

# Opinions



"I'm not afraid of FLYING because of all the crashes during 1985, I'm afraid of being trampled to death at the flight insurance machine."

## Local tax hikes predicted

RALEIGH -- North Carolina taxpayers should be warned. It is very likely that a great many counties and municipalities will have to raise taxes next year.

That is the prediction of the two chief lobbyists for local governments in Raleigh, Ron Aycock, executive director of the N.C. Association of County Commissioners, and Leigh Wilson, executive director for the N.C. League of Municipalities. Both appeared before the legislature's Local Government Finance Study Committee and presented depressing reports on the fiscal condition of local governments.

"I think there will be a steady increase in property taxes across the state," Wilson said in an interview after the committee's meeting. The tax increases will be "modest," he said, probably averaging between two and five cents per hundred dollar evaluation.

County tax increases in the coming year will be a "fact of life," Aycock said. These will come, he said, on the heels of a year when 40% of North Carolina's counties raised taxes, another 40% kept them at the same level and most of the other 20% revalued property



**Watching**  
By Paul T. O'Connor

thus making it difficult to determine if there was any real increase. A few counties lowered taxes slightly, he said.

The biggest financial concern comes from the approaching loss, on Oct. 1, 1986, of federal revenue sharing funds. Congress is eliminating that program. That will cost North Carolina municipalities \$49 million and counties \$76 million annually. Aycock said the loss to the counties constitutes 5.4% of total county revenues in a year and 8.1% of the money that can be collected from property taxes.

"In theory, all other things being equal, in order to make up for the loss of this one federal program, county government would have to raise its property tax by 8.1%," he said.

About half the counties and 60% of the cities were using federal-revenue sharing money for capital expenses. Theoretically,

those who were using that money for capital projects will be able to maintain current services. They'll just have less money for capital projects.

But the two reminded legislators of another major problem facing local governments, the deterioration of their infrastructures. Water and sewer lines are inadequate in many areas, many new schools are needed and local governments are finding that they must often help pay for a road if they want the state to build it. Local governments can delay capital spending due to the loss of revenue sharing funds, Wilson said, but these projects can't be delayed for long.

Other problems will contribute to the momentum for new tax increases. In farm counties where there have been revaluations, Aycock said, the tax base has shrunk because land prices are dropping. When that happens, the tax rate has to increase.

Insurance premiums for many local governments have jumped by as much as 1,000%, Wilson said. And, federal economic development and housing programs are being cut along with revenue sharing.

## NC housing is growing problem

By Donald M. Saunders

In 1968, an advisory committee to the governor recommended that the North Carolina General Assembly adopt as its goal "the achievement by the year 1980 of a decent, safe and sanitary home in an adequate and healthful environment for every North Carolinian."

In 1985 -- five years after the committee's target date -- that goal is farther away than ever. In fact, due to cuts in the federal housing program, North Carolina is now facing a severe housing crisis which affects the lives of an increasing number of its citizens.

The problem is enormous. A study by the North Carolina Housing Commission in 1983 revealed that fully 34.7 percent of the state's housing was "deficient" or "substandard". Many of these units had inadequate plumbing or heat.

Statistics alone do not tell the whole story. There is, of course, a human side behind the numbers. For some people the housing crisis means living in cramped quarters, with no privacy for their family. For others, particularly the elderly who can ill afford to pay a large amount of their fixed income for housing, the crisis means having to choose between heating and eating. For other North Carolinians the housing crisis simply means homelessness.

The tragedy affects people in all parts of the state. In Charlotte 2,500 families are on a waiting list for public housing assistance. All have been waiting more than two years. In Greensboro, the waiting list numbers 3,000 families. The situation is the same throughout North Carolina's cities -- housing assistance is simply not available to families now seeking it.

In rural areas, where little public housing ever existed, the farm crisis is taking its toll. Foreclosures on many small farms have displaced families from their traditional homesteads, leaving them with nowhere to go. On many farms, agricultural workers live in conditions unfit for human habitation.

