

# THE UNIVERSITY OF NORTH CAROLINA NEWS LETTER

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## COST OF STATE GOVERNMENTS

### STATE FINANCES IN 1922

The Department of Commerce announces that the costs of government for the state of North Carolina for the fiscal year ended June 30, 1922, amounted to \$25,364,112, which was a per capita cost of \$9.58. In 1918 the per capita cost was \$2.19, and in 1915, \$2.12, the totals for these years being \$5,407,381 and \$5,003,902, respectively. The per capita costs for 1922 consisted of expenses of general departments, \$5.43; payments for interest, \$0.28; and for outlays, \$3.87. Of these the largest were nearly \$6,000,000 for highways and \$2,500,000 for schools.

### Revenues

The total revenue receipts for 1922 were \$13,164,249, or \$4.97 per capita. For the fiscal year the per capita excess of governmental costs over receipts was, therefore, \$4.61. Per capita expenses for general departments and payments for interest, exceed the per capita revenue receipts by \$0.74.

In North Carolina property and special taxes represented 41.6 percent of the total revenue for 1922, 50.2 percent for 1918, and 51.7 percent for 1915. The increase in the amount of property and special taxes collected was 22.0 percent from 1915 to 1918, and 84.7 percent from 1918 to 1922. The per capita property and special taxes were \$2.07 in 1922, \$1.20 in 1918, and \$1.03 in 1915.

Earnings of general departments, or compensation for services rendered by state officials, represented 13.7 percent of the total revenue for 1922, 20.4 percent for 1918, and 24.1 percent for 1915.

Business and nonbusiness licenses constituted 33.9 percent of the total revenue for 1922, 19.4 percent for 1918, and 14.7 percent for 1915. Receipts from business licenses consist chiefly of taxes exacted from insurance and other incorporated companies, while those from nonbusiness licenses comprise taxes on motor vehicles and amounts paid for hunting and fishing privileges.

### Indebtedness

The net indebtedness (funded and floating debt less sinking fund assets) of North Carolina was \$12.59 per capita for 1922, \$3.85 for 1918, and \$3.77 for 1915. During the current year over \$19,000,000 worth of bonds were issued of which \$10,500,000 were for highways.

Taxes shown as collected for the year 1922 were from the 1920 levy. Since that year there has been no general property tax for state purposes.

### STATE GOVERNMENT COSTS

The table presented in this issue of the News Letter shows what it cost on a per inhabitant basis to operate the various state governments of the United States in 1922. The Bureau of the Census has recently issued for each state a statement similar to the one presented above for North Carolina. We wish it were possible fully to analyze these reports, but with our limited space it is impossible.

The cost of operating the respective state governments varies greatly, even on a per inhabitant basis. In Nevada the cost in 1922 was \$41.46 per inhabitant, while in Arkansas it was only \$3.90. As a rule the cost was largest in the sparsely settled western states where large amounts have been spent for permanent improvements, and smallest in the southern states where the state governments confine their activities largely to executive, legislative, and judicial functions. In Alabama, for instance, it cost \$7.02 per inhabitant to run the state government, of which amount it took \$5.01 to run the general departments. Practically the same ratio holds for the entire South, except in North Carolina where the state government has recently broken away from the Big Policeman type. It is no longer an organization for office holders, but a public service institution in which the development of its social and economic resources is its prime activity. More than three-fourths of our state government expenditures in North Carolina at present are for outlay payments, for roads, public buildings and so on. Even in 1922 more than one-third of the total

cost was for outlay payments.

### The Cost Increases

It will be noticed that in 1918 the per inhabitant cost of our state government was only \$2.19. At that time only one state spent less than ours, while in 1920 we were at the very foot, spending less per inhabitant than any other state. The state had no highway program, and spent only a small amount on its public schools. During the four years following 1918 the cost per inhabitant rose to \$9.58 and our rank to thirty-third in the United States. Even with our large investment in highways, public buildings, public schools and the like, the cost of our state government on a per inhabitant basis is still below the average for the states of the Union. The four-year increase in the cost of our state government is large on a percent basis, but it is well to remember that we started at the very bottom, and though the increase seems large, yet, actually the present cost of our state government is relatively small when compared with states outside of the South. Two southern states, Florida and Virginia, still rank ahead of us, or so in 1922. Considering the marvelous benefits we are getting, state government is still relatively cheap in North Carolina.

