22; municipalities, 35; districts, 6; total, 63.



Bond Referendums and Authorizations in North Carolina Local Governments

Fiscal Year July 1, 1971, to June 30, 1972

(Dollar amounts are expressed in thousands.)

	PROPOSITIONS		BONDS		
	Proposed	Approved	Dollar Amount Proposed	Dollar Amount Approved	Percentage Approved
<b>COUNTIES</b>					
<i>Voted Propositions</i>					
Community Colleges and Technical Institutes	6	5	\$ 5,950	\$ 4,450	74.79%
County Buildings	1	1	1,500	1,500	100
Hospitals	1	1	6,500	6,500	100
Landfills	2	2	140	140	100
School Buildings	7	5	43,300	23,300	53.81
Sewer	2	1	2,400	1,400	58.33
Water	2	1	5,450	450	8.26
Total	<u>21</u>	<u>16</u>	<u>\$ 65,240</u>	<u>\$ 37,740</u>	<u>57.85%</u>
<i>Non-Voted Propositions</i>					
Landfills	11	11	\$ 707	\$ 707	100
School Buildings	1	1	145	145	100
Total	<u>12</u>	<u>12</u>	<u>\$ 852</u>	<u>\$ 852</u>	<u>100 %</u>
<b>TOTAL</b>	<u>33</u>	<u>28</u>	<u>\$ 66,092</u>	<u>\$ 38,592</u>	<u>59 %</u>
<b>CITIES AND TOWNS</b>					
<i>Voted Propositions</i>					
Electric Systems	3	3	\$ 8,200	\$ 8,200	100
Fire Station	1	1	65	65	100
Public Buildings	3	3	4,325	4,325	100
Recreation	1	1	2,500	2,500	100
Sanitary Sewer	18	18	20,939	20,939	100
Streets, Sidewalks, and Bridges	2	2	5,150	5,150	100
Vehicles and Equipment	1	1	10	10	100
Water	26	26	22,617	22,617	100
Total	<u>55</u>	<u>55</u>	<u>\$ 63,806</u>	<u>\$ 63,806</u>	<u>100 %</u>
<i>Non-Voted Propositions</i>					
Fire Station	1	1	\$ 100	\$ 100	100
Land Acquisition	1	1	150	150	100
Sanitary Sewer	4	4	260	260	100
Streets	2	2	1,155	1,155	100
Vehicles and Equipment	1	1	190	190	100
Water	4	4	108	108	100
Total	<u>13</u>	<u>13</u>	<u>\$ 1,963</u>	<u>\$ 1,963</u>	<u>100 %</u>
<b>TOTAL</b>	<u>68</u>	<u>68</u>	<u>\$ 65,769</u>	<u>\$ 65,769</u>	<u>100 %</u>
<b>DISTRICTS</b>					
<i>Voted Propositions</i>					
School Buildings	<u>1</u>	<u>1</u>	<u>\$ 800</u>	<u>\$ 800</u>	<u>100 %</u>
<b>SUMMARY</b>					
<i>Voted Propositions</i>					
Counties	21	16	\$ 65,240	\$ 37,740	57.85
Cities and Towns	55	55	63,806	63,806	100
Districts	1	1	800	800	100
Total	<u>77</u>	<u>72</u>	<u>\$129,846</u>	<u>\$102,346</u>	<u>78.82%</u>
<i>Non-Voted Propositions</i>					
Counties	12	12	\$ 852	\$ 852	100
Cities and Counties	13	13	1,963	1,963	100
	<u>25</u>	<u>25</u>	<u>\$ 2,815</u>	<u>\$ 2,815</u>	<u>100 %</u>
<b>TOTAL</b>	<u>102</u>	<u>147</u>	<u>\$132,661</u>	<u>\$105,161</u>	<u>80 %</u>
<b>REVENUE BONDS</b>					
Cities and Towns	1	1	\$ 4,000	\$ 4,000	100
Authorities	1	1	2,100	2,100	100
Total	<u>2</u>	<u>2</u>	<u>\$ 5,100</u>	<u>\$ 6,100</u>	<u>100 %</u>

Note: Number of units holding elections: counties, 20; municipalities, 33; districts, 1; total, 54.

Bond Referendums and Authorizations in North Carolina Local Governments  
Fiscal Year July 1, 1970, to June 30, 1971  
(Dollar amounts are expressed in thousands.)

	PROPOSITIONS		BONDS		
	Proposed	Approved	Dollar Amounts Proposed	Dollar Amounts Approved	Percentage Approved
<b>COUNTIES</b>					
<i>Voted Propositions</i>					
Community Colleges and Technical Institutes	2	1	\$ 3,850	\$ 3,000	77.92
County Buildings	1	1	2,800	2,800	100
Hospitals	2	2	9,975	9,975	100
Jails	1	1	100	100	100
Landfills	2	2	1,255	1,255	100
Library	1	-	500	-	-
School Buildings	3	1	32,000	18,000	56.25
Sewer	2	2	3,500	3,500	100
Water	2	2	3,000	3,000	100
Total	<u>16</u>	<u>12</u>	<u>\$ 56,980</u>	<u>\$ 41,630</u>	<u>73.06%</u>
<i>Non-Voted Propositions</i>					
Landfills	3	3	\$ 145	\$ 145	100
County Buildings	4	4	809	809	100
School Buildings	2	2	310	310	100
Total	<u>9</u>	<u>9</u>	<u>\$ 1,264</u>	<u>\$ 1,264</u>	<u>100%</u>
<b>TOTAL</b>	<u>25</u>	<u>21</u>	<u>\$ 58,244</u>	<u>\$ 42,894</u>	<u>74%</u>
<b>CITIES AND TOWNS</b>					
<i>Voted Propositions</i>					
Electric Systems	5	4	\$ 9,720	\$ 5,520	56.79
Fire Stations	3	3	1,547	1,547	100
Land Acquisitions	1	1	200	200	100
Public Buildings	3	3	395	395	100
Off-Street Parking	1	1	980	980	100
Recreation	4	3	2,345	2,170	92.54
Redevelopment	2	2	1,450	1,450	100
Sanitary Sewer	20	17	16,353	13,578	83.03
Streets, Sidewalks, and Bridges	5	4	25,637	23,887	93.17
Vehicles and Equipment	1	1	290	290	100
Water	32	28	18,714	16,414	87.71
Total	<u>77</u>	<u>68</u>	<u>\$ 77,631</u>	<u>\$ 66,431</u>	<u>85.57%</u>
<i>Non-Voted Propositions</i>					
Public Buildings	2	2	\$ 2,170	\$ 2,170	100
Sanitary Sewer	4	4	392	392	100
Streets, Sidewalks and Bridges	4	4	744	744	100
Vehicles and Equipment	2	2	24	24	100
Water	2	2	1,150	1,150	100
Total	<u>14</u>	<u>14</u>	<u>\$ 4,480</u>	<u>\$ 4,480</u>	<u>100%</u>
<b>TOTAL</b>	<u>91</u>	<u>82</u>	<u>\$ 82,111</u>	<u>\$ 70,911</u>	<u>87%</u>
<b>SUMMARY</b>					
<i>Voted Propositions</i>					
Counties	16	12	\$ 56,980	\$ 41,630	73.06
Cities and Towns	<u>77</u>	<u>68</u>	<u>77,631</u>	<u>66,431</u>	<u>85.57</u>
Total	<u>93</u>	<u>80</u>	<u>\$134,611</u>	<u>\$108,061</u>	<u>80.28%</u>
<i>Non-Voted Propositions</i>					
Counties	9	9	\$ 1,264	\$ 1,264	100
Cities and Towns	<u>14</u>	<u>14</u>	<u>4,480</u>	<u>4,480</u>	<u>100</u>
Total	<u>23</u>	<u>23</u>	<u>\$ 5,744</u>	<u>\$ 5,744</u>	<u>100%</u>
<b>TOTAL</b>	<u>116</u>	<u>103</u>	<u>\$140,355</u>	<u>\$113,805</u>	<u>81%</u>
<b>REVENUE BONDS</b>					
Cities and Towns	3	3	\$ 2,858		100
Authorities	<u>1</u>	<u>1</u>	<u>3,800</u>		<u>100</u>
Total	<u>4</u>	<u>4</u>	<u>\$ 6,658</u>		<u>100%</u>

Note: Number of Units holding election: counties, 10; municipalities, 44; total, 54.

# THE PROPERTY TAX IN THE 1970's

*William A. Campbell*

ANY CONSIDERATION OF THE LOCAL TAX STRUCTURE in North Carolina must deal in large measure with the ad valorem property tax. The property tax is the mainstay of local government finance, providing over 90 per cent of the revenues that find their way to city and county treasuries.<sup>1</sup> During the past several years two opposing currents have become apparent with respect to the property tax. The framework for administering the tax, especially the assessment aspects, has been improving. Yet at the same time, the property tax base has been shrinking.

I should like to discuss first the improvements in administration of the tax. In 1971, the General Assembly rewrote the Machinery Act, Subchapter II of Chapter 105 of the North Carolina General Statutes. This is the state law that governs assessment and collection of property taxes. The Act was rewritten by a legislative study commission chaired by Representative David W. Bumgardner, Jr., of Gaston County, and the legislature enacted the commission's bill with only minor changes. The new law was thus the result of a thorough and comprehensive review of the previous statutes and not a patchwork of uncoordinated amendments drafted during the course of a legislative session. Although the revision made some substantive changes in the law, its major purposes were to settle some doubtful legal areas, to remove obsolete or confusing provisions, to conform the property tax law to changes in the statutes relating to local government finance and budgeting and civil procedure, and generally to clarify and simplify the property tax law wherever possible. One major change in appraisal administration transferred responsibility for appraising public utilities—including bus lines, air lines, truck lines, and railroads—from the counties to the State Board of Assessment (transferred in 1973 to the Department of Revenue). The statutes dealing with property tax exemptions and classifications were not included in the 1971 revision. In 1973, however, pursuant to recommendations of a legislative study commission chaired by Senator Wesley Webster of Rockingham County, the General Assembly revised those statutes. Again, certain substantive changes were made in the law,

but the main purpose of the revision was to clarify and simplify. Thus, tax supervisors, collectors, attorneys, and all other officials concerned with administration of the property tax are working with recently enacted statutes drafted by study commissions whose major aim was to make those statutes easier to interpret and administer.

A second factor pointing toward improved administration is the expanded role of the State Department of Revenue. In 1973, the State Board of Assessment was converted to the Property Tax Commission and the board's professional staff was transferred to the Department of Revenue, becoming the Ad Valorem Tax Division of the department. Along with this change of names and shift of personnel, the former state board's supervisory role over the administration of the property tax was transferred to the Secretary of the Department of Revenue. These supervisory powers are exercised through the Ad Valorem Tax Division. This transfer means that a line state department is now concerned with the proper administration of a local tax. The Revenue Department has authority to approve and require certain standard forms and records used in the property tax and to help counties develop appraisal schedules and techniques for appraising various types of property.<sup>2</sup> Perhaps more important than these specific powers is the general power to consult with and advise local governments concerning the administration of the property tax.<sup>3</sup> A centralized review and advisory authority has thus been created and the groundwork laid for bringing some elements of standardization and uniformity to the administration of a tax that has been notably lacking in those characteristics.

Related to the new duties of the Department of Revenue are the certification requirements for new county tax supervisors.<sup>4</sup> Before a person can be appointed tax supervisor by a board of county commissioners, he must be certified by the Department of Revenue as having been qualified to appraise the kinds of real and personal property commonly found in North Carolina. Thus, the officials immediately responsible for appraising property for taxation and for supervising the appraisal process must meet certain minimum standards of training and competence. The present requirements for certification

1. See REPORT ON NORTH CAROLINA SCHOOL FINANCE: RESPONSES TO SERRANO-RODRIGUEZ 16 (Institute of Government, 1972).

2. N.C. GEN. STAT. § 105-289.

3. *Id.*

4. *Id.*



are that the person seeking to qualify must have satisfactorily completed both the basic appraisal course endorsed by the International Association of Assessing Officers and the Institute of Government's school for new tax supervisors.

Another development that seems certain to improve the appraisal process are recent steps taken by one council of governments to establish an appraisal service for the counties that are members of the council. The Centralina Council of Governments has undertaken to provide the appraisal work for octennial revaluations of real property in the member counties. This is a first step toward what could be an extremely important development, especially for smaller counties that cannot afford to employ full-time appraisers. The COGs could begin to help with both real property appraisals that need to be made in other than revaluation years and some of the more difficult personal property appraisals. By pooling their resources, several counties could afford first-rate appraisal services that would be available on a full-time basis.

The revised statutes also improve tax collection procedures. The 1971 Machinery Act gave collectors increased enforcement authority to collect taxes in certain instances before the due date and simplified the procedure for attaching intangible personal property to enforce payment of taxes. No certification standards for collectors similar to those for supervisors were established, however. One major impediment to effective tax collection appears to be the continuing reluctance of many taxing units to use the remedies of levy and garnishment against personal property and sale and foreclosure of the tax lien on real property to enforce collection of delinquent taxes. This reluctance stems from many causes, but the leading ones are inadequate knowledge of the techniques, the difficulty of obtaining legal assistance, political pressures, and an unwillingness to disturb the status quo. Nevertheless, it does appear that more and more units *are* using the collection remedies, *are* learning the hard lesson that tolerating large numbers of delinquents penalizes taxpayers who pay on time, and *are* discovering that nothing is so effective in the collection of delinquent taxes as regular levy and attachment proceedings begun in February or March following the due date of the taxes.

In this regard, the studies of tax collection percentages made and published by the North Carolina Local Government Commission should be noted. Each year, the Local Government Commission's annual study determines what percentages of their levies that the taxing units in the state have collected. This study has several uses. Perhaps the most important one is its influence on the taxing unit's bond rating: a unit with a low collection percentage will have trouble marketing its bonds. The percentage of collection also serves as an objective index of how taxing units perform in collecting their levies and can indicate to those units with low percentages that they should be more vigorous in pursuing delinquent accounts.



*Bill Campbell's fields at the Institute include property taxation.*

Taken all together, the developments discussed above indicate that the property tax, probably the most difficult of all taxes to administer, is being relatively well administered in North Carolina, and the prospects for improvements over the next several years are good.

HOWEVER WELL ADMINISTERED, the property tax is being applied to an ever-shrinking tax base. Although the value of certain items in the base, such as most residential property, is increasing, the number of taxable items in the base is decreasing. The reason is that the General Assembly has exercised its constitutional power to exempt certain property and to classify all other property.<sup>5</sup> The exemption power is restricted by the Constitution to only a few categories of property,<sup>6</sup> but the classification power is wide open, subject only to the requirement that the classification be reasonable.<sup>7</sup> With the classification power, the General Assembly may reduce the tax base through any of several techniques. It may cause certain classes of property to be taxed at less

5. See N.C. CONST., art. V, sec. 2.

6. Property belonging to the state, counties, and municipalities is exempt by constitutional mandate; no action of the General Assembly is required. The General Assembly may exempt cemeteries and property held for educational, scientific, literary, cultural, charitable or religious purposes and also to a value not exceeding \$500 any personal property. N.C. CONST., art. V, sec. 2.

7. "No class of property shall be taxed except by uniform rule, and every classification shall be made by general law uniformly applicable in every county, city and town, and other unit of local government." Id.

than their full value;<sup>8</sup> it may declare that for certain classes of property, a percentage of the value or a flat dollar amount of the value shall be excluded in applying the tax;<sup>9</sup> or it may simply classify certain types of property out of the tax base entirely, thereby creating a de facto exemption.<sup>10</sup>

Certain classifications have long existed in the property tax law.<sup>11</sup> Beginning in 1971, however, the General Assembly began to make increasing use of the classification authority and this trend appears to be continuing unabated. The 1971 General Assembly classified and excluded from the tax base real and personal property belonging to Societies for the Prevention of Cruelty to Animals and to nonprofit water and sewer associations and corporations. In that year the legislature also classified and excluded from the tax base the first \$5,000 of the appraised value of homes belonging to certain low-income persons over the age of 65.

In rewriting the exemption and classification statutes in 1973, the provisions with regard to exemptions were greatly tightened up. The exemptions for fraternal orders and veterans' organizations, which were of dubious constitutionality, were removed,<sup>12</sup> and—of great importance to the administration of the tax—persons and institutions seeking exemptions were required to apply for them every year and to describe the property in the application and indicate how it qualified for statutory exemption.<sup>13</sup> These were both major steps in bringing exemptions under control.

Where classifications were concerned, however, the legislature continued its course of restricting the tax base. From a policy standpoint, as important as anything the 1973 General Assembly did with regard to classifications and exemptions was its refusal to act on a policy statement recommended by the Webster Commission that began with these two sentences:

In taxing property, it is the policy of this State that all property bear its fair share of the tax burden measured by the true value of the property. In the exercise of its constitutional power to classify property for taxation and in the exercise of its constitutional power to exempt property from taxation, the General Assembly acknowledges that full taxation should be the rule and that total or partial immunity from taxation should be the exception.<sup>14</sup>

Having rejected as a matter of state policy the concept of a broad tax base, the 1973 General Assembly

proceeded to classify and exclude from the base the following items: (1) nature preserves and parks; (2) certain motor chassis owned by nonresidents; (3) certain special nuclear materials; and (4) standing timber. The amount of income that persons over 65 may earn and still qualify for the \$5,000 exclusion was increased and the exclusion was broadened to include personal property as well as real property. By far the most important classification added in 1973 was the use-value appraisal classification for certain farm land, forest land, and horticultural land. Under this classification, land in the three named categories that meets certain qualifications is appraised for tax purposes at its use value as farm land, forest land, or horticultural land, rather than at its fair market value, the appraisal standard for all other unclassified property. While it appears that this classification has not brought the tax relief to farmers that many of its supporters expected, it is certain to have brought a loss of total valuation in most of the state's urban counties and counties that are experiencing urban growth.

The 1974 session of the General Assembly took one step to restore property to the tax base and several steps to remove property from the base. The bank tax bill (Ch. 1053, H 463) permits cities and counties to tax the personal property of banks. The exemption for property owned by religious organizations was broadened by including the residences of ministers assigned to conferences, presbyteries, and so forth. The major additions to the "free list," however, were made by Ch. 1264 (H 2070). That law classifies and excludes from the tax base the real and personal property of veterans' organizations, Masonic orders, fraternal organizations such as the Elks and Moose, civic organizations and clubs, and rehabilitative organizations such as Goodwill Industries. Pet dogs were excluded from the tax base by Ch. 1077 (H 1521).

What happens when the property tax base is reduced through the use of the classification power? The incidence, the economic impact, of the property tax is difficult to measure, but a few generalizations are possible. First, at a time when the demand for county and municipal services is increasing and local governments must continue to rely on the property tax as their major source of revenue, the demand for funds plainly is not going to decrease—in fact, just the opposite: the demand for services, and therefore public expenditures, is increasing. With this rising demand for revenue and shrinking tax base, it is inevitable that the tax rate on the property remaining in the base will increase. Those property owners who do not enjoy an exemption or classification must pay higher taxes to finance public services that are provided by local governments.<sup>15</sup> The

8. See e.g., N.C. GEN. STAT. § 105-277.01, certain farm products.

9. See e.g., N.C. GEN. STAT. § 105-277.1, certain property belonging to low-income persons age 65 and over, and N.C. GEN. STAT. § 105-277.4, certain agricultural, horticultural, and forest land.

10. See, e.g., N.C. GEN. STAT. § 105-275(1), certain stored property awaiting shipment.

11. E.g., cotton and peanuts classified and taxed at reduced rates by N.C. GEN. STAT. § 105-277.

12. See N.C. GEN. STAT. § 105-278.3, -278.4, -278.5, -278.6, and -278.7.

13. N.C. GEN. STAT. § 105-282.1.

14. See S 135 and H 170, 1973 General Assembly.

15. See, Lewis, *Exemption from Property Taxation: The Study Commission Takes a New Look*, 38 POPULAR GOVERNMENT 15 (April 1972), for a further discussion of this issue.



largest number of taxpayers in this group are owners of residential, industrial, and commercial real property, especially inside municipal boundaries, since they must finance both municipal and county services. Whatever else it may do, a shrinking tax base appears to increase the inequitable tendencies of the property tax. With such general taxes as the property tax, greater equity is achieved by a broad base and a low rate; greater inequity is achieved by a small tax base and a high rate.

