

SECRETARY OF STATE W. N. EVERETT TELLS OF STATE'S RAPID GROWTH

In Delivering Keynote Speech At Democratic State Convention Mr. Everett Gives Candid Statement of Facts Regarding Taxes and Bonds—Growing Richer Every Day.

Secretary of State W. N. Everett, delivering the keynote speech at the state Democratic convention in Raleigh, declared that "within a few weeks the Democratic hosts will gather in New York to nominate a candidate for President of the United States. I believe that convention will name the next chief executive of the republic. All the signs point to victory in November." Mr. Everett then reviewed the Wilson administration; the part that North Carolina played

during the war and how the party had met the test. Coming to state affairs Mr. Everett said that "through the faithful work of O. F. Goddard, chief accountant in the auditor's office, for the first time in 60 years, I am able to hand you herewith a complete balance sheet of the state, together with a statement of the general current fund as of April 1, 1924." The "complete balance sheet" as presented to the convention by the speakers follows.

Proprietary Assets:	
Land (at reproduction cost)	\$ 6,547,870.00
Buildings (at reproduction cost)	26,818,164.36
Equipment (at reproduction cost)	4,195,228.53
Building funds unused due from current fund	5,420,281.01
New highways	100,546,982.00
Auto fund surplus over and above expense of collecting licenses and tax out of 10 per cent allowed for expense	534,000.00
Sinking funds now set up or authorized to be set up immediately out of special funds	1,688,000.00
Railroad stock (valued by R. R. Stock com.)	15,000,000.00
Notes receivable (loans to counties for aid in building school houses from proceeds of bonds)	4,957,200.00
	\$165,632,670.90
Proprietary Liabilities:	
Bonded indebtedness	\$ 68,947,600.00
Proprietary surplus	96,685,070.90
	\$165,632,670.90
Current Fund Assets:	
Cash on hand	\$ 10,765,374.13
Uncollected revenues (estimated)	3,415,071.67
Notes receivable (counties due general fund)	179,000.00
Current fund deficit	185,029.60
	\$ 14,494,475.40
Current Fund Liabilities:	
Due other funds	\$ 13,354,970.58
Current fund notes	500,000.00
Outstanding warrants	1,095,796.82
Accounts payable (approx.)	145,000.00
	\$ 15,095,767.40
Less: School fund deficit made out of general fund excluded by legislative examining com.	\$ 710,000.00
	\$ 14,385,767.40
Matured bonds and interest	\$ 108,708.00
	\$ 14,494,475.40

Statement of Road Construction. Mileage, Type and Cost of Completed Projects to March 1, 1924.

Mileage	Type	Cost
191	Graded	\$ 1,756,065.00
1288	Top soil, sand clay and gravel	11,347,451.80
886	Hard-surfaced, including concrete, asphaltic concrete and macadam	27,248,251.00
	Bridges	1,469,641.00
2365		\$41,821,408.00

These roads built on present cost of labor and material would cost

	\$55,000,000.00
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Mileage, Type and Cost of Projects Under Contract and Under Construction March 1, 1924.

Mileage	Type	Cost
256	Graded	\$ 2,083,306.00
499	Top soil, sand clay and gravel	4,718,467.00
562	Hard-surfaced, including concrete, and asphaltic concrete and macadam	15,686,396.00
	Bridges	1,242,355.00
1317		\$23,725,524.00

Total of 3682 miles at a cost of

	\$65,546,932.00
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Total allotment plus federal aid

	\$78,725,524.00
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Donated by counties

	7,090,390.00
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Improved roads turned over to the state system

	\$76,759,228.00
	\$98,725,524.00

We Go Forward.

Continuing his address with reference to North Carolina affairs Mr. Everett said in part: If in 1921 we had taken counsel of our fears instead of our faith, the roads which have been actually built and turned over to the use of the public at a cost of \$41,000,000, would cost now on a basis of present prices about \$55,000,000. Inasmuch as we started out to build a state system of roads connecting various county seats and other principal towns of every county in the state, and taking into further consideration that when the whole \$65,000,000 of bond money is spent, together with money derived from federal and county aid, there still will be 1,000 miles of state highways which have not yet been touched by \$1.00 of money derived from the sale of bonds and 65 counties which have not yet been connected with each other by the most direct routes. Bearing ever in mind that promises are made to be kept, the question which arises in our minds today is, "Where do we go from here?" The actual collection from automobile and gasoline tax up to April 1, has been \$5,568,749.55, collected at a cost of all personal services and office expenses of less than 1-2 per cent, and when it is considered that three months of this fiscal year are yet to run, it is indicated that the collection will approximate for this fiscal year seven and three-quarter million dollars. After setting aside all interest charges, all sinking fund charges, authorized by law, all overhead expenses and a maintenance charge of \$500 a mile for every mile of state highway, there should be on hand at the end of this fiscal year one million and a half as a matter of fact \$1,000,000 of this amount has already been converted in the sinking fund, and when the legislature meets again in January, 1925, there should be in hand and in sight, approximately \$3,000,000 not absorbed by the fixed expenses. It is easy to see that the building of roads must continue until we have kept the legislative promise to the people. The people want it, they are willing to pay for it, and under these circumstances, must have what they require. Whether it shall be the legislative policy to use this surplus for the actual construction of roads on a "deducted" program or whether it shall form the basis of additional bond issues, I do not know. I do not know that either plan would be based on good fundamental business principles, and in my judgment, would not increase the credit of the state.