### Revenues Vs. Expenses

The statement as given out by the Census Bureau shows that our state expenditures for 1922 amounted to slightly more than 25 million dollars, while our revenue receipts were only slightly in excess of 13 million dollars. The statement is likely to be misleading unless carefully studied. Two explanations largely account for this discrepancy.

The first is that outlay payments for highways and schools totaled about \$3,500,000. This expenditure was made possible largely through the sale of bonds. It represents an outlay for permanent improvement, and it is not a proper charge against the cost of operating the state for that year. Only the interest and the sinking fund necessary to retire the bond issues are legitimate charges against the cost of operating the state government. Naturally the state is making no attempt to retire in one year any bond issue for permanent improvements.

The second explanation is that in 1921 the state changed its financial policy. Formerly it operated largely on the cash basis; it now operates largely on the accrual basis, the bulk of its revenue coming from income taxes and the like which are accruing but uncollectible until the close of the fiscal year.

The year 1922 marked the transition in the method of financing the state government, and the apparent deficit was met once the taxes for the fiscal year were collectible. For a detailed report on this subject see News Letter Vol. IX, No. 47.

### Who Pays State Taxes

Up to 1921 a large part of the state revenue was obtained from a general property tax. Everybody in the state who had property on the tax books paid something to the support of the state government. The 1921 legislature abolished the property tax as a source of state revenue and adopted the income tax as the main source. Immediately the support of the state government was shifted to a new and relatively small class of taxpayers. The general property tax is used exclusively for local county purposes, while the state operates on revenues received from income tax payers, individual and corporation; inheritance, license, franchise taxes and so on, and from earnings of the general departments of the state.

Practically the entire burden of state support falls on our urban dwellers and the corporate businesses of the state. The property tax is spent locally for county purposes.

The individual who pays only a property tax contributes nothing to the support of the state government, unless he owns an automobile, in which case he pays a license and gasoline tax which is used exclusively for highway construction and maintenance. Relatively only a small percent of our people contribute to the support of the state. Except for the auto and gas tax, our farmers pay practically nothing. The support comes from the individuals who can afford it, and from corporations chartered by the state, from licenses granted by the state—in general from sources receiving direct services from the state. It is a fair, sane, and progressive method of raising state revenue and it was only through its adoption that North Carolina was able to engage in her program of progress.

### LETTERS DISCONTINUED

Due to slight illness which prevents the use of his arm, Professor Branson has been forced temporarily to discontinue his series of articles which have been appearing regularly in the News Letter and the state press during the last six months or more. Mr. Branson will return to Chapel Hill about the middle of March. He is still in Paris and his series of letters will be continued as soon as he regains the free use of his arm.

But even now we are not spending recklessly or extravagantly in North Carolina. We have finally and with due deliberation entered the group of progressive states, and no state in the Union is getting as much for the money it is spending as North Carolina.—S. H. H., Jr.

### BUILDING HIGHWAYS

Ten hundred and forty-four miles of road, together with bridges, costing a total of \$22,023,787.14, were completed by contractors and turned over to the state during the year 1923, according to final figures made public yesterday by the State Highway Commission.

Plain concrete led in all the thirteen types of roads constructed by the Commission with a total of 223.04 miles, with top soil taking second rank with a total of 221.53 miles completed. Paved projects completed total 525.99 miles of road. The remainder is distributed among five types of impermanent roads.

Not included in the completed list for the year are sections of road on which the final work has not been done by the contractor, which will bring the total mileage for the year to beyond the 1,200 mile mark. The year is regarded by Chairman Page as the most successful in the history of the road building program in the state, but the record will not likely last out the present year.

Following is the list of roads completed, together with the cost:

- Topsoil, 221.53 miles, costing \$1,909,691.12.
- Graded, 123.06 miles, costing \$1,084,357.84.
- Gravel, 92.52 miles, costing \$852,297.67.
- Bitulithic macadam, 38.66 miles, costing \$942,511.79.
- Waterbound macadam, 40.75 miles, costing \$695,289.30.
- Sand asphalt, 21.37 miles, costing \$284,752.80.
- Asphaltic concrete, 186.94 miles, costing \$6,538,531.63.
- Plain concrete, 223.04 miles, costing \$7,453,383.40.
- Reinforced concrete, 32.71 miles, costing \$1,218,886.32.
- Brick, .57 miles, costing \$14,348.77.
- Corduroy, 1.32 miles, costing \$33,769.89.
- Bridges, \$525,627.69.
- Sand clay, 55.60 miles, costing \$404,497.13.
- Reconstruction, 6.20 miles, costing \$70,841.79.—News and Observer.