Poverty and the housing crisis go hand in hand. Over one million North Carolinians now live at or below the poverty level. An increasing number of these poor households are headed by women, who often are solely supported by the state's relatively low payments



for dependent children and food stamps. Housing assistance is not part of those entitlement programs. Thus a mother with one child may have to provide for all her family's needs, including rent, on an income of slightly \$200 per month plus food stamps.

### The Promise Of A Decent Home

The federal government's involvement in ensuring an adequate supply of decent and affordable housing for the poor can be traced back to the New Deal. After the suffering and homelessness of the Depression, the need for a federal housing program was clear, and the Housing Act of 1937 passed Congress with strong popular support.

In 1949, Congress reaffirmed the federal government's commitment to housing the poor, passing a second housing act which called for "the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family." That goal has remained the cornerstone of national housing policy for the past 36 years.

But despite that clear goal, federal housing programs have been as varied as the administrations which proposed them. Under Roosevelt, the public sector assumed major responsibility for financing and constructing low-income housing. The Kennedy and Johnson administrations shifted the responsibility from the federal government, offering developers low interest loans to build housing. Subsequent federal housing programs have continued the shift towards private sector involvement.

Under the Reagan administration, federal funds for the national low-income housing program have dried up almost completely. Between 1980 and 1984, the program's budget was cut 85 percent. The federal government continues to subsidize middle-income homeowners, however, through the interest deduction on taxes for home mortgages.

The shift away from public sec-

tor involvement in low-income housing is already proving disastrous for poor families -- in North Carolina and across the nation. Current interest rates and construction costs make it almost impossible for private developers to build housing units that rent at the cost close to what a poor family can afford. And in North Carolina's fast-growing cities, developers can earn much higher profits building apartments and condominiums for new residents with high incomes. The housing needs of the poor are simply not being taken care of by the free market.

### The Future In North Carolina

Given the cut-backs in the federal program, state and local officials are beginning to assume new responsibilities for housing.

The 1985 General Assembly created the Housing Trust Fund Study Commission as a beginning point for studying ways that the state can fill the void created by federal cuts. The commission, which will begin meeting this fall, will examine possible public-private partnerships to address the problem of financing low income housing.

The commission will also explore the use of some non-tax revenues, such as the interest from escrow accounts, in conjunction with tax-exempt bonds to make rents affordable for those below the poverty level.

A handful of local governments are also looking at ways to ease the problem.

The General Assembly recently gave localities the authority to use sales and property tax revenues for housing -- which several cities are now doing.

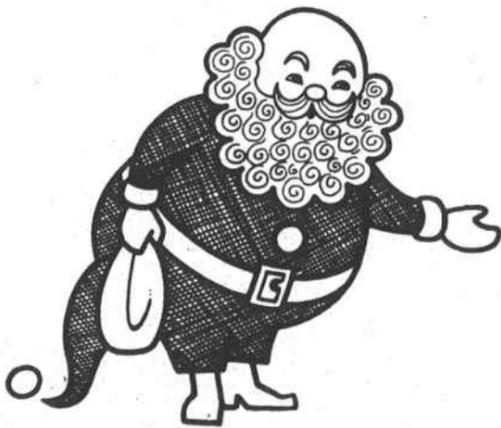
Municipalities are exploring way to leverage outside financing with local revenues, and in some communities, housing codes are being enforced more effectively.

Until the federal government recommits itself to a national housing program, states and localities will have to try to fill the gap as best they can.

Housing the poor is a mammoth task, but one which a humane society cannot ignore.

*Editor's Note: Saunders, director of the North Carolina Legal Services Resource Center, is a specialist in housing law. He lives in Raleigh.*

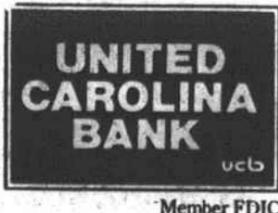
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