IN RECENT YEARS, a very active field of litigation and legislative concern in the area of local taxation has been the use of the local property tax to finance public schools. The basis of the problem is the often wide variation in property values per student among the school districts within a state. One consequence of these wealth disparities is that districts with high values per student can spend more money on education from local sources with tax rates that are often lower than those of poorer districts, so that students who attend schools in the poorer districts have less money spent on their education than do the students in the wealthier districts, even though they all attend schools in the same state school system.

In *San Antonio Independent School District v. Rodriguez*,<sup>16</sup> the plaintiffs challenged the use of an unequalized property tax to finance public schools on the grounds that the system violated the Fourteenth Amendment. The United States Supreme Court rejected this contention, thereby settling, at least for a time, the argument based on the United States Constitution. But the possibility remains that successful challenges can be mounted based on equal protection or other language in state constitutions, and in fact decisions in California<sup>17</sup> and New Jersey<sup>18</sup> have invalidated, on the basis of such language, the school finance systems in those states. Also, the inequities shown by the *Rodriguez* suit, although they did not rise to a constitutional dimension, have created concern among state governors and legislatures about school finance systems and their heavy dependence on the local property tax. As a result, many proposals have been made for equalizing the funds available to local school districts, usually either through altered allocation formulas or through greater state assumption of the costs of financing local schools, or both.<sup>19</sup>

North Carolina has fewer interdistrict inequality problems than most states because the state assumes a very large percentage of costs, including all basic teaching and administrative costs. Thus, this state is already in a position that many other states would like to occupy—a relatively low percentage of its school finance funds comes from the local property tax.

A national development that may well affect North Carolina and increase the amount of school costs borne by the state is the movement toward collective bargaining by teachers. Should this development reach the stage at which a state teachers' organization bargains for uniform, statewide salary scales, the role of the state legislature in financing salaries will be increased and the role of local boards of education will be further reduced. Professor Larry Simon of the Yale Law School examines this issue in a recent article:

... (U)nification of teacher organizations at the state level and state-wide collective bargaining should reduce political pressure for large district expenditure disparities. The AFT and NEA, in competition for state-wide power, will probably attempt to organize teachers in currently non-union low-spending districts and—given that *Rodriguez* will increase the salary expectations of teachers in such districts—the gesture will probably prove successful. Moreover, their increasing sense of state organizational unity will inevitably lead teachers throughout the state to view themselves more and more as similarly situated. Such statewide unity is inconsistent with union pressure for district expenditure disparities. Moreover, the demise of local bargaining will itself remove one cause of teacher salary differentials, district differences in union power. Finally, a strong state union might be able to increase total state educational expenditures, thus diminishing pressure for district disparities.<sup>20</sup>

This shift of financial responsibility to the state level would very likely result in decreased reliance on the local property tax for schools, thereby permitting increased funding of other local services or a reduced tax rate.

LOCAL GOVERNMENTS have a few miscellaneous sources of revenue supplemental to the property tax, such as privilege license taxes, and since 1971, counties have been authorized to levy a 1-cent local-option sales tax,<sup>21</sup> which can be a substantial supplement to the property tax. Proposals for using a revenue source to share at least 50 per cent of the cost of supporting local government with the property tax or to replace the property tax altogether, however, usually involve some type of local income tax. I have examined this matter elsewhere,<sup>22</sup> and although the idea is frequently discussed among local government officials, it needs more support than it now has to accomplish the statutory (and probably constitutional) changes needed to implement such a tax. G.S. 105-247, which prohibits local governments from imposing an income tax, would have to be amended or repealed and replaced by an enabling act of some sort. Article V, section 2(6), of the North Carolina Constitution contains a rate limitation on income taxes of 10 per

16. 411 U.S. 1 (1973).

17. *Serrano v. Priest*, 96 Cal. Rptr. 601, 487 P.2d 1241 (1971).

18. *Robinson v. Cahill*, 62 N.J. 473, 303 A.2d 273 (1973).

19. See, e.g., the discussion of the new Utah finance system by Walter Talbot in *Seminar Report Financing Educational Opportunity* (Colorado Department of Education, 1973).

20. *The School Finance Decisions. Collective Bargaining and Future Finance Systems*, 82 YALE L.J. 409, 431 (1973).

21. See N.C. GEN. STAT. Ch. 105, Art. 39.

22. Campbell, *A Look at the Local Income Tax*, 36 POPULAR GOVERNMENT (June 1970).



cent, and this maximum would probably be held to apply to the total of state and local income taxes, thereby severely restricting the rates that could be levied by local governments. Some of the major issues that must be resolved in constructing a local income tax are: what sort of treatment is to be given nonresidents of the taxing unit who commute into the unit to work; what sort of apportionment formula must be devised for corporations doing

business both within the taxing unit and outside the unit; are rents, interest, dividends, and capital gains to be included in the tax base; is the tax base to be the same as the base for the state income tax or should it be different, and should local units be given any discretion in drawing the base; is the tax rate to be flat or graduated, and how much discretion should each local unit be given in setting the rate. □

# LAND-USE REGULATION: A STATE OR LOCAL FUNCTION—OR BOTH?

*Philip P. Green, Jr.*

AS THE FULL IMPLICATIONS of the environmental crisis become known and as the public recognizes that land, along with water and air, is a limited resource, a nationwide exercise has begun in allocating or real-locating the function of land-use planning and regulation among different governmental units—state, regional, and local.

To approach this exercise rationally, some understanding of the nature and scope of land-use planning is needed. More than almost any other governmental function, land-use planning suffers from widespread disagreements among its practitioners about theories to be followed, objectives to be sought, and methodology to be used. But perhaps we can set forth a conceptual model that would be generally accepted.

The process of land-use planning begins with *data collection and analysis*—ideally comprising all relevant data necessary, including existing and projected land use; land capabilities; patterns of land ownership; public facilities and services; economic data; social data, including population size, characteristics, and distribution, health and education status and needs, and other information; resources—natural, scenic, historic; and everything else that might be relevant to a particular area's development.

On the basis of this study and analysis, *objectives and goals* are identified and subjected to further analysis.

Then *plans and programs* are developed through which these goals and objectives can be attained—plans that may consist of statements of policies, standards, and guidelines; plans that may be shown on a map or in models; programs that set forth sequences of actions to be undertaken.

Finally, a wide variety of measures are developed and used to carry out those plans. These may include *regulatory measures* like zoning, subdivision regulations, building codes, floodway regulations, controls over water and air pollution, and many others. They may include *property acquisition, retention, and disposition*—particularly involving significant pieces of land like parks, airports, reservoirs, and watersheds. They may include *policies on provision or denial of particular kinds of governmental services and facilities*, or their *deliberate location in particular places*, for the purpose of encouraging or discouraging certain types of development at those locations

(e.g., water and sewer lines, major streets and highways, schools, sanitary landfills, hospitals, universities, sports stadiums).

Planners have noted that a land-use planning system that is effective in handling problems, efficient in doing so with the least possible cost, and responsive to the desires of the citizens has certain features. These are *comprehensiveness*, both in input of all relevant considerations and in recognition that development—like the law—is a seamless web, so that all activity affecting the planned scheme is monitored or controlled; *coordination* among the agencies that operate the various mechanisms through which the plans are to be effectuated; and *flexibility* in adjusting to changing circumstances.

Obviously any reorganization of the land-use planning and control system should recognize the total process and not unwittingly separate its elements in such a way as to render it unworkable, and the reorganization should recognize the strengths and limitations of the various units of government involved. What concerns me about some of the current state and federal efforts around the United States is that they do fragment the system—singling out particular problems such as water or air pollution for attention or thinking of only regulation as a technique for influencing development.

The traditional approach to most land-use regulation in the United States has placed basic and almost total responsibility in general-purpose local governments—primarily cities and counties. In many respects this is a very sound solution. Local governments are closest to the problems of land use, and they personally know and understand very well factors that state or federal capitols perceive only dimly, if at all. They possess the broad range of governmental powers outlined above as necessary to carry out plans—far more than any single state department or agency has. And above all, they are closest to the people affected, who thereby have the easiest access to the governmental decision-making process at this level.

HOWEVER, WE NOW HEAR CHARGES from every side that local governments have failed in their responsibilities—that they have achieved only unsatisfactory results in land-use regulation from the standpoint of “larger interests.” What are the reasons for such failure?

Among the factors leading to this alleged failure might be the following:

(1) The ignorance and inexperience of many governing board members and other officials of our smaller units, which has led to their failure to recognize problems necessitating control or to understand what is required in order to cope with such problems;

(2) A shortage of resources to do an adequate job, especially financial resources and professional personnel;

(3) In some cases, lack of sufficient legal authority to deal effectively with major problems;

(4) Inadequate geographical jurisdiction to deal with problems that affect large areas—or failure to coordinate with other local governments in meeting these problems;

Consequent from these, inadequate performance in the form of:

(5) Inadequate plans, which proceed from inadequate study and analysis, are based on inadequately defined goals and objectives, and furnish no clear guides for action;

(6) Failure to use plans, even when adequate, as guides for action;

(7) Parochial outlook, which fails to recognize larger regional or statewide interests;

(8) Inability to resist locally powerful interests that defy any organized planning procedure.

I suggest that consideration be given to how well any proposed reallocation to other units will correct such deficiencies.

NOW LET US consider some of the steps that the state governments have taken and are now taking to make land-use regulation more successful.

First, many measures have been undertaken to improve the performance of local governments, including:

(a) The provision of financial and professional staff help in developing and conducting planning programs; This began in Tennessee in the 1930s and has become nationwide as a result of the "701" program initiated at the federal level in 1954;

(b) A great many programs to educate local officials concerning land-use problems and their powers and duties in dealing with them;

(c) A continuing effort to strengthen the statutory authority of local governments needed to conduct planning programs;

(d) Financial aid from state and federal governments for acquiring land and providing various types of public facilities and services called for by local plans;

(e) Collection, analysis, and publication to local governments of data important to their planning programs;

(f) In some states, adoption of procedures for locating or providing large-scale state facilities in coordination with local governmental planning efforts;

(g) In some states, development and publication of regional growth policies that will serve as guidelines for local governmental planners.



*Phil Green is the Institute's specialist in planning*

Second, the states have recognized the difficulties of local control of problems like water and air pollution that transcend local jurisdictions, and problems like strip mining in which the interests involved are too powerful for local governments to cope with. The states have assigned responsibility for these problems to state departments and agencies (and new problems of coordination with local programs have thereby been created).

Third, the states for the past twenty or more years have been playing with the idea of creating regional agencies—regional planning and development commissions, regional councils of government, and so forth—in hopes that these agencies might be more professional, less susceptible to parochial outlooks and to local political pressures, able to deal with problems spreading across local boundaries. Unfortunately, the states have not generally put their money where their mouth is—they have been unwilling to arm these regional units with regulatory powers, the power of eminent domain, and the power to tax, and they have not generally financed them adequately. The result has been agencies capable of planning but with no authority—beyond persuasion and the latter-day weapon of A-95 review granted by the federal government—to see that plans are carried into action. Nevertheless, many believe that regional organizations may be better suited than central state agencies to deal with problems of land development.

IN RECENT YEARS a series of national organizations and study commissions and the federal government itself have recommended that the states "recapture" some of the powers for land-use regulation that they have ceded to local governments. It is fair to say that as of now no clear pattern has emerged concerning either the appropriate types of activities within the over-all planning system that should be recaptured or the appropriate level of intensity of the state's intervention. The proposals that have been made and the actions that particular



states have taken would seem to fall into a continuum of increasingly strong intervention.

For example, many states have identified a need for the state to participate much more actively in the "study" and data-gathering phase of planning. The problems confronting us in the area of planning are perceived as being so complex that the highest type of professional analysis is required—and such analysis is obviously beyond the reach of most local governments. So state universities or state planning agencies have been asked to do fundamental research and to make their findings available to both state and local governments.

A second level of state intervention is in setting goals, objectives, and policies that must be incorporated into local planning programs—policies that reflect statewide concerns rather than purely local interests, such as a policy requiring adequate provision for low-income housing under local zoning ordinances. Some of this type of intervention has been in the form of judicial decisions. Some has taken the form of provisions written into planning enabling legislation (the Vermont Land Use Law is replete with such provisions). Some has been in the form of newly created administrative machinery through which a state agency is empowered to override local policy violations—as in the Massachusetts Zoning Appeals Law.

A third level of intervention is for the state to participate more actively in the actual preparation of plans. This involvement might take the form of a legislative requirement such as California's that all local units develop plans with specified elements. It might take the form of state-developed guidelines and standards that must be reflected in local plans and regulations—as in Washington's Shoreline Management Act. It might take the form of state plans (in either text or map form) for specific areas that must be followed in local regulations—somewhat in the style of California's Coastal Zone Conservation Act.

Perhaps the broadest range of state intervention is in the regulation of land use required to carry out plans. Here again, there are several levels of increasing intensity. In several states it has been proposed that the state require, rather than merely authorize, all local units to adopt subdivision regulations, zoning ordinances, and similar land-use controls. Or alternatively, the state may merely require that local units do this when they reach certain population levels or levels of urbanization.

A more typical response is to authorize state agencies to move in and directly regulate areas where local governments have failed to do so. For example, Maine's Land Use Regulation Commission may regulate the "unorganized" areas of the state, while a Wisconsin agency may regulate shorelines where local governments have not done so.

Another approach is state regulation of certain geographic areas that are felt to be of critical state concern—particularly coastal areas, mountain areas, historic areas, or areas undergoing explosive growth as a result of a major new development, regardless of whether local units are prepared to do so or are in fact doing so. Two illustrations of this are the Massachusetts Wetlands Control Laws, and the Delaware regulation of coastal areas. In some cases such regulation appears in statutory form, while in others a state agency is empowered to regulate under statutory standards.

One variation of this approach is for the state to regulate certain types of development (such as nuclear power plants) regardless of where they might be located and regardless of local regulations; an example is the Maine Site Location of Development Act. Still another variant is for the state to require local governments to regulate within detailed guidelines (or to enforce state-enacted regulations) where critical areas or critical types of development are concerned.

Finally, there are geographically more widespread levels of state intervention: (a) adoption of a state plan with which all local units must comply in their regulations, (b) establishment of a state administrative structure for review (including approval or disapproval) of local plans and regulations, or (c) such direct state regulation as statewide subdivision regulations or a macro-scale statewide land classification scheme (such as Hawaii's) that local regulations can supplement but not displace.

Clearly problems of land use regulation have increased in magnitude, in intensity, and in complexity. It is not yet clear just what form of governmental reorganization, or what reallocation of functions, will be required to deal with them more adequately. But North Carolina has now taken some first tentative steps, in the Coastal Area Management Act of 1974 and the Land Policy Act of 1974, to reorder the existing machinery. It behooves all of us to watch the experience under these acts closely to be sure that they represent steps forward and not backward.

# ASPECTS OF REGIONALISM IN NORTH CAROLINA

---

*David M. Lawrence*

REGIONALISM—a summons to the future for some, a Siren of bureaucracy and waste for others—is a word and concept of varying meanings. Its most common context, the world of multi-county planning districts and Lead Regional Organizations, is but one branch of a greater tree—one of the larger perhaps and most visible, but certainly too specific, too narrow to stand for the whole. More broadly understood, and in the sense intended in this article, regionalism is an awareness that governmental problems frequently affect more than one unit and that the solutions must therefore involve more than one unit; an understanding that some governmental programs may be more effectively or efficiently performed on a scale larger than a single unit; and a willingness to act on that knowledge, to seek a wider context—a *region*—for governmental action.

So understood, one of our basic “regions” has been with us a long time—the county. For the cities and towns within a county, the county is an obvious region, a wider context in which they and the county government can seek to resolve governmental problems together. Local officials have long recognized the regional character of counties: Cities and towns within a county have cooperated among themselves, have cooperated with the county, and in several counties, in the 1960s, have developed single-county organizations of municipal officials. Similarly, the General Assembly has recognized regional characteristics in the county; for example, in 1971 “regional water supply systems” and “regional sewage disposal systems” were defined to include systems providing services to a “substantial portion” of the population of a single county.

For many years, it was difficult to find any clear recognition of a region larger than a single county. Recently, however, a larger regionalism has emerged, most prominently in the seventeen multi-county planning districts but also in multi-county programs in areas such as health, airports, libraries, and jails. This larger regionalism is not a new impulse but rather an evolution of earlier ideas. Just as some governmental problems affect more than one city or town and cause the county to be a region, so too some problems affect more than a single county and raise a new and larger region. As North Carolina has become urbanized and its citizens have come to expect a more active government, the notion that each

local government wants and can respond individually and adequately to the needs of its citizens has been passed by. In its place have evolved new relationships between local governments (and indeed, between local governments and the state and federal governments), relationships that are still emerging and changing. This article will trace that evolution and seek to predict its path through the remainder of the decade.

## THE COUNTY AS REGION

---

### *Transferred and Cooperative Services*

An old tradition exists in North Carolina that counties are simply subdivisions of state government, convenient districts for performing state functions. Local government, with its additional regulations and network of services, was for cities and towns. Although this description is occasionally still heard, time has left it behind. The state has urbanized, citizen needs and expectations have expanded, and many residents of unincorporated areas now receive, and expect to receive, services once provided only by cities. The notion has developed that all citizens are affected by local governmental problems, and all citizens need local governmental services. Local governments have responded to this notion in a fascinating variety of ways.

*Transfers of functions.* As a basic unit of local government, the county enjoys one significant advantage over the city—everyone lives in a county. Thus, if a service is to be provided to all citizens, perhaps the county should provide it. On this assumption, voluntary transfers of functions to counties have occurred throughout North Carolina. Without legislative mandate, hospitals and libraries have become essentially county functions as cities have turned complete control of them over to counties. This same process is beginning with solid waste disposal and, to a lesser extent, with recreation. No doubt other transfers have occurred and will occur in particular counties.

*Joint services.* For many of the functions that some cities have transferred to the county, other counties have assumed joint responsibility with cities. Frequently a county will be unwilling to assume sole responsibility for a

function, or a city unwilling to release all control. Thus we may have city-county hospitals, libraries, airports, landfills, and planning boards. In some instances these appear to be fairly permanent arrangements; in others they are way stations to a complete transfer.

*City acts countywide.* Sometimes instead of assuming countywide responsibility for a function, a county will suggest that a city do so. Thus a city may provide inspection services throughout the county, answer fire calls throughout the county, or make purchases for the county. With such an arrangement, the county may respond to the needs of its rural citizens without having to begin a totally new activity, and the city may be able to realize economies of scale.

*Other contracts.* Beyond the general situations described above, cooperation between county and city has taken many forms, responding to the great variety of circumstances from county to county. A city may conduct its own elections but register voters through the county. A city and county may operate basically separate law enforcement agencies but merge more specialized services, such as the vice squad, identification bureau, or communications center. A city may make its fire-training facilities available to volunteer units throughout the county. The details of these arrangements and the situations in which they are made may vary, but each arrangement is a recognition that the single governmental unit is not the only context for a particular service or function and some regional approach should be tried.

In the past this process of regionalism within the county has proceeded largely from local initiative, facilitated by the willingness of the General Assembly to enact the necessary enabling legislation. (It has not always gone forward smoothly, but the persistence of efforts in the face of disagreement testifies to the underlying regionality of the problems.) The same pressures of urban growth and citizen needs that have led to transfers of function and cooperative provision of services will continue to exist. In addition, both the state and federal governments now actively encourage cooperation in some functions (water and sewer services are perhaps the leading example) and will likely encourage cooperation in others. Therefore, it seems safe to predict that existing trends will not only continue but expand.