Should Correct Injustices.

As I have contemplated the highway bill of 1921, I have always been impressed with its absolute fairness in the distribution of the funds. As I look back, however, over the history of the last two years, I am almost persuaded that in the distribution of the funds to the various construction districts that the balances have not been held absolutely even. By reason of better conditions, and by reason of work already done by some of the counties, there are some construction districts in the state which are getting more miles of road than certain other districts. If any injustice has been done, it should be corrected and I feel sure that the representatives from those favored districts will see that substantial justice is done. My own notion is that the time must come when we shall do away with construction districts and use a considerable amount of money at those points in the state where it is most needed. Only in such a way can we perform and keep the legislative promise to build a state system and not a local system of roads. Commonwealth Building. The people of North Carolina are bent upon building a great state on the basis of public education, public highways, and public health. There is no other safe basis for a high-grade civilization in any state or nation. The will of the people of North Carolina is definitely fixed upon these agencies of commonwealth building. They are willing to pay the bill and they cannot be stamped by timid where the people of the state want better public highways, they demand nothing less than the very best type of highway, and they are willing to pay the bill. At present we are building five miles of improved highways every work-day of the week at an average cost of \$90,000,000 a year, in round numbers. When the building program of 1924 is completed we shall have some 4,000 miles of the best public roads in the world. The people of the state are definitely determined upon the most liberal policies of health promotion and disease prevention. The state is spending \$50,000 a year in public health work, and 28 counties are spending \$217,000 more. They want not less but more public health work. They want the ratios of physical vigor definitely increased, the days of weakness, illness, and loss of income definitely decreased. At last our people have come to realize that health is wealth as well as happiness. Aside from the four million dollars a year that the state is spending to support common schools, pub-

lic high schools, technical training, liberal earning and agricultural promotion, the state is spending three millions more to care for her old Confederate soldiers, the insane, the deaf, the blind, the crippled, the feeble-minded, the orphan, the wayward boys and girls, of both races, and the public welfare agencies of directions and supervision. It is money spent for purposes that are tenderly humane and finely Christian, and North Carolina would not spend less money on her afflicted and distressed but more, more to the last limit of possibility.

No man and no party in North Carolina would dare to go before the people of the state with any policy that put in jeopardy the fundamental public necessities of education, highways, health and social well-being.

Able As Well As Willing. These visions and policies of commonwealth building have received the hearty approval of the people during the last eight years. The taxpayers of North Carolina stoutly maintain that the best business a government can engage in is that of serving humanity. The taxpaying masses are willing, but are they able to pay the bill for enlightened progressive state policies? The state has undertaken great things, but is she rich enough to go to the full limit of possibility in realizing her dreams of common prosperity and common well-being? It is a new policy. The old idea of government was that the state is merely a big policeman whose job was almost entirely that of preserving law and order and protecting the life, limb and property of the people. The new view of government is that the state is, not only a sovereignty preserving law and order, but that it is also a service agency busy with the problems of public enlightenment, transportation, health, and social welfare. This marked advance inevitably calls for larger services, and larger services call for greater revenues. North Carolina has set the pace and is far in the lead in the south.

Richest State in South. Measured by her taxpaying power, North Carolina is the richest state in the south. In 1923-24 she paid one hundred and forty million dollars of tax money into the federal treasury. It was nearly exactly twice as much as the total sum paid by Virginia and Texas, her two nearest competitors. It was nearly ten million dollars more than the rest of the 12 southern states paid all put together. The enormous total of federal taxes paid by North Carolina is a heavy burden laid upon the incomes of her well-to-do and wealthy citizens and business corporations. Nevertheless her domestic corporations and the foreign corporations doing business in North Carolina paid another five million dollars into the state treasury, while at the same time paying property taxes to the counties and municipalities of the state. Only five states of the Union paid larger totals into the federal treasury. New York, Pennsylvania, Illinois, Massachusetts, and Ohio, in the order named. Our rank was sixth and it indicates how rapidly the state has increased in actual wealth during the last 40 years.

