

Statement by the North Carolina Association of County Commissioners to Committee for the Study of Public School Finance

The North Carolina Association of County Commissioners has been asked two questions by the Committee for the Study of Public School Finance:

- (1) Does the Association feel that current public school funds are adequate?
- (2) If current public school funds are inadequate, how does the Association believe that additional funds might be raised?

The key word is "adequate." Before attempting to answer these questions, we believe that we should give some attention to this word.

North Carolina is a state of three sections: the East, the Piedmont, and the West. It is a state of 100 counties. And it is a state of over four million people. There are differences in the economy of the three sections. There are differences in attitudes between neighboring counties in the same section. And there are differences of opinion between people in the same county. With such variation, it states the obvious to say that there is no general agreement on what is or what would be an adequate school system.

Experience seems to bear this out. The people of each administrative unit are authorized to vote school supplement taxes to provide a better educational program than that provided by state and county funds. The people of each school district in a county administration unit are authorized to vote school supplement taxes to provide a higher educational program than that provided in the county unit as a whole. Most city units and a few county units have voted such taxes, while a few city units and most county units have not. Some school districts in county units have voted such supplement taxes, while others have not. The difference between those units and districts that have voted taxes and those that have not is more than can be accounted for by the ability to pay property taxes alone. They suggest differences in opinion as to the adequacy of the public school system provided by state and county-wide funds. It seems safe to say that

the majority of people in administrative units and districts voting taxes have higher standards of adequacy than the majority in units and districts not voting such taxes.

Let us look at the question of adequacy in another way. The school system that teachers and parents on the one hand want may be beyond the school system that taxpayers on the other hand are willing to finance. And the school system that taxpayers may be willing to provide may be far below the level desired by parents and teachers. Of course, there is overlapping here, because many parents and teachers are taxpayers, and many taxpayers are parents or teachers. But it is obvious that the interests of parents and teachers for good schools are not the same as the interests of taxpayers in low taxes. An adequate system is not the same as an ideal system, nor at the other extreme is it the same as a system that imposes no real burden on taxpayers.

An adequate system, therefore, is a compromise between the system we would like to have, and the system that would impose no tax burden. It perhaps can be defined as the best system we can afford, considering other governmental responsibilities and the ability of people to pay taxes.

One additional factor must be noted. An adequate system is not necessarily a uniform system. To have a uniform system that is adequate would mean raising the level of the schools with lowest financial support to the level of the schools with the highest financial support, because the people supporting the schools with the highest financial support would probably not be satisfied to have their educational program lowered. And it may well be that the State of North Carolina cannot afford to raise all schools to the levels of the schools with the highest financial support, either from state sources or from some combination of state and local sources. And even if the state could afford to do it and did do it, it is likely that people in areas with the highest financial support today would want to continue their present supplement tax support, raising their schools to new levels.

We conclude therefore that the question of what is an adequate school system is not a question that can be answered specifically for the state as a whole. There are and will continue to be differences of opinion. These differences must be ironed out either by the people or by their duly elected representatives in a democratic way. We believe that North Carolina has arrived at an excellent approach for answering the question of adequacy of the public schools, and this approach should be continued. Stated briefly, we believe our past policy has been and our future policy should be for the state to provide the best minimum level of education that state taxpayers can afford, leaving it to counties, administrative units, and school districts to increase the level from local sources when the citizens involved desire that it be done and are willing to pay the taxes to do it.

It is in the light of this policy of public school finance that we now attempt to answer the questions.

Public school finance has traditionally been divided into two categories: (1) current expense, and (2) capital outlay. Current expense has been largely a state responsibility, with county support of some items and with county and local district supplementation of state responsibility. Capital outlay has been largely a county responsibility, supplemented in some counties by administrative units and school districts, and supplemented in 1949 and 1953 by state grants totaling \$100 million. We would like to deal with adequacy, first with regard to current expense, and then with regard to capital outlay.

Current Expense

For twenty-five years, our school law has assigned to the state the responsibility for the major items of current expense. These items include: salaries of superintendents and administrative personnel; salaries of teachers, principals, and supervisors; instructional supplies, elementary textbooks, and library books; operation of plant, including janitorial services and utilities; and school bus transportation. The school law has assigned to the counties the responsibility for school maintenance and insurance.

When the present school finance pattern was worked out twenty-five years ago, the law provided that county responsibility for maintenance and insurance would be met from fines, forfeitures, penalties, poll and dog taxes, and county property tax supple-

mentation of state supported current expense items was not envisioned. Today, the law specifically authorizes property tax supplementation, both through the county-wide school current expense tax levy and also through school supplement taxes approved by the voters of administrative units and school districts.