#### *City-County Consolidation*

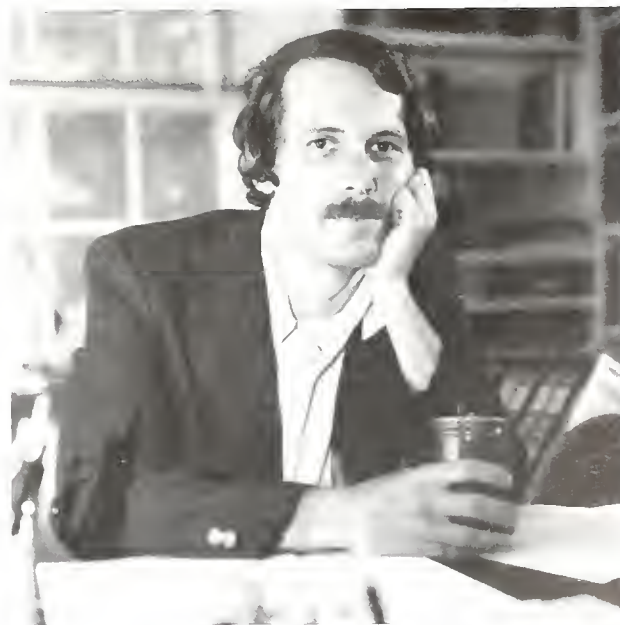
As functions are transferred and cooperation increased, one question becomes obvious: Why not complete the process and consolidate the governments themselves, city with county? For the last fifteen years, this question has been raised persistently enough to cause four extensive attempts at consolidation and several other close looks. And the logic does seem compelling. If the county takes over the hospital, the library system, and solid waste disposal; if the city contracts for county tax collection

and election administration; if joint city-county efforts are established in planning, recreation, and inspections; then the last step—consolidating governing boards, administrative staffs, and those few remaining functions—seems quite short indeed. With the boards consolidated, the thinking goes, city-county rivalries and bickering will cease, coordination will be assured, and responsibilities firmly placed.

The logic is strong, yet it certainly has not been compelling. Durham voted no in 1960, Mecklenburg voted no in 1971, and New Hanover voted no in 1973 (Durham will be trying again this fall, and the chances for success are even at best). Nor were these close votes, any of them. When presented with specific plans of consolidation, voters have consistently and soundly turned them down.

The logic is not compelling because consolidation referenda are not decided on logic alone. More likely, the important elements have been interests—real and imagined, political, economic, or emotional. All sorts of concerns—loss of political power, higher taxation, bureaucracy and big government, the city swallowing rural areas, dilution of black influence within the city, to name just some—enter into any public consideration of consolidation. Elaboration of one such concern—changes in the locus of governmental power—may illustrate the difficulties facing any consolidation attempt.

The people who now exercise power, or influence it, or think they do, are understandably somewhat suspicious of fundamental changes in the system by which local governmental power is exercised; and to combine a city and county without making at least some such changes seems impossible. (To be concerned about the loss of political power or influence is not at all illegitimate; after all, the exercise of power is what politics is all about.) In Mecklenburg, the charter commission consciously strove



*Dave Lawrence works in the field of local government at the Institute*



to disperse political power throughout the entire community; in New Hanover the commission, learning from the Mecklenburg defeat, attempted to do nothing more than combine two governing boards and two administrative staffs. Yet, even in New Hanover, many established political leaders ultimately opposed the plan. To understand why, recall that in North Carolina cities and counties are governed in rather different ways. Cities generally have independently elected mayors, nonpartisan elections, and often, particularly in the larger cities, governing boards of six members or more. Counties, on the other hand, rarely have independently elected chairmen, have partisan elections, and seldom have more than five members on their boards of commissioners. These are general differences; any particular city-county situation is likely to find others. Therefore, even a "mere" combination of governing boards must confront several hard political questions about structure, and the answers, whatever they may be, seem to leave a lot of people unhappy.

This suggests two lessons. First, a consolidation attempt that does no more or little more than consolidate governing boards and administrative staffs—an attempt, that is, to base a consolidation on the logic and innate worth of the *idea* of consolidation—has little chance of success. The political wounds imposed by the political choices necessary to consolidate governing boards, when combined with concerns such as fear of higher taxation, of big government, and of bureaucracy and rural antagonism toward city "takeover," seem likely to bury appeals to logic and the benefits of "good government." Thus, and this is the second apparent lesson, it would seem that a successful consolidation must address and appeal to the kinds of interests and concerns that appear to settle the referenda. This is what was attempted in Mecklenburg—it simply did not work; the interests that benefited from the proposed plan either were too few to carry it or misunderstood its implications. But the campaign on both sides in Mecklenburg was about far more than the benefits of one government instead of two.

(All this, of course, presupposes that consolidation must be approved by the voters. No such approval is constitutionally required, and consolidation could be effected by simple legislative act.)

It would be impossible to predict the situations or proposals that might carry a consolidation. Perhaps a coalition of "outs" could organize around a document promising them a greater share of power; or citizens might eventually get sick of the personalities of local leaders and decide that consolidation would be the best way to "throw the rascals out"; or the city might include 95 per cent or 5 per cent of the county's population—one unit could overwhelm the other. The point is, a consolidation might be successful in the next decade in North Carolina, but its success is unlikely to be traced to the logic of "the next step" or to the notion that consolidating the city with the county is innately a good idea.

## LARGER REGIONS

### *Functional Cooperation Across County Lines*

Although the county is one kind of region, county boundaries do not limit cooperation among local governments. Cooperation across their boundaries, although less frequent than within a county, is a common occurrence. We have had some district health departments for many years, and more recently, various sorts of multi-county mental health agencies have become common. Less often, counties cooperate on libraries, airports, community colleges, and jails. Cities have also cooperated across county lines, for example, on water supply. In each case, this sort of cooperation recognizes that a multi-unit—a regional—approach to a particular function or service is in some way preferable to a single-unit approach, perhaps because of economies of scale or because the problem involved encompasses more than one unit.

This sort of cooperation should expand during the 70s—in the health field, for example, the state seems to be encouraging a multi-county approach. Multi-county efforts might begin in new areas, such as water supply or property tax appraisal. Cooperation among counties does not share the advantage of having the courthouse across the street from city hall, and so will probably never occur as often as cooperation within a county, but functional regions larger than one county do exist and will increasingly be recognized.

### *The Seventeen Multi-County Planning Districts*

North Carolina is divided into seventeen multi-county planning districts ranging in size from three to eleven counties and from about 100,000 to a million people. Each of these districts or regions has at least one organization of local governments that is open to all cities and counties in the region and called a council of governments or a regional planning (and economic development) commission. (As a group these organizations may be called regional councils.) The history of the councils and of the planning districts is fairly well known and has followed a pattern common nationally. They have grown from a combination of federal pressure, state encouragement, and local initiative. In North Carolina, at each end of the state, regional economic development commissions were established in the mid sixties to help administer the Appalachian Regional Commission and Economic Development Administration programs. The mid and late sixties also saw the formation of councils of governments in the larger urban areas—again largely, although not completely, in response to the availability of federal funds. In 1971, the state's Department of Administration delineated the seventeen planning regions, an action encouraged by the federal government but also serving the needs of state government. The regional councils that existed were used as a basis for the new regions. Five of the regions were without regional organizations, and the local govern-

ments in those regions were encouraged — by the state and by the League of Municipalities and the Association of County Commissioners — to establish regional councils. They did respond, and today each region has a regional council.

We are concerned here, however, not so much with the past of multi-county planning districts as with their present and their future. Regional councils are primarily planning organizations and economic development agencies. They are charged with developing regional plans, both comprehensive and for particular functions, or “elements,” such as housing, water and sewer services, and law enforcement. Under federal regulations and state designation, they are charged with reviewing those regional plans against the context of local government requests for a range of federal funds, the so-called A-95 review. Some, those in the eastern and western ends of the state, are charged with coordinating and fostering the economic development of their regions. Most provide technical assistance, such as aid in preparing federal grant requests, to their member governments, particularly the smaller ones. A few have begun to provide such services as cooperative purchasing, management advice, or real property reappraisal. None, however, provide any governmental services directly to citizens.

Some of the regions contain not only a council of governments or regional planning (and economic development) commission but also one or more single-function (such as law enforcement or health) planning agencies. Therefore, the state, through the Secretary of Administration, has designated a Lead Regional Organization (LRO) in each region. An LRO must be either a council of governments or a regional planning (and economic development) commission. It conducts all A-95 reviews within the region, and all regional planning efforts are encouraged to come under the “umbrella” of the LRO.

Regionalism at this multi-county level is a recognition that planning and development do affect interests wider than a single city or a single county and that those wider interests ought to be articulated. Multi-county regionalism also is probably the best-known example of the more inclusive regionalism that is the concern of this article. Yet in many ways multi-county regionalism is the weakest sort of regionalism we have.

The regional councils, as noted, are primarily regional planning agencies. They began with planning, and most of their efforts and funds still go into a variety of planning projects. Yet, in planning, they have had little impact upon the local governments or daily life of the state. In some part, this failing is shared by all governmental planning, local as well as regional; but other causes are peculiarly present in multi-county regionalism.

Regional councils cannot directly implement their regional plans. They must depend on local governments to do that, and local governments have seemed to ignore regional plans. A-95 review is an attempt to influence local implementation of these plans, but it has not really worked as intended. Supposedly federal grant applica-

tions are judged on how well they fit into the context of regional development plans. What seems actually to happen, however, is an ad hoc review that catches potential conflicts or duplications with the plans and grant requests of other local governments. Though valuable, this has little to do with regional plans. They stay on the shelf.

Regional plans are ignored because local governments have by and large made no strong commitment to the regions. (Of course exceptions exist among both individuals and governments.) First, regional boundaries are somewhat artificial, as they must be, and group counties that have not themselves recognized any identity of interest. In addition, many local governments are jealous of their powers and see the regional councils as a threat to their independence of action. As a result, many local governments have joined regional councils not because they want to, or because they recognize the validity of regional concerns, but because they feel they must do so to protect themselves with the federal government, the state government, and the region itself. Unlike most single-county regionalism, the regional councils do not, for the most part, represent an up-welling of local support. They exist because of federal and state support and, to a considerable extent, do primarily the things they can get federal money to do. They reflect federal priorities rather than regional priorities. (Ironically, the federal government's notion of the typical region — evidenced in the recent ACIR report on regionalism<sup>1</sup> — is a large city with many suburbs, all contained within two or three counties. North Carolina has no such regions.

### *The Future*

What, then, of the future? A strong possibility is that present practices will continue with most initiative at the federal level, accompanied by some local experimentation in a few regions. If this is the future — and the chances are good that it will be — multi-county regionalism, in general, seems unlikely to increase its impact very much.

There are, of course other possibilities. The federal government, for example, might withdraw its support of regional councils. Many would not survive such a move and all would lose some members. Those left, however, would probably be stronger, as they would represent authentic regional attitudes. On the other hand, the State of North Carolina might decide that the regions should be an important part of its governmental mechanism. One, of many, possible implementations of such a decision is sketched below:

Regional councils exist, by and large, because the federal government has decided that some planning and development decisions have regional implications. Recently, the state seems to be moving toward that idea. If that occurs and the state decides that a regional council is the best way to include regional values in any sort of

1. Advisory Commission on Intergovernmental Relations, *Regional Decision Making: New Strategies For Substate Districts* (Washington, 1973).

regional plan, it might also decide that such regional plans should be implemented. This might be done in a number of ways.

First, a regional plan will frequently locate in a general way public facilities of regional importance, such as airports, hospitals, parks, open space, water supply facilities, and sewage treatment plants. Local governments that establish such facilities might be required to do so in conformity with the plan. Or, the regional council itself might be empowered to construct and operate such regionally important facilities.

Second, local land-use regulations, such as zoning ordinances, might be expected to conform to the regional plan. The regional council might be empowered to review, perhaps even veto, local regulations. More indirectly, the regional councils might be empowered to classify land on a broad scale: for example, to build from Hawaii's experience, land within the region could be divided into urban, developing, agricultural, and conservation areas. Local regulations would take place within these classifications. These are but some ideas; if some real legal force is to be accorded regional plans, many kinds of local-regional interplay are possible.

Such an approach might free regional councils from some of their present weaknesses. For example, the region itself could see to the implementation of regional plans. Also, if regions are seen to matter, if their plans do influence decisions, then people within a region are more likely to see themselves as part of a real entity, to see their identity of interests. The boundaries of the regions, though artificial, are not arbitrary; they were carefully drawn.

A frequent response to the sort of possibilities sketched out above is that we hardly need another level of

government. Before that response is accepted, however, certain questions should be answered. Is regional planning a valuable or necessary exercise? If so, should a mechanism be devised to assure that the *region's* values (and not the values of the state or of the region's largest county) shape the plan? One such mechanism is some kind of regional agency. Should a mechanism be devised to implement the plans, to see that the region's values, once articulated, are preserved? The possibilities set out above are attempts to devise that kind of mechanism. If all this leads to another level of government, then perhaps that level would be useful. Other mechanisms may be possible, or one of the questions might be answered no. But at least the questions will have been asked.

The approach sketched is not necessarily a permanent answer for the future of multi-county regionalism. For one thing, it raises other questions: for example, can a regional agency with power to implement regional plans be effectively run as a voluntary organization of local governments, acting only upon consensus among its members? For another, the approach builds upon the regional council's present emphasis on regional planning. Perhaps regional councils should instead become a real level of government, with primary responsibility for certain governmental functions. Perhaps some functions, now provided locally or by the state, would most effectively—for reasons of economies of scale, capture of spillovers, or closeness to the citizens—be provided by multi-county organizations. Experiences in some states, such as Minnesota and Colorado, indicate that such functions may exist. But this article is concerned only with regionalism and the seventies, and therefore suggests possibilities that seem imaginable within this decade. Whatever comes of multi-county regionalism in North Carolina is likely to come in a slow and evolutionary way.



# NORTH CAROLINA'S LOCAL GOVERNMENT OF THE FUTURE?

*Warren J. Wicker*

WHAT WILL NORTH CAROLINA'S SYSTEM of local government be in the future? What should it be? The second question is probably easier to answer than the first—at least it is a matter of opinion that can be expressed. The answer to the first is a matter of speculation.

Last year some 60 North Carolina city and county administrative officials were confronted with the task of designing "an ideal system of local government for the state." They were told that all local governments in the state were about to be abolished and a new system was to be organized. In designing the new system, they were given complete freedom. Neither statutes, nor the constitution, nor tradition were to be restraints on their creativity.

Eight groups of about seven officials each labored at the task. Perhaps the most important result was that no group recommended creating the 100 counties, 435 cities and towns, and 265 special districts, commissions, and authorities that now comprise the local governments found in the state. All groups concluded that North Carolina now has too many and too many different types of local governmental units.

Two groups retained counties and cities but reduced their number. One group would not permit the establishment of a city with less than 1,000 persons (thus cutting by more than half the existing number in the state). The other suggested that the smallest county should have a population of at least 50,000 (a little larger than the number of people represented by a single member of the State House of Representatives and a little smaller than the average existing county).

The other six groups suggested that a single unit of local government be created to replace the existing types. If the recommendations of these six groups were put together and "averaged," a structure something like the following would emerge.

A. The territory of the state would be divided into a number of general-purpose local governments (GPLGs) based on population, economy, and natural boundaries. The smallest should have at least 40,000 people. The largest might have as many as 400,000. The GPLGs might be called counties, or they might be given an entirely new name to suggest their general purposes and

the fact that they replace counties, cities, and other types of local units.

B. The GPLGs would have a governing board of from five to twenty members and a chief official elected at large. Members of the governing board might be elected at large, by districts, or by some combination of these two methods. Elections might be either partisan or nonpartisan.

C. The form of government might be either council-manager or mayor-council.

D. There would be no other local governments. But special services areas might exist within any GPLG. Special service areas would be areas with population densities of at least two persons per acre that need services not required throughout the GPLG. These extra services (or higher levels of services) would be financed by special charges within the service area or by special or higher taxes within the services area.

E. Creating the special service areas and operating the services within them would be the respective responsibilities of the GPLG governing board and its general administration.

Two groups suggested that citizen advisory committees be formed to provide additional and direct representation for citizens within a special service area.

F. Independent districts, authorities, and commissions that are now responsible for selected functions would be eliminated and these functions would become the direct responsibility of the GPLGs. Again, advisory committees might be used. (For example, public housing would become a normal departmental activity of the GPLG and the housing authority board could become an advisory committee.)

G. GPLG financing would be much like that now found in the various types of local units. The property tax and business license taxes would be essentially local taxes. Sales taxes, gasoline taxes, beer and wine taxes, and franchise taxes would continue to be shared with the state. Federal revenue-sharing would continue. Fees and charges (water, sewerage, solid wastes, etc.) would also be available to the GPLGs.

H. The groups recommended that most functions be jointly financed by the various levels of government: local, state, and federal. Five groups recommended that

health, education, and welfare be financed primarily at the state and federal levels. (Three groups recommended exclusive state and federal financing of these functions). Such functions as parks, airports, and libraries would have some local support but would be mostly financed by the state and federal governments.

The groups concluded that water, sewerage, fire protection, law enforcement, sidewalks, cemeteries, and solid waste collection and disposal should be primarily supported by local funds. Two groups felt that fire protection, sidewalks, and cemeteries should be supported exclusively by local funds.

I. While the groups recommended a general shift in financial support to higher levels (compared with the present pattern), they thought that administrative control and direct and policy-making should remain approximately as they are—with local officials making key decisions even with programs primarily financed at the state and federal levels.

**HOW REALISTIC IS THIS DESIGN** of an ideal system of local government for North Carolina? Is it a picture of the future that is reasonable in light of the past and the present? While the officials were asked to design the ideal rather than the attainable, perhaps to some extent they have done both.

As students of North Carolina local governmental history well know, the arrangements for local government in the state have undergone constant change in the past. There is every reason to assume that the local governmental structure of tomorrow will not be what it is today.

In the early days, North Carolina county government was essentially an administrative subdivision of the state—a local jurisdiction convenient for carrying out such state and statewide purposes as law enforcement, the administration of justice, the maintenance of roads, the recording of deeds, and the like. The early towns were organized as units of local self-government that enacted ordinances for the safety of the people (for example, regulating buildings, the use of firearms, the speed of horses, and public drinking).

Over the years the number of functions and services authorized for both counties and cities have greatly increased. In general, new functions and services were first authorized for municipalities because people who lived in cities and towns were the first to want these services provided by local governments. As the state's population has become increasingly mobile and urban, the needs of people who live outside the cities and towns have become more like those of people who live inside. So that these needs might be provided by a local government elected by those being served, the General Assembly has tended increasingly to empower county governments to provide the same types of services that cities and towns were first authorized to provide. And as county governments begin to provide these services, the tendency is for



*Jake Wicker teaches the Institute's courses in municipal and county administration.*

the function or activity to become (at the local level) principally a responsibility of county government.

The functions and activities that have followed (or are now moving toward) this pattern include libraries, public health services, hospitals, and solid waste disposal. And in recent years, as counties have become full-fledged units of local self-government, the legislature has tended, when it authorizes a new function, to authorize it for both cities and counties—for example, beach erosion control, sedimentation control, manpower programs, community action agencies, open space, and historic preservation. Table 1 shows the current pattern of authority. Thirty years ago, of the 35 functions and services listed in Group B, only 20 were authorized for cities and fewer than 15 were authorized for counties.

As Table 1 indicates, in North Carolina county governments have principal responsibility for health, education, and welfare, and cities have principal responsibility for streets, utilities, and transportation. All other functions and services may be shared in arrangements that vary from county to county and change constantly.

In 1970, North Carolina had a population of 5.1 million. By 1973, to serve this population at the local governmental level there were 800 units of government: 100 counties, 435 active cities and towns (perhaps another 50 that were inactive), and some 265 special districts, authorities, and independent boards and commissions of various types. A little less than 43 per cent of the state's population lived inside incorporated and active cities and towns in 1970. The rest lived outside municipalities, and most of these voted for the members of only one local governing body—the board of county commissioners.

TABLE I

## Chief Functions and Services Authorized for City and County Governments in North Carolina

A. Services and Functions Authorized for Counties Only		
1. Agricultural Extension	4. Juvenile Detention Homes	6. Register of Deeds
2. Community Colleges	5. Public Schools	7. Social Services
3. County Home		8. Soil and Water Conservation
B. Services and Functions Authorized for Both Cities and Counties		
1. Airports	13. Human Relations	25. Planning
2. Ambulance Services	14. Industrial Promotion	26. Public Health
3. Animal Shelters	15. Inspections	27. Public Housing
4. Art Galleries	16. Jails	28. Recreation
5. Beach Erosion Control	17. Law Enforcement	29. Refuse Coll. and Disposal
6. Bus Lines and Mass Transit	18. Libraries	30. Rescue Squads
7. Civil Defense	19. Manpower	31. Sewerage
8. Community Appearance	20. Mental Health	32. Urban Redevelopment
9. Community Action	21. National Guard	33. Veterans Services
10. Fire Protection	22. Off-street Parking	34. Water
11. Historic Preservation	23. Open Space	35. Watershed Improvement Programs
12. Hospitals	24. Parks	
C. Services and Functions Authorized for Cities Only		
1. Auditorium	4. Electric Systems	8. Street Lighting
2. Cable Television	5. Gas Systems	9. Streets
3. Cemeteries	6. Sidewalks	10. Traffic Engineering
	7. Storm Drainage	

Note: Both units have authority to undertake the necessary supporting functions and activities: finance, tax collection, personnel, purchasing, etc., and to construct buildings and other facilities needed to provide the listed services and functions. The authority cited in the above list is qualified in some cases. In a few cases, only units of a certain size have the authority. In others, state policy may restrict or limit the authority. And in some cases one unit's action may limit the other's. The list does not include regulatory authority.