North Carolina, in 1919 was the richest state in the south in the production of manufactured wealth, Texas alone excepted. During the last 20 years she has moved ahead of 12 states and now ranks 15th instead of 27th in the value of her total industrial output. The estimated true worth of all properties in North Carolina on January 1, 1923, was four and a half billion dollars. These are the figures of the census bureau in Washington, compiled under a Republican administration. On this basis of comparison Virginia ranks slightly ahead of us while Texas, with twice our population and five times our territory, has only twice the true wealth of North Carolina. There are several things to be said about our total wealth, estimated at its true worth. It is an increase of almost three billion dollars during the last ten years. It is nearly twice the total of wealth on the tax books of the state. That is to say, we are paying an ad valorem tax upon only a little more than half of our general property reckoned at its true value, in most counties on very much less than half of their true wealth.

North Carolina is not only a billionaire state in the possession of wealth, but she is a billionaire state in the annual creation of wealth. Creating Great Wealth. In other words, North Carolina is now creating in two and a half years as much wealth as she has been able to accumulate on her tax books in two and a half centuries of struggle with poverty. And in four and a half years she has created as much true wealth as the state has been able to accumulate in all her history. We are still far from being the richest state in the Union in true and actual wealth, but in the increase of such wealth man for man in the last 10 years North Carolina led the whole United States.

But perhaps the most significant indication of the rapidly increasing wealth of North Carolina is her investment in motor cars. On March 8, 1924, there were 279,000 motor cars and trucks in North Carolina, representing 204 millions of purchase money. This investment in motor cars alone is more than twice the outstanding issue of state bonds. It almost exactly equals the entire bonded indebtedness of the state, the counties, towns and cities, country school and drainage districts all put together. Since the first of last January we have been buying cars at the rate of \$30,000 a day. What ever else it may mean, it means that the taxpaying power of North Carolina is enormously greater than any body has yet dared to suppose. I am only trying to make clear the fact that North Carolina has moved into an era of wealth far beyond health is wealth as well as happiness. Aside from the four million dollars a year that the state is spending to support common schools, pub-

lic health, and public welfare. Is State Facing Bankruptcy? Are the taxes the people of the state are paying in their struggle to build a great commonwealth on secure foundations heavier than the people can bear? Must the state abandon the most inspiring ideal it has ever had in all of its history? Must the state surrender her pre-eminence in the south and lose the high place she had held of late in the esteem of the nation?

Our taxes are heavy and they have greatly increased since the state entered upon her liberal policy of promoting education, roads, health and public welfare. But when compared with other states in 1923 on the basis of property tax rates, we find that the average in North Carolina was only \$1.47 on the \$100 of listed property. It is the lowest property tax rate in the United States. And when we compare the tax burden of the state with those of other states on the basis of per capita payments, we find that North Carolina in 1923 was paying for law and order, schools, health and public welfare at the rate of \$18.01 per inhabitant. It was less in only four other states of the Union, namely Alabama, Arkansas, Georgia, and Virginia, while the average is greater in eight southern states whose tax burdens per inhabitant range from \$18.57 in Tennessee to \$35.32 in Florida. These figures, I may say, come from the census bureau in Washington city, and they are the latest figures available for all the states.

But speaking of the property tax rate and the per capita tax burden of the state, let me remind you that taxes on real and personal property are paid for town and county purposes alone. Since 1921, no general property tax has been levied for state purposes of any sort. And let me further add that \$300 worth of household and utensils are exempted from taxes, in favor of the poor man struggling to raise a family and establish a home. This exemption alone wiped off the tax books of the state more than \$200,000,000 worth of taxable property.

Do We Face Bankruptcy? I do not speak of the state taxes derived from motor car registration certificates, automobile licenses and gasoline taxes. These go directly into the special highway fund for highway building, highway maintenance, highway sinking funds, and interest on highway bonds. It must never be interfered with for any other purpose. This burden, of course, is paid by the owners of automobiles and trucks. And what they pay is sufficient to finance our highways program without encroaching upon the purse of the general taxpayer.