A look at local expenditures for current expense reveals the change that is taking place in school finance. In 1933-34, local expenditures for current expense totaled not quite \$2 million. This grew to \$10 million right after World War II. And it has jumped since the war to almost \$30 million. In 1933-34, local expenditures were around 10% of total state and local expenditures for current expense. Today local expenditures are closer to 17% of the total. Inflation and rising school enrollment are taking their toll, and practically all counties today find it necessary to levy more and more property taxes for school current expense. These taxes supplement fines, forfeitures, penalties, poll and dog taxes in meeting maintenance and insurance costs, and they finance those expenditures inadequately provided from state funds.

In our opinion, current expense funds provided by the state are inadequate in several respects. First and foremost, funds for teacher salaries and the salaries of other school personnel are inadequate. The state salary schedule is low in comparison with other states and with the national average, and it is too low to attract and retain a sufficient number of good teachers. We cannot say what an adequate state salary schedule should be, and we look to the Study Committee for an answer here. But we do believe the people of North Carolina as a whole favor a higher state salary schedule. Second, state funds are inadequate for many of those items which were originally the responsibility of the state. We have particular reference to operation of plant, instructional supplies, and library books. Increases in these funds have not kept pace with rising costs.

We believe that funds for an adequate state salary schedule, and funds to meet other current expense items originally assigned to the state, should come from state sources. Since these items would be financed at the same level in all parts of the state, state taxation is the fairest way of raising necessary funds. The state as a whole has an interest in a basic educational program, and only through state taxation can differences in ability-to-pay from county to county be evened out.

A word is necessary concerning the idea of a foundation plan. Briefly stated, we understand this to be a plan whereby, in accordance with some formula, each county would be required to levy a minimum amount of property taxes to assist in defraying costs of school operation. Our Association opposed the idea of a foundation plan in 1949, and we oppose it today. We oppose it for three reasons. First, there is no satisfactory formula for determining a proper minimum level of county property tax support for schools. Second, a foundation plan in operation is to all intents and purposes a state property tax, and we oppose the state's entering the property tax field. Property taxes are the chief source of revenue for counties and cities, and property taxation should be left to the counties and cities for financing local government activities. And third, people are not opposed to paying income, sales, and gasoline taxes to the state, to be used wherever in the state they are needed; but we believe people will oppose paying taxes on land and personal property if, directly or indirectly, the proceeds are to be used elsewhere than in the geographic unit where levied.

Finally, we believe counties, administrative units, and school districts should continue to have the opportunity to supplement the state's salary schedule, and to supplement other current expense items beyond the level provided by the state. This allows those areas desiring to do so to have a better instructional program if they are not satisfied with the state-supported level. In addition, we believe that this procedure provides opportunity for local initiative in public education, with information on successful developments then being made available to other areas. We have no objection to property tax support, within the existing statutory framework, for this type of supplementary support.

Capital Outlay

The responsibility for providing school buildings rests in the main with the counties, and the burden falls on the property tax. Funds must be provided either through a current county-wide property tax levy for capital outlay, or through county-wide bond issues with principal and interest paid from county-wide property tax levies. The exceptions to the general rule of county responsibility for capital outlay, previously noted, include (a) bond issues voted in a few administrative units and school districts to provide buildings that the county as a whole was un-

able or unwilling to finance, and (b) state grants in 1949 and 1953 providing a total of \$100 million. These state grants were designed to help counties meet the cost of catching up construction which they could not afford in the 1930's and which war-time construction restrictions made impossible in the early 1940's, as well as to help meet the costs of new construction necessitated by post-war increases in school population.

Since World War II, counties have made a prodigious effort to meet school construction needs. They have raised a total of around \$160 million from current property taxes. They have issued a total of almost \$190 million in bonds, and have authorized \$34 million more that have not yet been issued. If interest on these bonds is added to the principal, it means that county property taxes have raised or will raise almost \$500 million for school buildings in the past 12 years. Since assessed valuations in all counties totaled slightly over \$6,700,000,000 in 1957, this is equivalent to almost \$7.50 of every \$100 of present assessed valuation.

Even with this tremendous effort, all counties have not been able to build the classrooms they need. This is revealed by the *North Carolina Public School Survey*, the results of which were released by the State Superintendent of Public Instruction in the fall of 1957. That survey showed that the counties as a whole will still need, at the end of the 1957-58 school year, almost 2,500 additional classrooms to eliminate double shifts, to take care of excess enrollment now being housed in temporary or improvised rooms, and to replace unsatisfactory facilities. This does not include the cafeterias, libraries, gymnasiums, and auditoriums needed in addition. And the increase in enrollment anticipated in the fall of 1958 and in each succeeding fall will require close to 1,000 additional classrooms annually.