This state's relatively simple and uncluttered local governmental structure has often been admired by students of government elsewhere; and the North Carolina pattern of sharing responsibilities between the state and local governments is essentially what has been recommended by such groups as the Douglas Commission on Urban Problems, the Committee for Economic Development, and the United States Chamber of Commerce. As noted however, North Carolina has a long record of steady change in local governmental matters as the basic pragmatic tendencies of the state's citizens have found expression in acts of the General Assembly. Thus while today's arrangement may be viewed as a model in some quarters, it is likely to be seen only as transitory by those who follow local government in North Carolina.

Since this is true, is the "ideal" system of local government proposed by the city and county administrators last year the arrangement that may be expected to develop in the near future? That is hard to say, but a few comments may be made about the officials' "ideal" system and its prospects.

1. If one looks at past changes in responsibility for financing and for providing urban-type services county-wide and at the shift to broader geographical areas for many functions, the recommended system appears to be a not unreasonable next step.

2. The long-standing interest in city-county consolida-

tion has had renewed attention in various areas of the state in the past few years. Most of the proposals for city-county consolidation would have produced, in effect, a single general-purpose local government for the county area—and often with financing arrangements much like those in the system recommended. Moreover, changes in the state's Constitution in 1972 and implementing legislation since then have paved the way for creating single, general-purpose local governments for county areas.

3. City-county consolidation has been seriously proposed in several counties over the past 40 years—with no success as yet. The voters have rejected the consolidation plans placed before them by substantial margins.

4. In the past two generations, the major changes in the pattern of local governmental functions and responsibilities have occurred within the general structure that includes both counties and cities and towns.

Thus in light of the present conditions and the traditions of local government in the state, it appears that achieving the altered pattern of responsibilities recommended by the groups may be more likely than its particular form. But whether the ideal is achieved or not, the projection of an ideal arrangement helps illuminate the state's present pattern of local government and the changes that have been made in the past and suggests something of the changes that will undoubtedly occur. □



# NEW FEDERALISM, NEW LOCALISM, OR WHAT?

---

Robert A. Cox, Jr.

*The time has come for a new partnership between the Federal Government and the States and localities—a partnership in which we entrust the States and localities with a larger share of the Nation's responsibilities, and in which we share our Federal revenues with them so they can meet those responsibilities.*

— *State of the Union Address*  
January 22, 1971

THIS STATEMENT BY THE President of the United States officially launched the New Federalism concept for advancing the public good. Its philosophical intent is to encourage major shifts in responsibility from 400 federal programs to several thousand units of state and local governments. How this latest effort in the nation's continuing experiment in self-government succeeds will be determined by the degree to which people who live in the nation's 38,000 units of local government experience

- Greater citizen participation in governmental affairs;
- Expansion of municipal services beyond the traditional functions of protecting property and people to include functions designed to shape urban development and expand social and economic opportunities;
- Improved planning and management capabilities that emphasize policy planning, performance budgeting, and program monitoring and evaluation systems;
- A shift in political accountability from figuring how to get federal aid to deciding how all resources can best be used to satisfy diverse and often competing community needs.

State governments, like their political subdivisions, must meet new tests of public management capability and accountability if New Federalism concepts are to succeed in creating an era of New Localism (as James Harrington, Secretary of the North Carolina Department of Natural and Economic Resources, prefers to call it) that can effectively influence patterns of development and the social well-being of the 210 million American people.

## NEW FEDERALISM AND NORTH CAROLINA

---

New Federalism concepts have been expressed in seven significant legislative proposals since 1971. In addition to

general revenue-sharing, which came into being through the State and Local Financial Assistance Act of 1972, the Nixon Administration has proposed the following special revenue-sharing programs: Urban Community Development, Education, Law Enforcement, Manpower Training, Rural Community Development, and Transportation.

Obviously, general revenue-sharing is the most flexible of these new programs. Section 103 of the authorizing legislation identifies eight "priority expenditure" areas within which general-purpose units of government should spend these federal funds: public safety (including law enforcement, fire protection, building code enforcement), environmental protection (including sewage disposal, sanitation, pollution abatement), health, public transportation (including transit systems, streets, roads), recreation, libraries, social services for the poor or aged, and financial administration.

The impact of this one program on North Carolina's financial resources is clear. Including the funds received since January 1972 and those to be received in July 1974, general revenue-sharing has brought \$365 million in federal funds into the state. The distribution of these funds is as follows: \$122 million to the state, \$132 million to counties, and \$111 million to municipalities.

At first glance, this \$365 million is a significant infusion of federal assistance. However, a comparison of this figure with the total expenditures for state and local government operations for a single year brings a somewhat different understanding of the impact of New Federalism upon the state—particularly in view of the fact that most of the general revenue-sharing funds have been used for "hardware" types of expenditures. Local elected officials and city managers justify their decisions to use the funds heavily for capital investments on several grounds, but the principal ones are (1) past unmet needs, and (2) uncertainty about the continuation of the general revenue-sharing program.

Government in North Carolina now costs \$4 billion a year. The state spends \$3 billion of this, and county and local governments spend the rest. Many organizations have bigger budgets. For example, IBM generates \$11 billion a year in revenues, but unlike IBM and most other private organizations, North Carolina's state, county, and local governments lack the policy base, management

systems, and evaluation capability necessary to insure the most effective use of their resources. At present, it is hard to see how New Federalism programs can meet the needs of North Carolina citizens—both present and future—any better than the array of categorical programs that have evolved over the thirty years preceding them. How North Carolina intends to close the gap in per capita income, income distribution, quality of education, and health care while maintaining its “character” and its natural and economic advantages is the kind of political question that the New Federalism philosophy assumes can best be answered by the states and their localities. If one accepts this assumption, then he tends to agree that the nature of social problems is best understood by the states and their subdivisions and these same governmental units are the agencies best suited to devise the way to solve these problems.

North Carolina, through its Department of Natural and Economic Resources, has been funded by the Department of Housing and Urban Development to examine this proposition.<sup>1</sup> The national demonstration project supported by this grant anticipates the passage of a New Federalism type of community development special revenue-sharing bill, but its primary objective is to examine how local governments: (1) assess public needs; (2) foster public debate on community issues; (3) formulate and adopt public policy; (4) organize and allocate public resources; (5) distribute responsibility for policy implementation; and (6) maintain management systems that can monitor program performance, determine the efficiency of activities, and evaluate the acceptability of program results.

Five pilot cities (Henderson, Statesville, Lumberton, Wilson, and Washington) are participating with the state in developing and testing various means to:

- Expand local planning and management capabilities;
- Organize a state technical aid program that emphasizes management, policy planning and implementation, and the integration of physical planning with economic and social development needs; and
- Demonstrate how an improved intergovernmental management system, involving state agencies and the seventeen multi-county organizations, can effectively respond to local development problems and potentials.

In addition, 30 other North Carolina communities (all under 50,000 population) that will be eligible for assistance once community development revenue-sharing legislation is enacted by Congress are participating in this “applied research.” The data and experience emerging from this demonstration are providing valuable insights into the institutional, political, and legal problems

to be overcome if the New Federalism is to be an improved system for meeting society’s collective needs over the last quarter of this century.

One deficiency in the New Federalism concept of community development revenue-sharing already has surfaced. The Nixon Administration version of DCRS would channel only \$165 million into North Carolina’s thirty-eight eligible cities (eight over 50,000; thirty under 50,000) over the five years of proposed federal funding. With no state commitment to the support of local community development activities, the future appears rather bleak for those hundreds of communities and thousands of people that will not be touched by this New Federalism effort. The situation is further complicated by the fact that North Carolina may be the only state in the past ten years that could not demonstrate the usefulness of a State Department of Local Affairs or a State Housing Agency. (Fortunately, the last session of the legislature moved to reactivate the latter agency, but its usefulness is still to be tested.) Without such agencies as tools, it will be extremely difficult for state governments to fill the leadership and financial void created when the federal government withdraws its incentives for creative action.

The American federal system has been conceived as a cooperative effort by governments at all three levels to identify and resolve social problems. However, in practice this concept has not been fully realized because the different levels of government have neither equal capacity nor equal resources for engaging in such an endeavor. Fortunately, North Carolina’s counties and cities have, in effect, full “home rule” powers; therefore, assuming that local political leadership and management skills emerge, the major need in this era of New Localism is to raise more revenues to meet local needs. Whether North Carolina’s state government will meet this challenge in time to be truly effective could become a major issue in forthcoming elections. If the public fails to recognize the need for a new style of state and local government, then the New Federalism concepts of this decade could prove to be as frustratingly ineffective as many people now think the efforts based on New Deal, New Frontier, and Great Society concepts were in advancing the public good.

#### DEMONSTRATION PROJECT FINDINGS

Since February 1973, the Department of Natural and Economic Resources has been helping an increasing number of North Carolina’s nonmetropolitan communities to prepare for the new responsibilities anticipated by New Federalism programs. Figure 1 shows the model used by DNER’s staff of professional planners and management specialists to help explain the scope and inter-relationship of these responsibilities. To the informed

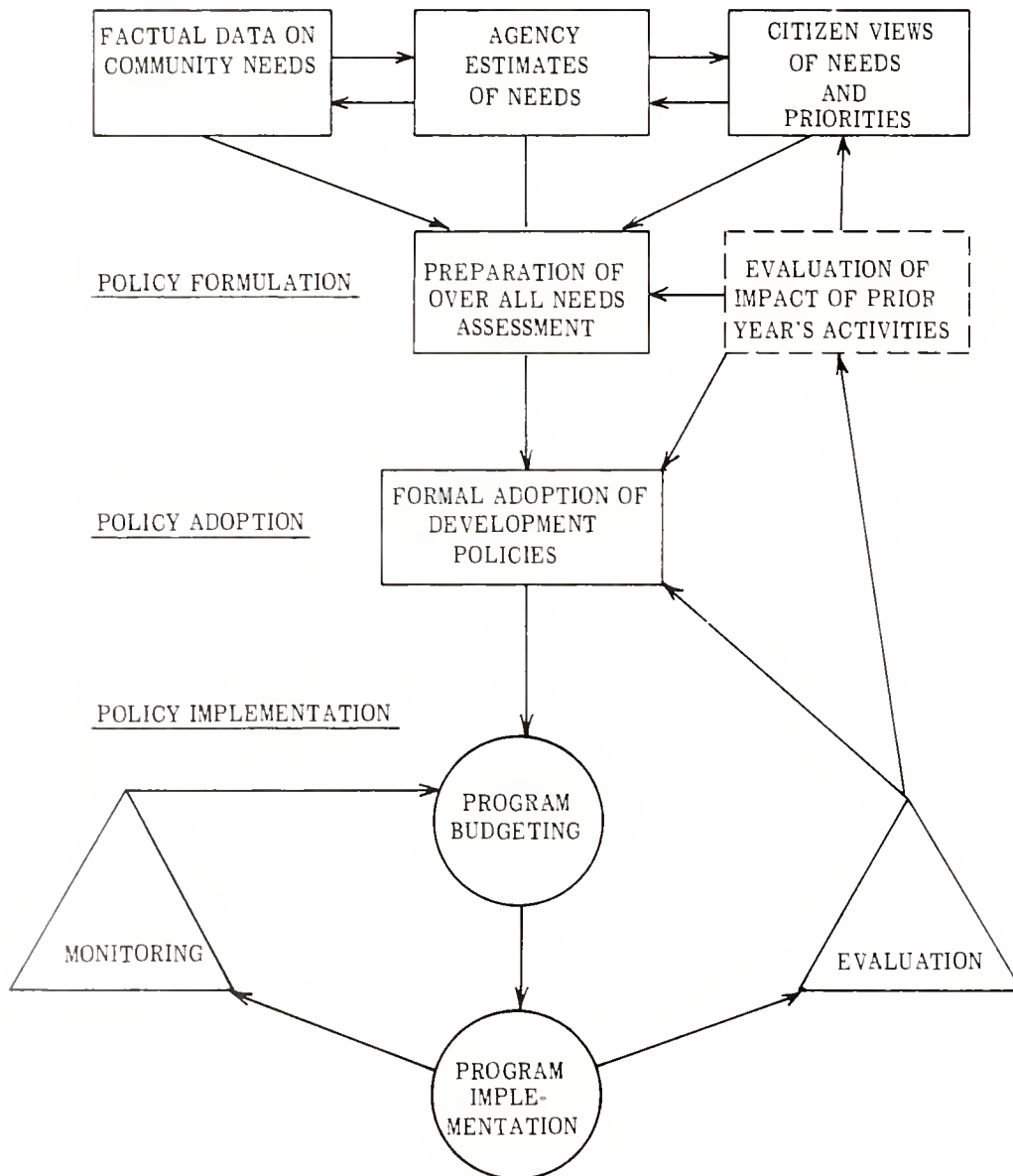
1. *Popular Government* (April 1973).

student or practitioner of governmental affairs, there is nothing new about this model as a description of contemporary public management thinking. However, the reaction of some local officials and state employees make it

clear that a number of new concepts will have to be explained to them before they can undertake the kind of activities and responsibilities that an effective New Federalism will require of all public officials.

FIGURE 1

The Public Policy Management Process  
The North Carolina Model





With help from an outside public management consultant, DNER identified a serious semantic problem among its own staff and many of the local officials they were trying to help. The basis for this difficulty stemmed from twenty years of responding to federal mandates for "things" rather than "processes." The best example of this problem is HUD's Workable Program and how it was administered by federal, state, and local people. Originally conceived in the Housing Act of 1954, the Workable Program was to serve as a checklist against which local officials could evaluate their ability to manage a local community development process effectively. Starting with a basic trust in local initiatives, the federal government was to provide financial aid to offset the enormous costs of renewing blighted areas of American cities. In all of the activity undertaken to put this dual concept of local self-help and HUD financial assistance into step, very soon an unworkable set of requirements emerged that had little or no real impact on upgrading local planning and management capabilities. Local governments prepared comprehensive plans, housing analyses, and related things because without them HUD funds might stop flowing into the community. On the federal side, bright young professionals were continually confronted with the choice between improving the local process or approving the specific project. In the consumption-oriented environment of America's socioeconomic system, the decision was never much in doubt. Federal projects of increasing scope and complexity were funded with little or no understanding of the "carrying capacity" of America's local governments. By the time the Nixon Administration came into office, this political and management misjudgment—fostered by both Democratic and Republican administrations—had become so obvious that the leadership in both political parties began seeking new ways to meet the nation's domestic needs. The Nixon Administration dressed the old "local folks know best" argument in New Federalism clothes, and we are off again on what may be hoped will be a more successful attempt at cooperative Federalism.

The results of eighteen months of assessing the planning and managing capabilities of a representative sample of North Carolina's nonmetropolitan cities can be summarized as follows:

1. *Policy Formulation and Adoption.* Little evidence indicates that North Carolina cities formulate and adopt policy in an organized or knowledgeable way. If a policy is a political commitment to either (a) overcome a problem or (b) realize a potential, then few elected officials or key administrative officers have a clear understanding of what policies have been adopted at the local level. Furthermore, planning commissions pay little or no formal role in policy matters. For example, most planning commissions were not consulted on the allocation of general revenue-sharing funds, nor did they try to give their respective city councils any advice on the matter.

2. *Citizen Participation.* Most cities are reluctant to support a public information campaign specifically de-

signed to foster greater citizen involvement in governmental affairs. In the past, such programs usually were in response to HUD Workable Program requirements and were considered to be directed primarily toward blacks and poor or disadvantaged. DNER planners were equally reluctant to promote "CP" functions if it appeared that the local officials had little interest in such "problem-creating" activities.

3. *Social and Economic Concerns.* North Carolina cities have had limited experience in working directly with social and economic issues and appear disinterested in taking advantage of New Federalism opportunities to link physical development services with social and economic needs. For example, a city will actively seek new industrial prospects and willingly spend funds to supply an industrial site with water, sewer, street, police, and fire services. But it will also be disinclined to use its manpower to bring these new employment opportunities to the attention of its citizens with seasonal or low-paying jobs.

4. *Monitoring and Evaluation Systems.* No city involved in the demonstration project was equipped to monitor or evaluate its programs. Both local officials and DNER planners indicated the need for expertise in these fields, but apparently very few nonmetropolitan cities have the technical knowledge available to establish such functions.

5. *City Hall/Redevelopment Commission Relations.* Tensions exist between some city halls and the redevelopment commission as they contemplate the impact of New Federalism community development revenue-sharing. In some cities the city council prefers to keep the commission separate from city hall so it will be available to handle the controversial problems associated with urban renewal activities. Some commission executive directors are concerned that they will lose power and status if the commission is absorbed into city hall, particularly where the commission executive-director earns more than the city manager.

6. *State-Lead Regional Organization Relations.* Until January 1974, working relations between the State Planning Office, Department of Natural and Economic Resources, and seventeen multi-county associations designated as LROs existed only on paper. In fact, the State Planning Office and DNER's Division of Community Services submitted separate 701 applications to HUD until just two years ago. An LRO-inspired dismembering of DCS in March 1973 was stopped in the General Assembly, but the role and function of all these potentially valuable planning and development organizations is clouded by unproductive jockeying for turf and limited federal funds. The problem has been compounded by the absence of any significant state commitment—moral or financial—to support LROs, but the Holshouser Administration has recently taken several steps designed to improve local-LRO-state relations.

7. *The Willingness to Act and Experiment.* Many Carolina cities appear to be so conditioned to respond to

federal programs that they view the chance actually to shape some of their own future with uncertainty if not outright alarm. The same is true for many state employees supposedly trained to give technical aid to local governments regardless of any specific federal program. "Let's wait until the Feds tell us we have to do something," local and state employees often say when new planning and management procedures are presented to them for the first time. Fortunately, these people seem to be learning, but the amounts of time and money required to create dynamic, problem-seeking local and state officials are still unknown. The work of such organizations as the Local Government Commission, the Institute of Government, the League of Municipalities, the Association of County Commissioners, and the state chapters of the American Institute of Architects, American Institute of Planners and International City Managers Association in helping to educate these officials is most encouraging. Without their organized efforts in changing the style and scope of conducting the affairs of North Carolina counties and cities, New Federalism concepts will have limited impact in meeting the state's development needs.

8. *Budget Message Potential.* One objective of the New Federalism that is consistent with current thinking in the fields of planning and public administration is to link traditional planning activities with the decision-making process in resource allocation. North Carolina cities, like many throughout the nation, have not used their planning capabilities to influence their priority-setting activities and over-all management system effectively. Fortunately, North Carolina has a unique piece of legislation, the Local Government Budget and Fiscal Control Act, which in Section 159-11 requires each unit of local government to prepare a budget message that

- Contains a concise explanation of the governmental goals fixed by the budget for the year.
- Explains important features of the activities anticipated in the budget, sets forth the reasons for stated changes from the previous year in program goals, programs, and appropriation levels, and explains any major changes in fiscal policy.

This feature of the Budget Act became effective in July 1973 just in time to make its implementation an impor-

tant objective of the state's New Localism demonstration project. The failure of so-called comprehensive plans to influence local decision-making was a major obstacle in the state's efforts to expand local planning and management capabilities. Where the lack of, or limited use of, planning capabilities was never a serious political issue in most North Carolina cities, the failure to deal with budget matters efficiently is viewed in an entirely different light by most local elected officials and in particular city managers. The influential and historic role of the state's Local Government Commission (the watchdog of local fiscal affairs) contributed greatly to making the budget message a very legitimate item for discussion at the local level. In January 1974, a joint DNER-Local Government Commission letter was sent to the state's thirty-eight cities that would be eligible for the proposed CDRS funds. Its purpose was to make them aware of both the budget message requirement and how that message can be used to foster the linkage of planning with improved decision-making and program implementation. The response to these letters has caused a major shift in the focus of state technical assistance. It may be hoped that the budget message and its preparation and use as a policy instrument will become the innovative concept needed to capture the political interest and administrative imagination of North Carolina's local officials. The future appears bright, and within it lies the chance that New Federalism concepts will take root in North Carolina's local units of government.