### NEGRO EDUCATION

During the year 1923, \$3,803,000 was spent in North Carolina on Negro education alone, a sum which is larger than the sum spent for the state's entire system of public schools in the year 1900. In the past four years \$969,000 has been spent for new buildings alone at three of the State colored normal schools, and the General Education Board gave \$125,000 more for the equipment of these buildings. A million and a half dollars annually are now (1923) being spent in North Carolina for new

public school buildings for Negroes. This includes the generous sums given by Mr. Julius Rosenwald of Chicago to stimulate the building of good rural schools.

The state has now selected four centers for conducting its teacher-training work for Negro teachers—one at Elizabeth City, one at Fayetteville, one at Winston-Salem, and one at Durham. Buildings and equipment are rapidly being provided to supplement the present plants and to make them all that modern progressive colleges for training teachers should be.

North Carolina is beginning to demonstrate on a grand scale that enduring progress and prosperity in a state should be based upon good schooling for all of its citizens, and upon good morale, a morale which can be built up only by widespread confidence on the part of the citizens of a state in the integrity, fairness, and unselfishness of its officials.—Southern Workman.

### USING PUBLIC LIBRARIES

There have been various schemes for extending the privilege of city and town libraries to country districts, and all of them have proven of some benefit, still there have not been the results that were desired.

Certain of the states, notably California, have adopted the county as the unit for library organization. The system includes a central collection at the county seat, and branches or stations planted in widely scattered villages, to which frequent deliveries are made by automobiles. In Maryland the Washington county free library, with headquarters at Hagerstown, and in Delaware the state library commission, make frequent house-to-house deliveries of books.

A Durham organization—the Kiwanis club—has put into effect a plan that is new in North Carolina and probably unique in the whole country. The club has purchased a motor truck, and fitted it up especially as a carrier of books, it having a capacity of about 600 volumes. It will be turned over to the trustees of the Durham library, and will be used in distributing books among the people of the county, and in that way every person in the county will have the benefit of the library almost as though living in the city.

The fact that the Durham library is a county institution is not generally known, and comparatively few of the people outside of the city have availed themselves of it. The inconvenience in getting and returning the books has prevented hundreds of rural inhabitants from using the library. But, with the securing of a truck, the benefits of the library will be brought to the doors of the various communities of the county.—Durham Herald.

### THE COST OF STATE GOVERNMENTS

#### Per Inhabitant in the United States in 1922

Based on Bureau of the Census reports covering the Financial Statistics of State Governments.

In Nevada the cost of running the state government amounted to \$41.46 per inhabitant. Arkansas comes last with a cost of only \$3.90 per inhabitant.

For North Carolina the entire state government cost \$9.58 per inhabitant, and we tie Nebraska for 33rd place. This includes our investment in roads and the total expenditures on education during the year 1922.

S. H. Hobbs, Jr.

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Rank	State	State Government cost per Inhabitant	Rank	State	State Government cost per Inhabitant
		1917			1922
1	Nevada	17.85*	25	Rhode Island	7.27
2	Oregon	5.32	26	New Hampshire	6.35
3	South Dakota	8.05*	27	Idaho	7.03
4	Delaware	6.37	28	Ohio	3.99*
5	Wyoming	10.34	29	Florida	4.00
6	Michigan	7.09	30	Massachusetts	8.60
7	Arizona	13.02*	31	Virginia	4.46
8	Utah	10.69	32	Pennsylvania	3.66
9	California	10.44*	33	Nebraska	4.77
10	North Dakota	7.63*	33	North Carolina	2.19*
11	New Mexico	8.17	35	Texas	5.00
12	Minnesota	8.63	36	West Virginia	2.85*
13	Maine	10.08*	37	Indiana	4.43
13	New Jersey	7.08*	37	Mississippi	3.06
15	Colorado	6.36	38	Illinois	4.08*
16	Vermont	10.17*	40	Kentucky	4.55*
17	Washington	8.56	41	Oklahoma	4.61*
18	Montana	8.39	42	Alabama	3.47
19	Connecticut	8.21*	43	Kansas	4.43*
20	New York	8.39*	44	Tennessee	3.12
21	Iowa	4.86*	45	Louisiana	4.13
22	Wisconsin	6.43*	46	Georgia	2.69
23	Missouri	3.85	47	South Carolina	2.16
24	Maryland	7.93	48	Arkansas	5.66*

\*—1918