We have given careful study to this *North Carolina Public School Survey*. We assume that information on the needs of each county was reported on a uniform basis, though a few counties have reported needs which indicate that a large percentage of existing facilities are unsatisfactory. Several counties reported over 30% of existing classrooms as unsatisfactory, and one county reported over 70% as unsatisfactory.

We took the figures on classroom needs in each county, and computed the total amount in dollars needed to build these classrooms. We based our computation on a figure of \$20,-

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000 per classroom. This of course is a somewhat arbitrary figure, but it is based on the fact that a new classroom in a new building may cost from \$25,000 to \$30,000, including the cost of related facilities, whereas the addition of a classroom to an existing building which already has related facilities might cost as little as \$10,000 to \$15,000. We realize that the figure arrived at will be too low for some counties, and it may be high for others, but it does indicate roughly the amount that might be needed for classrooms. Additional funds, of course, would be required for cafeterias, libraries, gymnasiums, and auditoriums.

We compared this dollar need figure for each county with the assessed valuation of taxable property and with existing bonded debt for school buildings. The results varied widely from county to county. Some counties were abreast of their classroom needs, and others appeared capable of coming abreast. Several counties were way behind, and their existing tax base raised a question of their ability to catch up, either from current taxes or with bond issues.

One thing is crystal clear: school construction needs impose a tremendous burden on all counties. The counties that are abreast of their present needs are often the ones with the largest annual increases in enrollment, and they must struggle constantly to stay abreast. The counties with smaller annual increases in enrollment are often the ones with the greatest backlog of unmet needs, and they must struggle to come abreast. For all counties, there are the increasing demands for new and improved cafeterias, libraries, gymnasiums, auditoriums, and other facilities, which by many are considered just as important to the school program as classrooms. And for all counties, there are the growing number of obsolete buildings which must be replaced.

We expect that the property tax will continue to be the primary source of funds for school plant construction. It may be, however, that there will be again, as there has been in the past, need for state supplementation of the construction programs. This is especially true at times of high construction needs, because these needs do not always occur in conjunction with an increase in the property tax base. At such times, grants from the proceeds of state school bond issues, to be repaid from the more responsive state tax sources, help to spread the cost of school construction over broader segments of the state's taxpaying population. While the counties will

undoubtedly continue their school construction effort, increasing it as property values increase, it must be recognized that there is a limit to the amount of construction that can be financed from property taxes, and a limit to the amount of bonds that can be issued and repaid from future property taxes. The limits on bonds include statutory limits; practical limits imposed by the bond market irrespective of statutory limits; and the limits imposed by the borrowing needs of cities and towns for capital expenditures for streets, utilities, and other items that must be met by many of the same property taxpayers that will repay school bonds.

Conclusion

We therefore conclude that state public school appropriations for current expense are inadequate. We believe there should be additional appropriations to provide a higher state salary schedule for teachers and other school personnel. And we believe the state should appropriate sufficient funds to meet the other current expense items that are by statute the state's responsibility. These appropriations should be met from state taxation imposed on the state as a whole, and there should be no state taxation of property, either directly or indirectly or through the guise of a foundation plan. Adequate provision for meeting state responsibility for current expense would free county funds for increased school construction effort.

We cannot be certain that funds for capital outlay are inadequate at this time. We know that much is required of the counties in meeting school construction needs. We know that some counties have and some have not kept abreast of their needs. We cannot tell, however, how much of unmet needs can be

attributed to inability and how much can be attributed to unwillingness. Adequate state provision for current expense will help immeasurably, and it may postpone to a later time the question of whether a state bond issue is needed to supplement county construction effort.

We wish to close this statement by emphasizing that we are not attempting to dodge county responsibility, nor to shift to other levels of government what can and should be done by the counties. The extent of total county school effort is often misunderstood. Local funds are providing about 35% of total school expenditures. The property tax alone is accounting for almost 30% of the total, including tax levies as well as bonds repayable from property taxes. Property taxes for school current expense, capital outlay, and debt service make up 50% of the total tax levy in a typical county, and in some counties school taxes are approaching 75% of total levies. Obviously additional county responsibility might well impair the counties' ability to finance their other activities.

The state must, therefore, return to the pattern set twenty-five years ago, with an adequate state salary schedule and with adequate funds to meet state statutory responsibilities. The counties in turn will do everything they can to meet their construction and maintenance responsibilities, and with increased state funds for current expense the counties hope that they will be able to meet these responsibilities in full.

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