## CONCLUSION

North Carolina is the beneficiary of a unique opportunity to demonstrate how it can prepare its state, county, and local governments to adopt new public policies and management systems designed to achieve a higher level of public service. Walter Heller, said to be the father of revenue-sharing, placed the issue very directly: "Do we want stronger states?" North Carolina's experience indicates that the answer to this question could determine whether the New Federalism does indeed create an era of New Localism in which state and local governments emerge as the true spokesman for the American citizens' physical development needs and cultural aspirations. □

# CITIZEN PARTICIPATION IN SHAPING PUBLIC POLICY

*Dorothy J. Kiester*

WE HEAR A GREAT DEAL these days about the crisis of confidence in government. Elected officials are properly concerned with the degree of trust that people feel in government in general and in them in particular, and many are seeking ways to improve the trust level. Each official's perception of what creates trust determines the way he goes about trying to gain it. "Bold, decisive action" appeals to some; protestations of good intentions (or of innocence, if necessary) are popular with others. Almost all officials want to feel that they are acting in accord with the will of the people—at least, enough of the people to be kept in office. But how to get accurate readings of "the will of the people" is a constant and complex problem, made infinitely difficult by the wide variations in how different interest groups interpret their own interests in relation to law-making and policy-making by those in power.

"Alienation" has been cited as a major cause for distrust—a feeling of powerlessness to influence the course of events, of being out of touch with the decision-makers. Does this feeling result because the channels for being in touch are unavailable to all but the elite? In touch with whom, for what purpose? A recent study of citizen contacts with elected officials and with service agencies provides some provocative figures: For the entire nation, only 15 per cent of those interviewed reported contact in the past year with elected officials, while 69 per cent had contact with one or more service agencies. This relative difference held true for all sections of the country, all races, and all income groups.<sup>1</sup> Perhaps this suggests that officials of government can improve communication with the general public and indicate concern for citizens' well-being more effectively through citizen participation in policy-making for service agencies than by other means available to elected officials.

Another study, prepared for the Department of Health, Education and Welfare in 1973, sought "to identify the forms and characteristics of citizen participation that facilitate the effective exertion of citizen power over program administration." The study recommended that DHEW establish citizen-dominated boards with these principal characteristics: (1) citizen members are elected;

(2) other citizen and community organizations are represented; (3) enough resources are provided to support a staff that reports directly to the boards; and (4) each board's authority includes at least the power to influence substantially the service program's budget and to investigate citizen complaints.<sup>2</sup>

This study was prepared for appointed officials who administer service agencies at the federal level, but counterparts of these officials exist at the state and local levels as well, and the concern for citizen reactions is even more real when the official is likely to meet the citizens he represents in his own office very day, and on the streets of his own town every time he moves. But does he really want to know more about "the effective exertion of citizen power over program administration?" Interested he may be—but not, one may assume, to the extent of losing his own control.

SO WHAT IS CITIZEN PARTICIPATION? Is it simply a wave of the present to be endured, or does it have a proper place in government? If so, what is that place, and how does officialdom relate to it?

The United States as a democracy is committed to the concept of "government of the people, by the people, and for the people." By its very definition as a democracy, our government requires the participation of its citizens. But it seems likely that the framers of the Constitution in no way contemplated the kinds and styles of participation that have developed in American political and social life over the past 200 years. "The people," to them, were probably the voters—holders of property, literate, male, white, and reasonably homogeneous in their perception of the common good. Government "by the people," therefore, was government by the privileged class who shared the vote and the consequences thereof.

Over the years, our society has become increasingly pluralistic. Assorted special-interest groups exist within the privileged component, and elected officials have traditionally been sensitive to their wishes, even when conflicts have arisen among them. Many and varied components also exist outside the socioeconomic power structure, equally persuaded of the validity of the

1. Thad L. Beyle, "Citizen Contact with Government Agencies," *IRSS Newsletter* (Chapel Hill, North Carolina: Institute for Research in Social Science, March 1974).

2. Robert K. Yin, William A. Lucas, Peter L. Szanton, and J. Andrew Spindler, *Citizen Organizations: Increasing Client Control* (Washington: The Rand Corporation, 1973).



democratic concept of government "of, by and for the people." Politicians and administrators tend to be less responsive to the wishes of these groups, partly because they are usually less well organized and therefore control fewer votes, and partly because they do not normally have the bargaining power that more privileged groups command.

A few historic examples of active (and activist) citizen participation are the abolitionist movement, the labor movement, the suffragist movement, and more recently the civil rights movement. All of these have represented special-interest groups seeking to affect the government of the United States through actively influencing the process by which law and public policy are established. In recent years the notion of *citizen participation* has been associated with those who are outside the power structure wanting to change it, and outside the privileged class wanting in—or at least wanting a larger share of the goods and privileges.

Despite this association, however, "citizen participation" takes *two* forms—(1) that designed and controlled by those in power, and (2) that organized independent of the power structure and usually seeking to change it. These types of participation are different in both purpose and character. Together they provide another dimension in our system of checks and balances—a dimension that may be as important in its own way as the tripartite legislative-judicial-executive design for protecting the integrity of our democratic form of government.

AMONG THE FORMS OF CITIZEN PARTICIPATION controlled by the power structure, the *citizen policy-making board* is one much used in North Carolina. These boards are constituted in a variety of ways that are sometimes defined by law and sometimes simply by custom. A great many state agencies have boards appointed by the Governor.<sup>3</sup> Usually some "non-stacking" provision has been built into the organizational structure to prevent any one governor from gaining total control of the board. Social Services, Public Health, the State Board of Education, and various licensing boards are examples.

It is the presumed intent of these boards not only to allow the state's citizens an opportunity to control policy within statutory limits but also to be responsive to the interests of "the people" in the agency's administration of services. These boards are also presumed to have a dual responsibility—both for protecting the interests of the people served and for protecting the interests of those who pay for the service, i.e., the taxpayers. When those who are served and those who pay are not the same people, the conflict of interests for board members can be

acute. Since the usual practice is to appoint outstanding citizens to these boards, the board members almost always fall into two general categories: the traditionally defined "successful"—the socially, economically, and politically privileged—and professionals of recognized competence in a field related to the functions of the agency. It has not been the practice to include users of the service unless they also fall into one of these two categories. The appointment of "clients" to a policy-making board has always been deemed an undesirable conflict-of-interest circumstance, but it leads the student of citizen participation to wonder whose interests are being favored when appointments are made. Also, elite boards tend to assume a paternalistic superior knowledge of what is best for "them"—i.e., those being served by the agency.

Since these boards are basically political in nature and taxpayer interests are a major consideration, one may wonder how they compare in their composition with the governing boards of private social agencies or private business enterprises. The composition of nonpolitical (in the electoral sense) governing bodies also traditionally excludes representatives of the consumer population. This is not a criticism of such boards, but rather an observation of how the controlling powers perceive their functions. Such a board does not necessarily represent all citizens, but only those to whom it feels an allegiance. Those citizens toward whom the board feels this responsibility can be comfortable knowing that the management of the organization's affairs is not left entirely in the hands of the professionals with whom they may or may not agree when the question of establishing or maintaining a program unacceptable to the Establishment arises.

The presumption in public agencies is that the interests of all citizens should be considered, but in practice this ideal is difficult if not impossible to realize. It does, however, highlight the problem of appropriate representation if the primary consumer group has no official voice in policy-making. Without representation, credibility may



Dee Kiester's field at the Institute is the broad area of social work.

3. Before State Government reorganization in 1973, among the agencies with a full-time governing board, the Governor appointed all or a majority of members of 112 boards, and a minority or none of the members of 81 boards. Chart of the Administrative Organization of North Carolina State Government (Chapel Hill: Institute of Government, August 1971).

be hard to maintain, and trust thereby limited or lacking. Who are "the people" whose interests are represented on planning and zoning boards at the municipal level? Who are represented on draft boards? Who serve on the housing authority?

In addition to boards with policy-making authority, *advisory committees* are attached to a wide variety of public agencies. These bodies tend to have more consumer representation than policy boards, but it takes a strong executive, one who is secure both professionally and personally, to hear and honor the opinions of advisory groups when they do not conform to the administration's desires. Whether or not an administrator accepts responsibility himself for not responding favorably to an advisory group's suggestion (he can duck it by blaming the governing board—"They won't let me . . ."—or the state or federal government, an even more impersonal *they* who "won't let me"), it is true that the advice of an advisory committee seldom influences policy in a direction not acceptable to the administration. This is not to denigrate advisory committees as an instrument of communication between officials and clientele; they can be quite effective in bringing to the administration points of view and complaints or suggestions regarding policy, practice, and even new program directions. The fact that they so seldom affect policy is a criticism of the kind of closed administration that refuses to honor the thoughts and feelings of consumers, not a criticism of the advisory committee as a device for transmitting thoughts and feelings to the policy-makers.

A third method for permitting citizen participation in a controlled way is the *study commission*. A particularly controversial issue can be cooled very effectively by appointing a "blue ribbon" commission of respected and respectable citizens to study the matter. The fact that such people are concerned themselves with the problem will usually allow the administration to delay action until it is ready to move. Sometimes the recommendations of such a commission can be implemented in part—seldom totally; sometimes the report is simply received, with or without fanfare, and for all practical purposes that is the end of the matter. Still, the public has had the illusion of participating, though vicariously, in the pursuit of a solution, and the administration earns credit for being concerned and responsible but not impulsive.

Again, the lack of immediate action does not mean that the study commission is merely a delaying tactic or meaningless in terms of citizen participation in government. The results of its efforts may very well become evident later because a part of the citizenry is better informed, or because the time for action ripens, or because new funds become available, or because of still other reasons. As a device for permitting citizen participation in thoughtful problem-solving, the study commission has much merit, particularly when the intentions of the administration that created it are constructive. If the commission recommends a course of action that is acceptable to the administration, action may follow in a way

satisfying to most of the public. The control of how the commission's findings will be used rests with the administration, however, and not with the commission.

A fourth method for permitting the controlled participation of citizens in the processes of government is the *public hearing*. The legislative body is never bound by the opinions expressed at a public hearing. It is presumed, however, to emerge from the occasion better informed about the wishes of the voters. But who is permitted to speak, how well a point of view is presented, how persuasively the facts are marshaled all may depend upon the skill with which appearances at public hearings are organized, and this often means that those citizens with superior resources are most effectively heard. Those who are not well enough organized to have a paid lobbyist or skilled staff members to collect necessary data or who cannot field a good speaker may never be heard; or if heard, they may not make very effective presentations. Sometimes sheer numbers of persons either for or against a proposal can be influential, but even having large numbers of people present in the right place at the right time calls for a degree of organization that some segments of the affected population cannot command. Whether at the federal, state, or local level, a certain amount of sophisticated know-how is necessary for an individual or a group of citizens to influence the action to be taken.

Other methods for testing citizen (usually to be read "voter") reaction, such as straw votes and "trial balloons," can be useful if care is taken to include those citizens who may be cut off from the reactor mechanism. To invite a telephone call to the office of a public officeholder, or letters expressing opinions, or attendance at an open meeting may be very well and good for the citizen who is accustomed to making his wishes known in this way—or for the citizen who fully understands the implications of the proposal—or even for the citizen who hears or reads the announcement—but many people who are to be vitally affected by proposed plans do not hear announcements, do not understand, or cannot avail themselves of the open channels of communication. Therefore, these devices are generally more useful in testing the reactions of the privileged community than of the disadvantaged or marginal community, a circumstance that tends to skew the results of the "testing."

*Volunteer service* is another form of citizen participation that may be completely controlled by the administration if the service rendered is in a program for which the Establishment sets the rules. In volunteer service in or to the courts, in departments of social services, in public schools, in mental health clinics, and so on, the agency solicits the participation of unpaid members of the community to work in accordance with plans developed by the agency and under the supervision of agency personnel. This arrangement is perfectly legitimate, and such volunteer activity represents a significant contribution to the objectives of the agency. The volunteer seldom has much opportunity for influencing policy, however. Nevertheless volunteer services represents an underutil-



ized means of improving communication between clients and administration, for volunteers can function as conduits for making known the frustrations and hardships suffered by the clients. A well-informed volunteer can do much to interpret the agency to the supporting community and can often provide extra individual attention to clients, all of which can make for more effective agency service to the community.

**CITIZEN PARTICIPATION IN GOVERNMENT** that occurs outside the auspices of the power structure can take many forms. One form is another kind of volunteer service to the community that often concerns itself with change. This service is the range of private agency (nontax-supported) programs, some staffed by paid professionals and governed by volunteer (unpaid) citizen boards, others staffed almost totally by volunteers. Some of these programs have been firmly established in the community for years; others have time-limited project goals. One means by which voluntary agencies may represent citizen participation in government is in developing new ways of delivering services or new ways of attacking social problems. Official agencies can capitalize on the voluntary agency's freedom to experiment, incorporating the proved changes without the expense of trial-and-error testing of new concepts. Although "innovation" was the watchword of programs developed under the Economic Opportunity Act, the Model Cities programs, the Elementary and Secondary Education Act, and other programs born during the 1960s, traditionally it has been the voluntary agencies that have sought new ways of coping with old problems. Governmental services are much slower to change simply because they are usually country-wide, making the dislocations that go along with major policy changes in an agency severe, especially since hundreds of local offices may be involved with often a concomitant need for legislative changes in the states.

In addition to research and experimentation, volunteers who need have no concern about losing their jobs can needle an official agency about individual cases when agency practice seems to be adversely affecting large numbers of clients. To assume the role of advocate for politically voiceless clients is a significant and often effective form of citizen participation.

It was the Economic Opportunity Act requirement of "maximum feasible participation of the poor" that triggered the widespread concern with having consumers or clients of a service represented on agencies' policy-making boards. The Ford Foundation undertook some experimentation with the concept, especially with the North Carolina Fund, and federal EOA legislation was to some extent patterned after this experience, requiring that one-third of the membership of the policy-making board be poor people or representatives of the poor. It was while the "War on Poverty" was an active concern of the national administration that "citizen participation" came to be associated with the poor and the "alienated." The very fact that these terms must be put in quotation

marks indicates the extent to which they have been invested with new significance as a part of the language of the social reform movement of the 1960s.

The framers of the 1964 Economic Opportunity Act intended to assure that the poor would be actively involved in the program planning and policy determinations of local community action agencies by providing that board membership was to be constituted one-third from the poor, one-third from the community at large, and one-third from official agencies. Ideally this composition would provide for a balance of all major interests of the community. In practice, the poor turned out to be a relatively ineffectual minority, untutored in sophisticated devices for controlling events in a meeting, inexperienced in program planning, and relatively inarticulate with respect to their problems. Ironically, the more skilled they became in these areas, the more obstacles Congress, the OEO administration, and local political interests created to obstruct a development that seemed to jeopardize the status quo. For example, when the program of civic education to help people become responsible citizens capable of exercising the franchise intelligently threatened to result in a new group of informed voters who might not return incumbents in the next election, the Gardner Amendment to the EOA was passed to prohibit any kind of political activity by CAAs, including voter education. When OEO began funding projects dreamed up by the poor people that might have resulted in some realignment of priorities in future county budgets, the Green Amendment was passed to permit county governments to take over the administration of the community action agencies. When protests were organized that effectively challenged some of the practices of local housing authorities and some of the HUD administration regulations, the community organizers of these protests were (often without due process) effectively neutralized by local police and court action.

The Establishment mobilized its resources to prevent change when the protests seemed to be promoting change too rapidly. In many cases the instrument for stopping change was simply the will of the majority community asserting itself. Also, often the changes demanded by the protest groups were ill considered and would not have accomplished their legitimate ends. But other times, when the administration was open and willing to consider complaints and legitimate proposals for constructive change, the "citizen" input resulted in positive modifications of both policy and practice.

It is fairly safe to say that the *boards* of CAAs have been less effective than either the many kinds of citizen protest generated by CAA staff or the protest that developed in other activities at the same time. The device of organized protest and demonstrations was quite effective for a brief time because of the fear of violence. As the threat of violence was countered by the power structure with massive repression and sometimes with more violence, this tactic was gradually abandoned in favor of more orthodox efforts to influence public



policy—through the established political methods of election to office, through increased efforts to make voting a significant index of the will of a bloc of people who had not before had much influence at the polls, and through the development of citizen lobbying groups like Common Cause.

Common Cause, the American Civil Liberties Union, consumer-protection groups, and so on all illustrate a strategy that might be called *social action*, as opposed to the organized protest activities that are generally referred to as *community action*. Protest is not necessarily the unpatriotic action that some interests would try to label it; the Boston Tea Party has a revered place in American history. A good case can be made for civil disobedience under some circumstances. If the protesting citizens are acting to protect their rights, they may be simply engaging in their democratic prerogative as citizens to participate in the shaping of public policy.

*Lobbying* is another form of social action, again exercised as a right of citizens in a democracy to protect their special interests. The fact that the efforts of some lobbyists and the tactics of some groups to influence legislators' votes are unethical in the extreme does not invalidate lobbying as a legitimate practice in the efforts of citizens to influence public policy.

Usually exercised in the private-enterprise arena but effective because of the impact on large segments of the public, *strikes* are a form of pressure to secure "protection of rights" or "advantage," depending on the point of view.

This variety of forms of citizen participation indicates the range of activities that can be subsumed under such a label if citizen participation is considered in terms of how

the individual in a democracy can, in concert with others, influence the course of government. Americans are often criticized for being over-organized, too activist, a violent society. With almost equal frequency it is said that the large majority of the public is apathetic—or that the poor are too apathetic to act in their own interests. Which of these accusations one chooses to level probably depends on one's own perceptions of who should be doing what to bring about change, or to enjoy quietly the good life as it is. No matter. It seems quite likely that so long as our democracy remains vital, citizens will participate in our government, and perhaps the reverse is equally true.

THE VARIATION in the "trust level" accorded to government is a good barometer of the number and characteristics of people who like things the way they are. The healthy element in trust or distrust is that most of our citizens have access to some way of expressing their approval or disapproval, even if only with their individual periodic vote. If elections come too infrequently to correct some errors of popular judgment, the system provides other avenues for the redress of grievance, and it is very likely in the majority interest that even the system's legal machinery for changing things other than through elections is slow and cumbersome.

Imperfectly as it functions much of the time, ours *is* government "of the people, by the people, and for the people" because of citizen participation—and public officials would do well to cooperate judiciously with this useful tool of government lest, struggled against, it become an instrument used against them. □

# CAMPAIGN COSTS IN NORTH CAROLINA: THE 1972 ELECTIONS

---

Jack D. Fleer

*Editor's Note: The 1974 General Assembly enacted a new campaign-financing law [Ch. 1272, S 978] that may answer some of the criticisms made in this article. The new law is discussed in North Carolina Legislation 1974, published by the Institute of Government.*

DURING THE LATE 1950s and 1960s, the subject of money in political campaigns was widely studied. Several systematic scholarly works focused on national politics, in particular presidential campaigns and national political committees,<sup>1</sup> and reports and analyses were issued on varying aspects of political money and campaigning in some states.<sup>2</sup> But no comparable studies had been done for North Carolina politics.<sup>3</sup> This article will examine, first, legal requirements for reporting campaign contributions and expenditures in North Carolina and problems that arise from the manner in which candidates and committees meet the requirements; and second, political expenditures in the state's major 1972 campaigns by office and by party. It will compare total expenditures with campaign costs in other political units and finally focus on three questions: (a) Does the electorally dominant political party outspend the minority party? (b) Are incumbents better able to attract money for their campaigns than challengers? (c) Do candidates who spend more than their opponents always win?

## SOURCES

---

Data for this research come from official campaign finance reports required to be filed in the offices of the

Secretary of State<sup>4</sup> and of clerks of superior court under the state's Corrupt Practices Act of 1931 (General Statutes, Chapter 163, Article 22). Unless otherwise indicated, the reports are for campaigns conducted during 1972 by candidates or committees organized on behalf of candidates for the offices of Governor, Lieutenant Governor, Council of State, Attorney General, United States House of Representatives, United States Senate, and North Carolina Senate. Reports filed by state committees of the Democrat and Republican parties are also included. For congressional candidates, reports filed with appropriate federal officials supplement the state reports.