And do we face bankruptcy because of our bonded indebtedness? The facts are as follows, as reported from the state auditor's office on April 9:

State bonded debt	\$68,947,600
County bonded debt	63,370,516
Municipal bonded debt	71,073,315
Total	\$203,391,431

When the authorized issues of state bonds are sold, the total of our state bonded debt will be \$8 million dollars. In short, our state bonds actual and authorized will represent 3.77 per cent of the total property wealth on our tax books. It is a little less than 2.5 per cent of our true wealth. The limit of state bonded debt under our 5 per cent law was \$132,700,000 in 1923, and we have still a bond margin of some 40 million dollars. The bond

holders consider it safe margin, safe for them and safe for the state. Can State Afford to Mark Time? If taxes have greatly increased, the demands of the people for education, transportation facilities, health promotion and other welfare services have even more greatly increased. They have indeed increased so rapidly that the state is facing the necessity for greatly increased tax revenues. The revenue receipts of the state during the year ending June 30, 1923, were just a little more than ten million dollars, highway funds excepted. But in the next biennium our general state funds need to approach fifteen million dollars a year, if the state is to go steadily forward in her policies of commonwealth building. The people demand greatly improved services from the state departments, institutions and agencies. Are the taxpayers able and willing to pay heavier taxes for richer opportunities in private business and social well-being? Or are they ready to call a halt to mark time, and to indulge in the luxury of lost motion?

It is a perilous luxury. No state can safely stop its developing commonwealth policies and mark time for two years. State institutions of every rank and sort will break down under such a policy of restriction and repression. And while North Carolina is standing still our sister states will be moving forward. Somehow we have been so preoccupied with our own spectacular gains in rank that we have lost sight of what other states have been doing. Eight southern states are already bearing heavier tax burdens per inhabitant than North Carolina is bearing for all tax purposes, state and local.

Fourteen southern states are already levying greater tax rates on general property for all the purposes of town and county government. Four southern states are already spending more money per inhabitant for public school support. Seven southern states are already paying their white public school teachers larger average annual salaries.

Six southern states are already investing more money per child enrolled in their public schools. We can no more afford to stand still in public education and public health work than we can afford to abandon the 1800 miles of uncompleted highways now in progress of completion in North Carolina. We cannot any more abandon institutional expansion than we could abandon highway expansion.

The march of civilization in North Carolina cannot be halted without throwing the columns into confusion, from advanced to rear guard, and in any confusion come the inevitable inquiries, what is the matter? and, who is responsible? If the state on its present tax revenues cannot do the work that the people demand, it is the height of both wisdom and candid public policy to go straight to the taxpayers with all the facts.

The Simple Facts. And the simple facts are (1) the state, on June 30, 1923, will have had revenues that leave it close to three million dollars in arrears, (2) the normal and inevitable increase in annual maintenance appropriations to state institutions and state departments will be close to three million dollars, and (3) an operative executive budget system immediately authorized and installed can perhaps effect economies in the incidental expense account of the state sufficient

to put the state government on the basis of 15 million dollars of expendable revenue a year during the biennium.

Such are the facts, plainly and speedily stated. And I state them plainly and candidly because the voters of the state are fairly entitled to know of the status of the state in its public finances. I do so in full confidence that the people of North Carolina will rise to the occasion with the fever that patriotism prompts and loyalty demands—not loyalty to a party, but loyalty to the state. The Way Out.

The way out concerns plans and policies (1) to increase the power of the state to produce greater wealth, (2) to solve our market problems both state and inter-state, and thereby retain a larger share of the wealth we annually create, and (3) if possible to find new sources of tax revenue to distribute the burdens of state taxation with due regard to fundamental equalities, and to leave undisturbed the owners of general property, and the exemptions of small property owners and income earners.

1. Developing our sea-food industries, a half million dollars is being invested in this. 2. Starting the state upon a definite reforestation policy following the lead of European countries in this particular. 3. Laying great emphasis upon industrial education in our cotton mill centers as a means of moving quickly into the production of finer yarns and fabrics. 4. Developing the possible pottery industries of the state. 5. Establishing cotton and tobacco production upon a bread and meat basis. 6. Definitely using the county agents of the state to lead the way into co-operative commodity enterprises, teaching the business details of such organizations, and finding advantageous markets for our farmers.

7. Authorizing and installing the machinery of an operative executive budget system and stressing the importance of such systems in our county courthouse offices. Such a budget system has reduced our federal bonded debt nearly four billion dollars in the last five years, and only such a system has saved the rich state of California from bankruptcy. 8. A main business of such a budget system is to effect economies wherever possible without hurt to any proper enterprise of the state; to discover new sources of revenue; to solve the problems of equity in old sources of revenue; to pass under review the expenditures of all state money and all requests for institutional and departmental outlay and maintenance funds; to report to the legislature a balanced budget for the exercise of its final appropriative power; and at all times to be in a position to exhibit with authority and finality the financial status of the state.

9. Securing freight rates that will put our farmers, manufacturers and merchants upon a commercial parity with our sister states, and if necessary to pursue this purpose to the ends recommended so ably and wisely by our shipping commission. 10. To lay no ad valorem tax upon general property for state support, to increase no tax burdens borne by property owners or income earners who are already over-burdened but to lay before the legislature in January a plan to increase our general state fund from ten million dollars in 1923, to fifteen million dollars in 1925-27.

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