Campaigns and reports of candidates and committees in the state's first presidential preference primary, for the North Carolina House of Representatives, and for state judicial offices are not included in this analysis. Nor are reports of several political committees not attached to candidates included. Many if not most of the expenditures of these committees are contributions to candidates and are reflected in the reports of candidates who receive support from the committees.<sup>5</sup> Thus, the campaign spending covered here represents a sizable portion of the state's reported political expenditures in 1972.

## REPORTING REQUIREMENTS

---

Forty-one states require some type of campaign-finance reporting, but no two states have identical laws.<sup>6</sup> The principal purpose of North Carolina's law<sup>7</sup> is disclosure and not control. Thus, most of its provisions focus on who must file reports, what the reports must contain, and

---

1. Among the best are Alexander Heard, *The Costs of Democracy* (Chapel Hill: The University of North Carolina Press, 1960; Anchor Books, 1962); Herbert E. Alexander, *Financing the 1960 Election* (Princeton: Citizens' Research Foundation, 1962); and Herbert E. Alexander, *Financing the 1961 Election* (Princeton: Citizens' Research Foundation, 1961) and Herbert E. Alexander, *Financing the 1964 Election* (Princeton: Citizens' Research Foundation, 1966). A recent and wide-ranging treatment of campaign finance is Herbert E. Alexander, *Money in Politics* (Washington: Public Affairs Press, 1972).

2. Two examples of these are William Buchanan and Agnes Bird, *Money as a Campaign Resource. Tennessee Democratic Senatorial Primaries, 1948-1964* (Princeton: Citizens' Research Foundation, 1966), and Elston Roady and Carol D. McMurray, *Republican Campaign Financing in Florida, 1963-1967* (Princeton: Citizens' Research Foundation, 1969).

3. An early piecemeal attempt is included in Jack D. Fleer, *North Carolina Politics. An Introduction* (Chapel Hill: The University of North Carolina Press, 1968), pp. 80-89.

4. Many thanks to Secretary of State Thad Eure and his staff, who made using the documents convenient and enjoyable.

5. Reports are filed for the following groups: Carolinas Insurance Political Action Committee, Political Action Committee for Educators, North Carolina Political Education Committee, and American Federation of Teachers Committee on Political Education.

6. Information on state campaign finance laws is contained in Herbert E. Alexander, *Regulation of Political Finance* (Berkeley and Princeton: Institute of Governmental Studies, University of California, Berkeley, and Citizens' Research Foundation, 1966), and 1971 Supplement *A Survey of State Statutes Regulating Political Finance* (Princeton: Citizens' Research Foundation, 1971).

7. Details on North Carolina laws are found in State Board of Elections, *Election Laws 1972-73* (1972), pp. 103-10; H. Rutherford Turnbull, III, *Primary and General Election Law and Procedure, 1972* (Chapel Hill: Institute of Government, 1972), pp. 107-17; and Fleer, *North Carolina Politics*, pp. 80-89.

when and where they must be filed. Other provisions prohibit contributions from corporations and insurance companies and specify the procedure for prosecuting offenses against the state. The law does not establish limits on individual contributions or over-all amounts or types of expenditures.

*Who?* Reports including information on contributions to and expenditures by committees organized on behalf of candidates must be filed for both primary and general elections. Candidates need file such reports only for contributions and expenditures during their primary campaigns. Candidates without opposition and their candidate committees need not file reports for either a primary or general election.

*What?* Contribution reports must contain the name and address of each contributor, amount and date received of each contribution, and the sum of all contributions received during a calendar year. The reports of expenditures must include both direct expenditures and expenditures made on behalf of the candidate or committee by others. Information to be reported includes the name and address of the person to whom each expenditure was made and its amount, date, and purpose. A total of all expenditures, both direct and by others, must be provided.

*When and Where?* Candidate reports must be filed ten days before each first primary and second primary in which a candidate is entered and twenty days after each primary election (first and second). Committee reports are required not more than fifteen days nor less than ten days before an election (primary or general) and not more than twenty days after an election. All reports must be filed with the Secretary of State except those for candidates from one-county state Senate districts and for state House of Representatives. These are filed with the clerks of superior court in counties where candidates are standing for election.

North Carolina has no agency that has used its investigatory powers to assure the proper reporting of campaign finances. The Secretary of State or clerk of superior court is required only to report to the proper prosecuting official when a report is received after a filing date or a committee or candidate fails to file a report. Generally state officials do not examine reports.

Occasionally problems with the contents of the reports are brought to the attention of state officials by citizens, especially journalists. During 1972 several newspapers reported problems in incomplete reporting that were brought to the attention of candidates or committees by appropriate officials. However, state law does not require or provide for a systematic or comprehensive review of the reports, nor for compilations and publicity of the contents. Nevertheless, the reports are available for examination in the offices of the appropriate officials.

There is no record that any candidate or committee has been charged with violation of the requirements and prosecuted. Nearly all candidates and committees meet the legal requirements of filing reports. More frequent variances from the law are late filings of either pre- or post-election reports. Failure to comply with the laws is a misdemeanor and could carry a fine and imprisonment.

The Federal Elections Campaign Act<sup>8</sup> became effective on April 7, 1972, when it replaced the Federal Corrupt Practices Act, which expired on March 1, 1972. Every candidate for the United States House of Representatives and every committee organized on behalf of a candidate for the House must file reports with the Clerk of the House. Candidates and committees involved in campaigns for the United States Senate must file reports with the Secretary of the Senate. Reports on contributions and expenditures are to be filed on the tenth day of March, June, and September of every year, on the fifteenth and fifth days before any primary or general election day, and on January 31. Expenditures and contributions that exceed \$100 are to be reported with specific information on name and address of the person and business involved, amount, and date of transaction. Sums of other contributions and expenditures are also required to be reported. No limits are placed on individual contributions or over-all expenditures, but limits are placed on media expenditures.

## MAJOR PROBLEMS WITH FINANCE REPORTS

---

Three major problems characterize campaign finance reports:

- (a) Failure to report by or absence of reports from some candidates and committees,
- (b) Inaccuracy of information provided in reports filed,
- (c) Lack of uniformity in information provided.

Each problem distorts the information available to citizens and confuses the research and analysis of political money.

### Failure to Report

---

The Secretary of State or, if appropriate, the clerk of the superior court is responsible for (a) calling upon candidates and committees to file reports, and (b) reporting failure to file. The Secretary sends a memorandum to each candidate who has filed for office with the State Board of Elections setting forth the general requirements to file. After the filing dates have expired, the Secretary reports failures to file and late filings to the

---

8. Details of this act may be found in Congressional Quarterly, *Congress and the Nation*, Vol. III, (Washington: Congressional Quarterly, Inc., 197), pp. 397-401.



Attorney General.<sup>9</sup> Presumably, similar action is taken by appropriate county officials where necessary.

In 1972, there were 197 candidates for 72 offices included in this report. After the primaries, the Secretary of State reported 19 failures to file and 98 late filings to the Attorney General. Since each candidate and each committee is required to file two reports, the number of candidates involved in these delinquencies is less than these figures indicate. After the general election, there were one failure to file at least one report and sixteen reports filed late. The failures to report are a very small portion of the candidates. Nearly all candidates comply with the requirement to file finance reports. While the Secretary of State's report to the Attorney General cited twenty candidates and committees as having failed to meet the requirement, all but one of these candidates or committees that were required to file a report eventually did so. Thus, reports required by state law are available for most candidates.

Late reporting does not affect the availability of information, but it does affect one purpose of the act as it relates to pre-primary and pre-election reports. Campaign finance reports permit a voter to have partial information on the campaign contributions and expenditures of candidates *before* he votes. If a report due before an election is not filed until after the election, it deprives citizens of information that they might want to use in deciding how to vote. If the report is filed late and just before the election, the citizen will not have time enough to obtain clarification of what the report contains or omits, nor will the candidate have time to offer an explanation.

The law permits some candidates to campaign for public offices without filing reports. If a candidate has no primary opposition and forms no committee to assist the general election campaign, he need not file a report to satisfy North Carolina law. In 1972 a candidate for Lieutenant Governor, a candidate for State Auditor, and three candidates for the U.S. House of Representatives all ran without filing state reports and met their legal obligations. Two of the congressional candidates did file reports with federal officials. In the state Senate races, 18 of 29 Democrat candidates and five of 25 Republican candidates who had opposition in the general election filed no reports on finances for their campaigns. Among this group are twelve candidates (seven Democrats and five Republicans) who had no primary opposition. For this latter group no reports exist for any finance activity related to their campaigns. Assuming that reports were filed when committees were involved in campaigns, it appears that Republican candidates for the state Senate are more likely to use committees and thus report campaign finances than are Democrats. Why this is so is not clear.

9. See Memorandum from Thad Eure to all candidates, March 22, 1972; Letter from Thad Eure to Robert Morgan, June 27, 1972; and Letter from Thad Eure to Robert Morgan, December 22, 1972.

Another group of six candidates for major offices did not file some reports. Two filed no post-election report for a primary and three filed no post-election report for the general election. A sixth candidate filed finance reports for the primary but none for the general election, presumably because he had no committee in the latter campaign. Some of these candidates were running for Lieutenant Governor and positions on the Council of State. Because no reports were required and none were filed, the data on financing these campaigns are not complete.

The state law does not require reports from candidates who had no opposition in either the primary or the general election. While all candidates will necessarily have certain minimal expenses (at least a filing fee), it does not follow that an unopposed candidate will have no campaign expenditures. He might well engage in activities that require money in order to build his following for future elections when he might have opposition whether for the same office or for higher office.

Failure to report also means there is no way to establish legally the existence of a committee that does not report. That is, if a committee does not file an initial report with the appropriate official, that officer has no way to know of the committee's existence.<sup>10</sup> A state enforcement agency with adequate investigatory powers and personnel would permit tracing committees that failed to report and requiring them to report their finances.

There is no way to know how much money was involved in campaigns for which data are missing or incomplete. Several candidates who reported inadequately or not at all ran campaigns that received little attention, either statewide or locally. Others ran for important state offices and received attention through media coverage of their activities. The number and percentage of votes received indicate the strength of the candidates' appeal. However, for cases in which reports are insufficient or absent the range of voting strength is considerable. But as figures that appear later show, expenditure per vote varies considerably and is not a clear index of who won the election. Therefore, it is impossible to determine the amount of unreported expenditures inductively.

#### Accuracy of Information<sup>11</sup>

A second major problem is in accuracy of information provided. Many reports give the required information in a very precise and readable way; they are carefully pre-

10. Secretary of State Thad Eure has said, "We have no way of determining such campaign committees that may have received contributions and made expenditures in behalf of a candidate or candidates and made no report of any kind to this office." Letter from Thad Eure to Robert Morgan, December 22, 1972.

11. Discussions of accuracy in reports of other states include: John R. Owens, *Trends in Campaign Spending in California, 1958-1970: Tests of Factors Influencing Cost* (Princeton: Citizens' Research Foundation, 1973), pp. 18-24; John P. White and John R. Owens, "Michigan

pared to supply complete and specific details of reported campaign contributions and expenditures. Thus, a study of campaign finance drawn from reports prepared according to instructions is based on accurate and complete information.

Still, inaccuracies do exist. Examples will represent the nature though not the size of the problem. (a) Some reports are presented in illegible handwriting, so that amounts of contributions and expenditures are difficult if not impossible to read. (b) Initials rather than first names of contributors may be used and names of recipients of expenditures may be incomplete, so that confusion and inaccuracy can result. (c) Addresses may be incomplete, listing only towns or cities rather than specific street addresses. (d) The reports that are filed may be poor copies of the original ledger sheets. Left- or right-hand columns may be missing, so that information is incomplete. (e) On some reports of contributions it may be impossible to tell when an amount listed more than once is a single contribution listed several times or several identical contributions from the same source. The state law does not require reports to include cumulative total contributions by one source. (f) The same problem exists in determining expenditures. (g) Some reports use very broad and indefinite terminology in listing sources of contributions or places of expenditures—for example, “rallies,” “county committees,” or “friends.” Such entries do not tell who contributed at the rallies or to the county committees or who the friends are. Analogous entries in reports of expenditures might read “Get Out the Vote—\$10,000,” or “Advertising—\$200,000.” (h) It is not always clear what is represented by the dates that may appear on the report. Do they signify when a contribution was given, or when a check was cashed, or when a contribution was reported, or what? (i) Reports of contributions may not indicate whether the transaction was in cash, in checks, in kind, in stock, or in other possibilities. (j) Central campaign treasuries are not set up for many statewide offices. Thus local finance activity for statewide offices that involves county committees may be reported to appropriate officials in the county but is not reflected in reports of state campaign committees. (k) Some reports may have unnumbered pages that get mixed up. (l) Not all candidates report an expenditure for filing fees. Since a filing fee is an essential expenditure for all candidates, a report that does not include such an expenditure is manifestly incomplete. While it is important to emphasize that most of the information appears to be designed to inform and reveal, some of it is more likely to confuse and conceal. It is my hope that I have correctly interpreted the information that forms the basis of this report.

## Uniformity of Information

Reports of campaign finances are not uniform in all major respects and thus may not be entirely comparable. For example:

*Period of time covered.* The question “When is a campaign?” is not answered the same by all people. Should finances be reported for the period before a person announces his candidacy? Or do the campaign and the legal obligation to report begin with the announcement? Should candidates or committees report only the total sums of contributions and expenditures “during the calendar year,” as the law states, or should they include in the report transactions that occurred before the beginning of the calendar year? Candidates do not all define the time periods covered in reports the same way.

During the 1972 gubernatorial campaign, both the candidate and the news media discussed whether contributions and expenditures made before the calendar year and before announcement of candidacy had to be reported. Several candidates were campaigning for the office long before they officially announced and long before New Year's Day of 1972. One candidate reported expenditures and contributions as early as September 1970; another's earliest reported contribution came in August 1971, and another's in January 1972. How the first reported finances relate to the start of the campaign is uncertain.

For incumbents, campaigning may be a constant activity and specific “campaign costs” difficult to determine. This is a situation that prevails for members of the U.S. House of Representatives and members of the General Assembly, who begin campaigning for the next election the minute they finish the current campaign. The longer term of members of the Council of State and United States Senate reduces but does not eliminate the question “When is a campaign expense?”

*Definition of terms.* Nor are the definitions of “contribution” and “expenditure” uniform. Both terms are defined in G.S. 163-259, but those who compile campaign reports interpret the statute in different ways. Generally contributions may come from the candidate or from other sources. Should a candidate's contribution to his own campaign be reported as a contribution? In 1972, several candidates reported their own contributions. Others who received wide publicity because they would not accept funds from other persons or sources but would support their campaigns entirely from personal sources did not report their own contributions. Still other candidates reported some personal contributions but later acknowledged that they had not reported all of them.

If a candidate secures a personal loan to conduct a campaign until contributions from other sources are sufficient to repay the loan, should the loan be reported? If a candidate or committee ends the campaign with more expenditures than contributions, how is the deficit

---

Campaign Expenditure Reports as Research Data,” *Papers of The Michigan Academy of Science, Arts and Letters*, 44 (1959), 255-72; and Leonard Rowe and William Buchanan, “Campaign Funds in California: What the Records Reveal,” *California Historical Quarterly* 41 (1962), 195-210.

to be accounted for? Official answers to some of these questions are available. But reporting of these and other types of financial transactions is not uniform.

The term "expenditure" refers generally to cash outlays of candidates or committees. However, "in-kind" contributions of services and/or materials are forms of contributions that are not included in some expenditure reports. The services of many volunteer workers are an important and sometimes large part of campaign costs. Office and equipment rental are other contributions that are frequently not designated as such. Rarely is the value of these contributions-expenditures estimated and reported.

In 1972 an occasional candidate reported in-kind contributions-expenditures. For example, a candidate for Governor reported \$710 of in-kind services, including rental of a mobile camper and use of an airplane for transportation. Another conscientious candidate for the state Senate reported a contribution of "a jar of molasses" and an expenditure for "molasses made into gingerbread and consumed." This kind of campaign finance transaction included in a report is both difficult and unusual, but its presence indicates that the report's information on campaign contributions and expenditures is likely to be complete and accurate.

*Cumulative reporting.* Not all reports make it clear

whether sums reported are exclusive or inclusive of previously reported contributions or expenditures. Many reports do use cumulative totals and properly identify them. Others are less carefully prepared and less fully explained and thus are subject to some misinterpretation.

Potential for error in figures used for this report has been minimized by checking and rechecking the materials, but the inaccuracies and omissions that do exist must be recognized.<sup>12</sup> No attempt has been made to "adjust" the figures in any way to account for deficiencies; information is taken as reported. Many of the errors of omission or commission occur because the people who make the reports are involved in a hectic campaign for a candidate to whom they are emotionally committed—which does not excuse the errors in public accountability but does partially explain the lapses. Observers of the North Carolina political scene have commented that the 1972 campaigns were probably the most honestly and completely reported campaigns in the state's history. This kind of general value judgment is hard to document. Still, campaign financing was a fre-

12. A statement made by a student of campaign finance in another state is applicable to North Carolina: "... the reports do not contain the kind of accurate and complete information that would measure up to the professional standards of a certified public accountant." Owens, *Trends in Campaign Spending in California, 1958-1970*, p. 23.

TABLE 1  
Total Reported Expenditures of All Candidates by Party  
All Elections, 1972

Office	Democrats		Republicans		American	
	No. Candidates	Amount	No. Candidates	Amount	No. Candidates	Amount
Governor	6	\$2,174,328	4	\$ 566,177	2	\$ 4,967
Lieutenant Governor	5	594,930	2	305,386	1	a
Council of State						
Secretary of State	2	7,608	1	2,972		
Attorney General	1	42,203	1	1,226		
Treasurer	2	753	1	168		
Auditor	1	a	1	1,086		
Supt. of Public Instruction	2	24,493	1	1,089		
Commissioner of Agriculture	1	6,256	1	915		
Commissioner of Labor	6	158,709	1	522		
Commissioner of Insurance	6	96,734	2	2,533	1	1,670
U.S. Senate	4	680,733	3	672,519		
U.S. House of Representatives						
First District	1	8,488	2	17,865		
Second District	2	186,189	1	a		
Third District	2	8,278		b		
Fourth District	6	244,432	1	77,396		
Fifth District	1	27,861	1	32,080		
Sixth District	1	7,500		b	1	1,707
Seventh District	3	211,917	2	11,329	1	a
Eighth District	1	51,809	1	30,423		
Ninth District	2	73,712	2	160,958		
Tenth District	1	357	1	33,024		
Eleventh District	1	22,352	1	12,248		
State Senate	71	224,555	31	87,268	2	0
State Party Committee		65,977		81,122		

a. No report filed.

b. No candidate.



quently discussed issue in some major campaigns, which indicates that candidates were watching one another and trying to expose practices that did not meet their standards. Perhaps more complete and accurate reporting did result.

## OVERVIEW OF CAMPAIGN FINANCES

In 1972 North Carolina newspapers were saying that the political campaigns of that year were the most expensive campaigns in the state's history. Such a conclusion is based on the total amount of money spent in the campaign. Using this gross figure tends to avoid comparisons based on the relative differences in campaigns from year to year and to cover up the differences between campaigns for various offices. Thus, a declaration that 1972 was North Carolina's most expensive campaign year does not consider campaign expenses in terms of inflation, costs per vote, and other comparisons. Nor does it recognize that some campaigns for particular offices might not have been the most expensive for those offices. No comprehensive report of North Carolina campaign cost has ever been made. Thus, comparing 1972 with previous political years is impossible.

In 1972 at least \$7,026,826 was spent on election campaigns to elect public officials who would serve North Carolina in Congress and in state executive and legislative positions. This total includes all expenditures listed on reports filed with appropriate officials. Table 1 lists specific amounts for all candidates in all elections by office.

The size of these is partly explained by the character of the state's 1972 political arena.<sup>13</sup> In a word, it was a tough and busy year. During 1972 North Carolinians had to elect occupants for twelve national legislative offices, ten state executive offices, and 170 state legislative offices. In addition, the state had its first presidential preference primary in recent history.

A record number of candidates ran for nomination in both Republican and Democrat primaries, and a record number of runoff primaries were required to select nominees of the parties. Not including candidates for the General Assembly, both major parties had candidates for all but two major positions. A third party ran candidates for three state executive positions and two congressional offices. Both Republicans and Democrats figured they had a good chance to win and worked hard in all campaigns. The unprecedented use of costly tools of campaigning (mass media, polls, airplanes, etc.) and an inflationary economy also ran the state's costs of campaigning up.

Comparing North Carolina's political situation with the situation during elections of recent years will place the data on total campaign costs in perspective. This can

be done by comparing costs derived from a common basis as well as gross dollar costs.

Citizens' Research Foundation, nationally recognized for its research on campaign finances, estimates that expenditures for all campaigns in 1972 amounted to \$400 million. North Carolina, the twelfth largest state in the Union with 2.5 per cent of the population, spent 1.76 per cent of this \$400 million. A total of 1,518,612 persons voted in North Carolina in 1972—2.02 per cent of the total vote cast for President in that year. The percentage of votes cast was larger than the percentage of money expended, though not much. It is useful to remember, in making these comparisons, that in 1972 North Carolina had an unusually long ballot with many elected offices and in that year had a near maximum number of public positions up for election. Many states had many fewer offices for which campaigns and elections were held in 1972.

National cost per vote (CPV) compared with state CPV yields another perspective on North Carolina's 1972 campaign expenditures. CPV is computed by dividing total reported expenditures—in the nation or the state as appropriate—by the total votes cast for the major office—in the nation or the state as appropriate. The national CPV in 1972 was \$5.32; North Carolina's was \$4.62. These figures suggest that North Carolina campaigns are less expensive than the typical national campaign; however, that may be misleading, as Table 2 will show.

Figures on 1972 campaigns in other states are not available for comparisons for that year. Comparisons with previous years must be made cautiously because inflation, differences in number of candidates and offices, size of political unit, population, and other factors have a distorting effect. With caution, however, the comparisons are instructive. Table 2 shows that North Carolina spent more per vote in 1972 than any other state in any other year, though Connecticut came close in 1968.

TABLE 2  
Political Expenditures in Five Political Units,  
1968-72

Political Unit	Year	Total Expenditure	Cost per Vote
United States <sup>a</sup>	1968	\$300,000,000	\$4.10
Connecticut <sup>a</sup>	1968	4,966,600	4.28
Massachusetts <sup>a</sup>	1968	5,152,200	2.22
California <sup>b</sup>	1968	20,339,763	1.78
California <sup>b</sup>	1970	26,958,708	2.51
United States	1972	400,000,000	5.32
North Carolina	1972	7,026,826	4.62

Sources: <sup>a</sup> David W. Adamany, *Campaign Finance in America* (North Scituate, Mass.: Duxbury Press, 1972), p. 31.

<sup>b</sup> John R. Owens, *Trends in Campaign Spending in California, 1958-1970* (Princeton: Citizens' Research Foundation, 1973), pp. 30, 33.

13. Excellent discussions of factors involved in campaign costs include Heard, *Costs of Democracy*, pp. 380-87 and David W. Adamany, *Campaign Finance in America* (North Scituate, Mass.: Duxbury Press, 1972), chap. 3.

Political offices differ in many respects, and the nature of the campaign and the size of expenditures will vary with the office being sought. The length of the term, the size of the jurisdiction, the fact of incumbency, and the amount of the candidate's previous political exposure are all factors that influence the cost of a campaign for a particular office. Total costs in no way indicate the variety that exists among the many campaigns conducted and funded in a political year. Campaigns do not involve equal amounts of expenditures. Figure 1 shows differences in portions of total expenditures by offices for all party candidates and for major party candidates.

Almost three-fifths of the expenditures reported in 1972 campaigns were made by or on behalf of candidates for two of the 22 major offices and 50 state legislative positions considered in this research. Primary and general election campaigns for the office of Governor and United States senator consumed 58 per cent of total expenditures by all parties, 58 per cent of Democrat expenditures, and 59 per cent of Republican expendi-

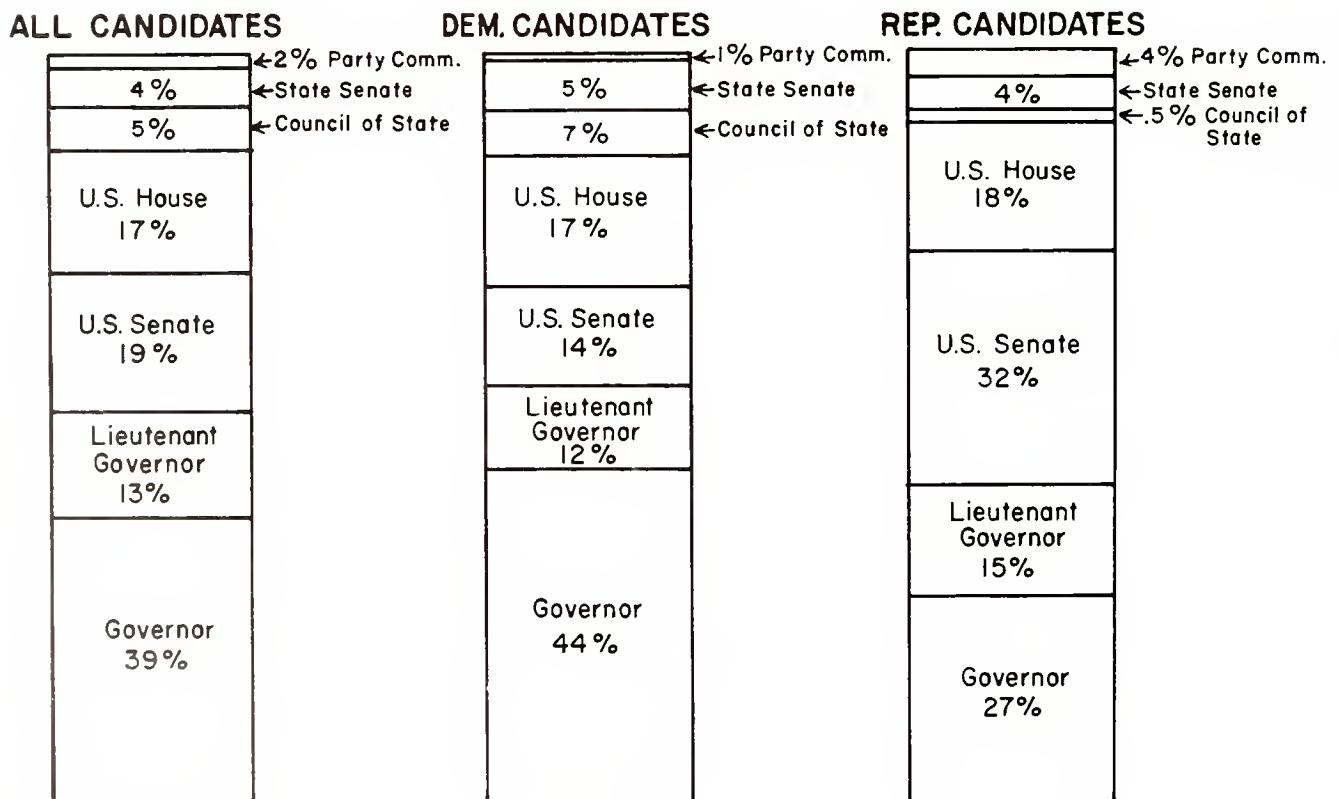
tures. However, in the Republican Party the difference in expenditures for the two offices was less than in the Democrat Party, and the Republican Party distributed the funds spent differently. Republican candidates for the U.S. Senate spent slightly more than Republican candidates for Governor, while Democrat candidates for Governor spent three times as much as their party colleagues running for the national Senate. These figures include all candidates in both primary and general elections.

Similar portions of the parties' expenditures were allotted to campaigns for the eleven positions in the state's delegation to the United States House of Representatives. Democrat candidates for the House spent a larger portion of funds than did Democratic candidates for the Senate. Two of the House candidates had no Republican opposition in the general election, but four hard-fought Democratic primaries for House seats consumed large sums of money. Finally, Figure 1 shows that the two major parties spent equal portions of their expenditures on races for the state Senate.

The parties differed greatly in the portions of their funds spent by candidates for the Council of State.

FIGURE 1

### Proportions of Total 1972 North Carolina Primary and General Election Expenditures by Office and Party



Neither party spent much on these races, but Democratic candidates for Council seats spent a larger portion of party funds than Republican candidates did. Two hot races in the Democratic primary for Council of State posts partly accounts for this. The very low portion of Republican expenditures for Council of State offices may account for the relatively poor showing of Republican candidates for these seats.

The small portion of the total expenditures in both parties by party committees is a good index to the role of party committees in the 1972 campaign. The figures make it clear that general election campaigns were run by individual candidates and their committees, not by the state parties. For the Democrats, this is a significant departure from some previous years. In 1964, for example, the Democratic candidates for Governor and the party committee reported very similar amounts of expenditure.

Cost per vote gives another view of campaign finances. Table 3 shows costs per vote based on two measures. Major disparities exist in campaign expenditures for all three major offices, but especially for the office of Governor.

Greater expenditures by "top of the ticket" candidates do not necessarily mean that these candidates have greedily gobbled up the party exchequer. Over-all party strategy may be that expenditures made at the top will redound to the benefit of the entire slate. Some differences in expenditures are accounted for by the size of the area the candidate must cover in the campaign, the length and intensity of intra- and interparty competition, and other factors, including differing judgments of where expenditures will best serve the interest of the entire party. Judgments of this type are made by many people as they decide where to invest their money and for what offices to solicit contributions. However, the reduced influence of both party committees in the 1972 campaign meant that these decisions were made from varied perspectives and generally with a restricted view directed at specific candidates. A more centralized and coordinated party effort would probably distribute available funds in a different and better planned way among the candidates for the offices being contested—although it might not be so successful in raising funds as individuals committed to a particular candidate.

## PARTY AND EXPENDITURES

"Where one party consistently predominates, be it Republican or Democratic, that party invariably has more funds at its disposal."<sup>14</sup>

Although changes are now occurring, for almost a hundred years the Democrats have been and still are the

TABLE 3

Costs Per Vote for Three Major Offices in 1972 General Election  
(Total Expenditures Divided by Total Votes Received)

Office	All Cand.	Dem. Cand.	Rep. Cand.
Governor	\$1.82	\$1.97	\$ .40
Lt. Governor	.62	.69	.82
U.S. Senate	.91	.36	.49

dominant party in North Carolina.<sup>15</sup> Is the quoted statement still valid in view of the Republican Party's recent statewide successes?<sup>16</sup>

In running for all offices considered in this examination, the Democrat candidates spent considerably more than their Republican opponents—\$4.9 million compared with \$2.1 million, or 70 per cent of all expenditures in primary and general election campaigns.

An examination of the kind of election in which these funds were spent, however, wipes out the Democrats' apparent edge on expenditures. While both parties had several hard-fought primaries, the Democrats had internal battles for thirteen major offices with six run-off primaries, four for statewide office. This intense and widespread intraparty competition consumed much of the party's campaign funds. Indeed, 70 per cent of the Democrat expenditures were made in conjunction with primaries. Republican primary expenditures accounted for 33 per cent of the party's total spending. In the general election, Republican Party candidates outspent their Democrat opponents by \$33,000. Each party reported expenditures of approximately \$1.4 million in the general election.

Primary election expenditures undoubtedly have an impact on the outcome of the general election, but the magnitude and nature of that impact are impossible to toll. The figures on total expenditures suggest that the party general election treasuries were substantially equal, but that impression is false. The total expenditure figures cover up a number of very unequal campaign chests for particular offices. Table 4 substantiates this conclusion. As the data indicate, Democrat candidates reported spending considerably more for nine offices, predominantly state executive positions, than Republicans did, while Republicans exceeded Democrats in expenditures for eight offices, mostly for the U.S. House and Senate. In campaigns for only three offices were the expenditures close—that is, within a 60:40 range.

Not counting campaigns for state Senate, victory and greater expenditures went hand in hand in twelve of the campaigns studied. In the other six elections, incumbents won three contests with fewer expenditures than their opponents, and three candidates who lost despite heavier

15. Fleer, *North Carolina Politics*; chap. 5; Preston W. Edsall and J. Oliver Williams, "North Carolina: Bipartisan Paradox," in William C. Harvard, ed., *The Changing Politics of the South* (Baton Rouge: Louisiana State University Press, 1972).

16. Although the American Party had candidates for several offices, those candidates reported spending less than \$10,000. Finances of this minor party are not discussed further in this analysis.

14. Alexander Heard, *Money and Politics* (Washington: Public Affairs Committee, Inc., 1956, Public Affairs Pamphlet No. 242), p. 8.



spending than the opposition ran in campaigns that did not involve an incumbent. Two major exceptions to the axiom that money spells victory did not involve incumbents. The Republican candidate for Governor, James E. Holshouser, Jr., won over his Democrat opponent even though he spent considerably less. His relatively light expenditures may have become an advantage as the Democrat's heavy spending became a negative factor in his campaign. The Democrat candidate for Lieutenant Governor also won even though he spent less than his Republican opponent.

On the basis of three different views of the relationships of party and expenditures, candidates of the electorally dominant Democrat Party clearly spend substantially more than their Republican opposition, but their funds tend to be consumed in primaries as a result of intraparty competition.

Total expenditures for the two parties in the general election only were similar, though the Republicans spent slightly more. However, the similarity masks widespread and significant unevenness in money available to specific candidates. This unevenness of the expenditures of the two parties' candidates for the same offices diminishes the competitive character of the elections, which presents a serious challenge to democratic elections.

TABLE 4

General Election Expenditures for Offices,  
by Party, in Percentages

Office	Democrat	Republican
Governor	76%	24%
Lieutenant Governor	27	73
Secretary of State	a	a
Attorney General	97	3
Treasurer	25 <sup>c</sup>	75
Auditor	a	a
Superintendent of Public Instruction	95	5
Commissioner of Agriculture	87	13
Commissioner of Labor	98	2
Commissioner of Insurance	90	10
United States Senate	28	72
United States House of Representatives		
First District	43	57
Second District	a	a
Third District	b	b
Fourth District	41	59
Fifth District	46	54
Sixth District	b	b
Seventh District	68	32
Eighth District	63	37
Ninth District	25	75
Tenth District	1	99
Eleventh District	65	35
State Senate	51	49

a One candidate did not report expenses.

b One party had no candidate.

c Candidate did not file post-election report.

## INCUMBENCY AND EXPENDITURES

In North Carolina the incumbent Governor and Lieutenant Governor are not allowed to run for re-election. Therefore the factor of incumbency in election finance can be examined only in discussing national legislative offices and the Council of State offices. (Incumbency and expenditures in state Senate campaigns will be discussed later.)

Incumbency is regarded as a major advantage in American electoral politics. Incumbents are better known, have tested organizations, and have official positions from which to publicize their achievements for constituents. Some incumbents are benefited in their campaigns by franking privileges, publicly employed staffs, and other perquisites of their offices.<sup>17</sup>

### Congressional Campaigns

In a recent study of congressional campaign finances, the national citizens' lobby Common Cause concluded that in 1972 "incumbency and not party affiliation . . . determines whether a candidate can obtain substantial financial support."<sup>18</sup> Is that statement true for North Carolina?

Of the fifteen incumbents who ran for national legislative and state executive offices in 1972, one was defeated. B. Everett Jordan, appointed to the Senate in 1958, was challenged in the Democratic primary by Representative Nick Galifianakis. Though he spent more than Galifianakis, Jordan lost both the first and second primaries. The following figures show that in that race the incumbent's higher level of expenditure was not so great as the incumbent's advantage on a national average:

	Ratio of Expenditures
North Carolina Incumbent	1.28
North Carolina Major Challenger	1.00
National Incumbent	2.03
National Challenger	1.00

Although Jordan's expenditures were for two primary campaigns and did not include a general election, he did not spend twice as much as his challenger, a ratio that Common Cause documents as average for 1972 U.S. Senate elections in which incumbents were involved.

A discussion of incumbency and campaign expenditures that focuses on elections in which no incumbents

17. See Barbara Hinckley, "Incumbency and the Presidential Vote in Senate Elections: Defining Parameters of Subpresidential Voting," *American Political Science Review* (September 1970), 836-42; Milton C. Cummings, Jr., *Congressmen and the Electorate* (New York: Free Press, 1966), chap. 3; and Mark J. Green, James M. Fallows, and David R. Zwick, *Who Runs Congress?* (New York: Bantam Books, 1972), chap. 8.

18. "Unequal Financing Removes Real Competition from Most Congressional Elections," *Common Cause News Release* (September 1973), 2.

were running may seem inappropriate. However such an approach emphasizes the point that the presence of an incumbent tends to depress not only a challenger but also the costs of a campaign. The following figures on state congressional campaigns support the conclusion:

	Total Exp.	Ave. Exp.
Campaigns with no incumbent (3)		
All candidates	\$776,639	\$258,880
Nominees only	506,280	168,760
Campaigns with incumbents (8)		
All candidates	459,280	57,397
Nominees only	346,630	43,329

Substantially more expenditures are reported for the three elections in which no incumbents were running than the eight campaigns in which incumbents were candidates.

In races for the U.S. House of Representatives, the campaigns with the three largest reported expenditures were in districts where no incumbents ran—the Fourth, Seventh, and Ninth. The latter two involved primaries in both parties. In the Fourth and Seventh districts, a run-off primary was needed to determine the Democrat nominee. While intense intraparty competition, particularly in the Democratic Party, contributed to higher expenditures in these three districts, most expenditures were for general election campaigning.

In elections with incumbents as candidates, costs of campaigning for the House were much less than in elections without incumbent candidates. Only in the Second and Third districts were primaries held, and only in the Second District primary was there a serious challenge to the incumbent. Howard Lee, mayor of Chapel Hill, spent more money than Representative L. H. Fountain but lost. Once nominated, Fountain had no trouble in winning without spending heavily.

In the congressional districts that had no primaries, the greatest expenditures were in two districts where Democrats were trying to oust two relatively junior Republican congressmen. In the Eighth District, Democrat Richard Clark lost big (40 to 60 per cent) to Representative Earl Ruth even though he spent considerably more (63 to 37 per cent). In the Fifth District, incumbent Wilmer Mizell both spent more than his Democrat opponent (54 to 46 per cent) and won easily (65 to 35 per cent).

In the two primaries in which incumbents were being challenged, the challengers spent more than the incumbents but lost. Incumbents won in all general elections in which they were involved and spent more than their challengers in five of these elections.

Average expenditures for election to the House of Representatives in North Carolina are less than those in the nation at large:<sup>19</sup>

Type of Candidate	National Ave.	State Ave.
Dem. Incumbent	\$56,364	\$36,052
Rep. Challenger	32,709	19,651
Rep. Incumbent	60,842	31,842
Dem. Challenger	29,656	26,676

Comparisons of these figures with reported campaign expenditures in previous state congressional elections are instructive, but they need to be made cautiously. The change in legal requirements for reporting campaign finances that became effective in 1972 means that averages for 1972 and for preceding years are not based on the same requirements. Before 1972, a candidate for the U.S. House of Representatives was required to report all contributions and expenditures made by him or "with his knowledge or consent." But expenditures in primary elections and by committees that operated in a single state were excepted, thus permitting major loopholes. The closing of many loopholes is indicated by the fact that reported congressional campaign expenditures in North Carolina averaged approximately \$16,822 in 1966<sup>20</sup> and \$41,378 in 1972. Inflation is an element in this increase.

#### Council of State Campaigns

The incumbency factor also appeared in the 1972 elections to the Council of State offices. The elections for Commissioner of Insurance and Commissioner of Labor involved no incumbents, and as in elections to the U.S. House, these campaigns involved larger expenditures than campaigns in which incumbents were running. The first Democratic primaries for nomination to candidacy for these two positions involved six candidates for each position. These intraparty contests, both resolved in run-off primaries, account for 61 per cent of the money spent on campaigning for Council of State offices by all parties.

The Democratic candidates for Commissioner of Labor spent the largest percentage of this money—almost half of the expenditures by Democratic candidates for the Council of State. Another 30 per cent of the party expenditures for Council of State positions were used in the race for Insurance Commissioner. Although neither Democrat ran with the advantage of incumbency in these contests, Republican candidates spent no more in campaigning for the Insurance and Labor posts than they did in trying for other Council of State seats. Democrats spent substantially more than did their Republican counterparts in the general election campaigns for these two positions. In the general election, the Democrat candidate for Insurance Commissioner spent nearly nine times more than his opponent (8.82:1), and the Democrat candidate for Labor Commissioner spent fifty

19. *Ibid*

20. Fleer, *North Carolina Politics*, p. 88.

times (52.01 : 1) more than the Republican. Nevertheless, those Democrat candidates received only approximately the same proportion of votes as did party candidates for the other Council of State positions, who had spent much less money. The greater expenditures for these two offices did not attract more voters to these candidates. However, since the Democrat nominees for these offices had not run previously in statewide races, the larger expenditures might have been necessary to attract voters in the same numbers as supported incumbent Council of State candidates.

When incumbents were running for renomination and re-election, much smaller expenditures were involved. Curiously, two of the three races in which an incumbent had a challenger in the primary (Secretary of State and Treasurer) resulted in very small reported expenditures. In the primary for Treasurer, each candidate paid his filing fee and then spent little more. In the primary for Secretary of State, the challenger spent \$7,295 to the incumbent's \$313, but the incumbent won 2:1.

In the primary contest for Superintendent of Public Instruction, the incumbent spent more than his opposition (1.19:1), but even so, very little was spent. The incumbent also reported contributions almost four times his reported expenditures. Most of the excess was used in the general election campaign.

The general election contests for Council of State in which Democrat incumbents were running fell into two groups. One group reported almost no expenditures in the campaigns. Indeed, general election finance reports were not filed for two Democratic candidates, in that only committees rather than candidates are required to report general election expenditures. The three offices in this group—Secretary of State, Treasurer, and Auditor—have been occupied by the same persons for 36, 18, and 24 years, respectively. The length of their service undoubtedly influenced the level of their expenditures, the largest of which was reported as \$57.51.

Three incumbent members of the Council were elected more recently and reported much greater expenditures than the veterans, though the totals varied—Agriculture (incumbent was first elected in 1964), \$6,256; Superintendent of Public Instruction (1968), \$19,082; Attorney General (1968), \$40,641. Several of these candidates have been reported as having ambitions for other statewide positions, so that thoughts of future campaigns could affect spending money as much as previous campaigns. Only one candidate who reported appreciably larger expenditures than his colleagues on the Council of State received a larger vote than they did. This was Robert Morgan, who received 59 per cent of the vote while other Council members on the average received 56 per cent.

No Republicans were incumbent on the Council of State. In the five cases in which both Republican and Democrat candidates filed pre- and post-general election reports, the incumbent Democrat reported much greater expenditures than did his Republican challenger.

The general pattern in campaigns for Council of State includes (a) expenditures (many of them in primary campaigns are greatest for positions for which no incumbent is running); (b) incumbents are re-elected by very similar majorities regardless of size of expenditures, which ranged widely; (c) incumbents usually report greater expenditures than challengers, but campaigns for these executive offices involve comparatively less money than campaigns for other major offices.

### State Senate Campaigns

Analyzing incumbency and expenditures in state Senate campaigns is made difficult by the legal requirements for reporting finances, the reporting practices in these elections, the existence of multi-member districts, and legislative redistricting, which changed the composition of many districts in 1971. This last factor is important in defining incumbency in the state Senate. For purposes of this article, an incumbent of the state Senate is one who served as a member of that body while campaigning for re-election, regardless of district changes. Under this definition, twenty-five Democrat incumbents and four Republican incumbents competed in 1972 for election to the state Senate.

Fourteen incumbent Democrats and three incumbent Republicans fought primary campaigns. Their expenditures were compared with expenditures reported by other candidates in the district and indexed as large, moderate, or low:

Index	No. Dem. Incumbents	No. Rep. Incumbents
Large	3	1
Moderate	6	0
Low	5	2

As these figures indicate, incumbents do not usually report the large expenditures. Although four Democrat incumbents were defeated, it appears that incumbency, even with only low and moderate expenditures, will carry the day in primaries.

Many candidates for state Senate do not report expenses for general election campaigns because the law does not require them to do so if no committee is formed. This fact, plus the fact that many Democrat incumbents face no general election opposition, greatly reduces the opportunity to examine incumbency and general election expenditures in the state Senate. In 1972, in only four districts did incumbents run in the general election and did some incumbents and challengers report general election expenses—hardly an adequate basis for generalization. However, the results in these districts show that expenditures were moderate for one incumbent, large for two, and low for two. The only incumbent to lose was one of the low spenders.



The relationship between incumbency and campaign expenditures takes on a certain pattern: (a) Campaigns involving an incumbent candidate generally involve less expenditures than those without an incumbent candidate. (b) Incumbent candidates usually report greater expenditures than do challengers. (c) Incumbents win most of their campaigns regardless of expenditures. While these patterns have exceptions, the 1972 elections in North Carolina indicate that the advantages of incumbency in attracting campaign money and voters are substantial.

### WINNERS AND EXPENDITURES

It is often said that (1) a candidate must spend more than his opponent in order to win,<sup>21</sup> and (2) consequently elections and political policy can be dictated by who gives how much to whom. Are these propositions true in North Carolina? Examining that question requires a look at the association of money and winning in different types of elections—primary and general (not including elections for state Senate because of complicating factors enumerated on page 48).

In five of twelve Democratic primaries in which reports were filed, the candidate who won reported the largest expenditures. The seven primaries in which the heaviest spender lost include four in which incumbents were running—two for Council of State positions and two for congressional positions. The only incumbent who lost while spending more money than his opponent was the incumbent United States senator. In three of the five Republican primaries in which reports were filed, he who spent the most got the most votes. These figures from the 17 primaries do not give conclusive data on whether a candidate must outspend his opponent in order to win.

In the 1972 general elections, the correlation between spending and victory is closer, but far from absolute. In the seventeen contests for which reports were filed, eleven winners spent more than their opponents. The six winners who spent less than the opposition include three incumbents (two Democrats and one Republican), the Democrat candidate for Lieutenant Governor, and the Republican candidate for Governor. This last candidate has won three elections (two primaries and a general election) without having spent more than his opponents.

To conclude that those who spend more money than their opponents are more likely to win does not necessarily

mean that money decides elections. We have here a "chicken or the egg" proposition: Does the candidate win because he has more money or does he have more money because he looks like a winner?<sup>22</sup> Many factors impinge on the outcome of an election. One of these is money. It is an important factor, but rarely decisive. Nevertheless, their uncertainty about the importance of money and the fact that money can purchase other campaign resources leads many candidates to seek and spend as much money as they can obtain and justify in the heat of the campaign.

### REPRISE

This study of campaign expenditures in North Carolina's 1972 elections recognizes the limitations of the data on which it is based, and no effort has been made to adjust for errors and deficiencies in campaign-finance reporting. It is therefore not possible on the basis of present research to draw flat conclusions. It is possible to determine the amount of reported expenditures and to be aware of factors that influence that amount.

Certain tendencies soon become apparent from the expenditure reports. Most expenditures in 1972 were made for only two offices—Governor and United States senator—and party committees spent very little; this is a fact perhaps attendant to the level of unevenness in expenditures by office. While Democrats spent more than Republicans, the two parties spent about the same on general elections, which suggests that primary battles are costly to the Democrats both financially and politically. Both incumbents and their opposition spend less than candidates in campaigns that do not involve incumbents; incumbents usually have better financial resources than their opposition.

This report does not deal at all with a number of questions about campaign finance. Are campaign costs too high, or do they mirror general costs of living? Does money have inordinate influence in campaigns? Are state campaigns financed principally by large contributions? Are expenditures greater for advertising than for other activities? Should changes be made in campaign-financing laws? Should an agency be created to examine reports more closely? Should campaigns be publicly financed?

Some of these questions require more data to provide a factual basis for conclusion. Others, while aided by research, involve matters of values and judgments. This article simply begins the information-gathering process.

21. Heard, *Costs of Democracy*, chap. 2.

22. "... it is clear that under some conditions the use of funds can be decisive. And under others no amount of money spent by the loser could alter the outcome." *Ibid.*, p. 17.

# NORTH CAROLINA'S SHARE OF FEDERAL REVENUE-SHARING FUNDS

ON OCTOBER 20, 1972, President Nixon signed into law the State and Local Fiscal Assistance Act of 1972, better known as the General Revenue-Sharing Act, which appropriated from the federal Treasury a little more than \$30 billion to be shared among the fifty states and their local governments over a four-year period. As of the end of the current fiscal year, the State of North Carolina and its counties and cities will have received nearly \$363 million in revenue-sharing funds. Another \$157 million is expected for the 1974-75 fiscal year, a roughly equivalent

amount for the 1975-76 fiscal year, and about half that amount for the first six months of the 1976-77 fiscal year. The table that follows shows the actual amounts paid to the State of North Carolina and its local governments through June 30, 1973, and the official estimates prepared by the United States Office of Revenue Sharing for the current fiscal year and the next fiscal year. The table is printed here through the courtesy of the North Carolina Local Government Commission.

—JSF

STATE OF NORTH CAROLINA AND COUNTIES, CITIES, AND TOWNS  
General Revenue-Sharing Funds Paid or Estimated to Be Paid During the First Five Entitlement Periods

Entitlement Period	To Local Governments			To State	Grand Total
	Counties	Municipalities	Total		
1. 1/1/72 - 6/30/72 Paid	\$ 23,922,037	\$ 20,984,932	\$ 44,906,969	\$ 22,442,129	\$ 67,349,098
2. 7/1/72 - 12/31/72 Paid	<u>22,955,489</u>	<u>20,136,822</u>	<u>43,092,311</u>	<u>21,535,377</u>	<u>64,627,688</u>
Cumulative Total	46,877,526	41,121,754	87,999,280	43,977,506	131,976,786
3. 1/1/73 - 6/30/73 Paid	<u>27,070,467</u>	<u>23,976,551</u>	<u>51,047,018</u>	<u>25,524,648</u>	<u>76,571,666</u>
Cumulative Total	73,947,993	65,098,305	139,046,298	69,502,154	208,548,452
4. 7/1/73 - 6/30/74 Estimated	<u>56,276,749</u>	<u>46,572,227</u>	<u>102,848,976</u>	<u>51,411,710</u>	<u>154,260,686</u>
Cumulative Total	130,224,742	111,670,532	241,895,274	120,913,864	362,809,138
5. 7/1/74 - 6/30/75 Estimated	<u>55,800,863</u>	<u>48,784,331</u>	<u>104,585,194</u>	<u>52,301,398</u>	<u>156,886,592</u>
Grand Total	\$186,025,605	\$160,454,863	\$346,480,468	\$173,215,262	\$519,695,730

Source: Office of Revenue Sharing, U.S. Department of the Treasury

## BOOK REVIEW

LAND USE WITHOUT ZONING, by Bernard H. Siegan. Lexington, Mass.: D. C. Heath & Co., 1972. 271 pp. \$10.00.

This is a disappointing book—not because of its viewpoint or conclusions but because it starts out as a careful study and ends up as a polemic. Even worse, to make the polemic stronger, the author in some cases disputes his own evidence when it fails to support his thesis and in other cases falls back upon “would probably” statements expressing his conjectures rather than factual findings.

The author undertook this study under a research fellowship in law and economics at the University of Chicago Law School. In some twenty years of law practice in Chicago, he had identified harmful effects from zoning, and his purpose here was to see whether development would be worse in the absence of zoning or whether another form of regulation might be better.

Obviously it is almost impossible to measure the impact and results of a zoning ordinance with a single zoned city as a laboratory because there is no way of saying just what would have happened in the absence of zoning. So the only feasible approach is to compare generally similar cities that do and do not have zoning ordinances and hope to screen out the factors other than zoning that might have led to different patterns of development.

Following this line of reasoning, the author selected Houston, Texas—the only major city in the United States without a zoning ordinance—for study of what happens in the absence of zoning. He did not make a methodical study of a zoned city, although he does make some statistical comparisons of Houston with Dallas. Instead he talks about his concept of what zoning in “most” cities has done.

Unfortunately, when he is at the top of his game in attacking the evils of zoning, he is largely talking about suburbs of large metropolises—which hardly compare with Houston in any respect.

It was unfortunate that he selected Houston as a study area rather than a smaller city with less in the way of regulation, because Houston, though lacking a “zoning ordinance,” is not at all lacking in land-use regulations. As the author makes clear, “Houston has regulations controlling, among other things, setbacks, minimum lot size, parking, slaughter houses, mobile homes, and townhouses. . . . Some other aspects of land use are also covered in the building code and in traffic, subdivision, and licensing regulations.” But even more, the city’s residential areas are blanketed with an unusual profusion of restrictive covenants: “Officials in Houston estimate that there are from seven thousand to eight thousand (perhaps as many as ten thousand) individual subdivisions and separate sections of subdivisions which may be subject to restrictive covenants of varying kinds.” Provisions of these covenants are in many respects identical with those that might appear in a zoning ordinance. And under a special act, the city has authority to and does enforce these private restrictions—a practice that almost universally would be held unconstitutional as a delegation of legislative authority to private persons.

It would be of considerable interest to determine whether a city having few, if any, of these regulations would nevertheless evolve the same degree of “natural” zoning found in Houston. It is my own unverified feeling that the forces at work in Houston appear both in unregulated and in zoned cities, and that in fact many (if not most) zoning ordinances

“intelligently cooperate with the inevitable” in codifying these patterns.

At any rate, the author found that market forces and the regulations listed above had in fact produced a pattern of development in Houston little different from that of zoned cities. Residential neighborhoods remained (except on their peripheries that bordered major streets) about as unsullied with inconsistent development in Houston as elsewhere (and he noted with surprise that this happened in unrestricted as well as restricted subdivisions). The real pressures for commercial development (and for multi-family development) tended to concentrate along major traffic arteries. Industrial development tended to self-segregate near appropriate transportation and other facilities. Although the author makes some seemingly contradictory statements concerning land prices, he indicates that in many areas single-family land sold for more than multi-family or commercial or industrial prices.

So much, in summary, for the author’s findings from his research. Unfortunately, he did not write this book solely about development without zoning in Houston. Instead, he used that research as a take-off for a broad-scale argument that zoning (or for that matter, apparently almost any form of governmental regulation of patterns of land use) is inherently unfair and productive of social evils and that the operation of an unregulated real estate market would produce far better results.

His argument proceeds generally in the following manner. First, he notes the extreme complexity and difficulty of assigning zoning classifications to parcels of land within a city. He suggests that the planner who attempts to do this in a technical, unbiased manner never-



theless must fall back upon subjective considerations in many decisions. And then he notes that the actual decisions are made by local governing boards in a highly political fashion. This to him indicates that zoning regulations are frequently biased, irrational, arbitrary, and even corrupt.

He then argues that zoning in many instances produces anti-social results. His most telling argument, which is repeatedly urged, is that suburban communities in metropolitan areas tend to restrict areas in which apartments may be built or mobile homes can be located, and this excludes low-income people who might otherwise move into the community from central cities. He also argues that zoning unduly limits the supply of housing (by making inadequate land available or by requiring too much land per dwelling unit) and thereby drives up the cost of housing, that zoning reduces competition which would be socially desirable (e.g., by limiting the number of service stations or business establishments in the community), and that it (apparently as any regulation would, in his view) generally curtails development that would add to the tax base of the community (this is a little hard to understand in the case of non-metropolitan cities, whose economy will support only so much business, for example, and which normally provide far more space in their commercial zones than would be required by that amount of business property).

It quickly becomes apparent, however, that these arguments are supported by no independent or original research of the author. Instead, they rely primarily on law review notes, periodical articles, case decisions, and similar secondary materials. And as noted previously, there is an alarming tendency for the author to state that zoning authorities "would probably" do thus and so, or that "possibly" certain results would ensue.

At any rate, based on the difficulty of zoning in a rational and unbiased fashion and the ill effects of *misuse* of zoning that he finds

endemic, the author then draws the conclusion that the operations of a free land market will produce results that are just as good or better—at much less cost and in a much "fairer" manner.

The extent of the author's trust in Adam Smith economics is indicated by the fact that he attacks both state and federal interventions designed to eliminate some of the abuses he has noted. He says that *any* regulation by whatever level of government will interfere with the free market (as of course it will) and thereby produce bad results (which remains to be proven). Apparently, it never occurs to him to examine whether the land market is truly a free market or whether in fact it is considerably misshapen by other forms of governmental interference (such as mortgage reinsurance), which he does *not* describe, by the nature of landholdings in particular areas, by the practices of lending agencies and of realtors, by the irrationalities of some of the restrictive covenants of which the author is enamored, etc. (As an incidental thought, it seems peculiar that if restrictive covenants are a better answer than governmental regulation, the citizens of Houston should have turned to a system of governmental *enforcement* of those private covenants.)

Finally, the author concludes that the iniquities of zoning are so great that they cannot be cured by legislation or by court cases aimed at particular practices, and he urges the U.S. Supreme Court to reverse its holding in the *Euclid* case and decide that zoning is unconstitutional. He does not say just *how* the zoning that is so treated is to be defined. This is an important matter since (a) he has expressed approval of many of the zoning-type regulations that are found in other ordinances in Houston (but which a blanket ruling of the sort he envisages would probably also sweep out), and (b) every imaginable type of regulation is to be found under the label of "zoning" in particular communities (e.g., this writer knows personally of ordinances that have only one

type of district and ordinances that have over 45 types of districts; of ordinances phrased largely in terms of uses permitted "by right"; of ordinances that require special-use permits for a majority of uses; and of ordinances that establish so-called "performance standards" and others that use an entirely different approach).

It is apparent that the author not only has an unduly limited view of the wide variation in contents and approach of zoning ordinances but also places almost total emphasis on the effectiveness of the zoning ordinance in preserving property values. This type of analysis almost totally ignores the fact that varying patterns of development can impose widely varying costs on the public for the facilities required to serve those patterns. While he shrugs this off with a comment that the local units *must* serve whatever development takes place, there is no particular reason why a local government should be denied authority to hold development to a pattern that it can serve most cheaply. (This taxpayer, at least, feels no obligation to furnish services in the wildly extravagant manner that some unregulated development in this part of the country would require.)

Similarly, the author shrugs off the views of those who feel that government has some obligation to preserve the visual environment—views he attributes to intellectual and aesthetic "elites" who cannot see the beauty that some architects (whom he cites) have found in billboard jungles. Perhaps it would be well if he visited the British Isles and the European countries generally to see how much better they have done, in the eyes of the common man as well as the "elite," before he makes a final judgment on this.

Summing up, a careful, documented examination of the areas investigated by Mr. Siegan is very much in order. It is to be hoped that the next such effort will use better methodology and wait until the facts have been gathered before flying off to sweeping, and perhaps foreordained, conclusions.

—P.P.G.

# NORTH CAROLINA LEGISLATION 1974

## A Summary of Legislation in the 1974 General Assembly of Interest to North Carolina Public Officials

This year the Institute of Government has prepared a special wrap-up of 1974 legislation of concern to public officials in North Carolina. *Popular Government* will NOT publish a legislative issue. *North Carolina Legislation 1974* reviews the bills that made it and some of those that did not in the recent session of the General Assembly in areas that concern Institute clientele. It contains articles by Institute faculty members in such areas as city and county government, education, courts, environment, planning, finance, criminal law, juvenile corrections, motor vehicle law, personnel, and so on.

\$3.00 plus 3% sales tax to North Carolina residents

Order from

Institute of Government

P. O. Box 990

Chapel Hill, N. C. 27514



# Tarheel tobacco, our technology:



## Together they've built a lot of North Carolina.

In a world of ever increasing competition, Reynolds Tobacco continues to be the leader of the industry. That looks great in the stockholders report, but what does it mean to everybody else?

It means that, by continuing to produce quality brands, by continuing to buy the best North Carolina tobaccos, by on-going research and development, we've stayed ahead of the race. And by staying ahead we've increased the markets for Tarheel growers; we've contributed more taxes for

Tarheel growth; and both directly and indirectly we've added more jobs for Tarheel citizens.

We're very proud to be part of the only North Carolina corporation that has been ranked among the nation's top 75 companies in sales by both Fortune and Forbes. Because that reflects on all our people. Very creditably.

**R.J. Reynolds Tobacco Company**  
Winston-Salem, N. C.

WINSTON: 20 mg. "tar", 14 mg. nicotine - SALEM: 19 mg. "tar", 13 mg. nicotine - CAMEL: 25 mg. "tar", 16 mg. nicotine - DORAL: 15 mg. "tar", 10 mg. nicotine - VANTAGE: 11 mg. "tar", 0.8 mg. nicotine - av. per cigarette, FTC Report Feb. '73

Warning: The Surgeon General Has Determined That  
Cigarette Smoking Is Dangerous to Your Health.