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ECONOMICS INFORMATION REPORT

STATE AND LOCAL REVENUES AND EXPENDITURES IN NORTH CAROLINA

By

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STATE AND LOCAL REVENUES
AND
EXPENDITURES IN NORTH CAROLINA

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ABSTRACT

This study summarizes the sources and uses of state and local revenues in North Carolina primarily for the 1972 and 1982 fiscal years. The principal sources of revenue and expenditures for the major functions of state and local governments are presented. The division of revenues and expenditures between the General Fund and the Highway Fund is included. Revenues and expenditures in North Carolina are compared with those of other states in the Southeast. The amount and types of off-budget spending activity in North Carolina are also discussed.

The state derives its general revenues from three main sources--taxes, intergovernmental revenues, and charges for education, hospitals, and other services. Taxes constituted more than half of all state general revenue in North Carolina during the 1972 and 1982 fiscal years. Consumption taxes including retail sales taxes, gasoline, soft drink, cigarette and beverage taxes provided the majority of total tax receipts in 1972. Personal and corporate income taxes and license taxes provided most of the remaining tax revenue. Revenues from individual income taxes increased dramatically from 1972 to 1982, whereas there was a decrease in the relative importance of consumption, license, and corporate income taxes.

Property taxes remain the principal source of local revenue in North Carolina but have decreased in importance in most counties since the local option sales tax was adopted. The

importance of federal grants to local governments increased significantly during the period of analysis.

State expenditures for education, highways, public welfare, and hospitals accounted for over three-quarters of total expenditures in North Carolina in both 1972 and 1982. Over the ten-year period from 1972 to 1982, state expenditures on education, public welfare, and hospitals increased, while expenditures on highways declined. The reduction in Highway Fund spending for construction and maintenance was substantial--there was a decrease of 44 percent.

Per capita expenditures for health, corrections, and interest on the debt increased significantly over the period 1972 to 1982. The state assumes about two-thirds of the financial responsibility for public schools in North Carolina. Although the state share remained about the same over the ten-year period, local support increased and federal funding decreased.

Real expenditure per pupil in public schools increased almost one-fourth from 1972 to 1982. There was a pronounced trend toward equalization of county spending per pupil during this period.

On a per capita basis, North Carolina ranked fifth (of eleven states in the Southeast) in 1972 and sixth in 1982 in the amount of revenue derived from own sources. Per capita state and local expenditures for most functions in North Carolina were slightly lower than the average for the Southeast in both 1972

and 1982. North Carolina had the smallest per capita expenditure on interest on the general debt in the Southeast in both 1972 and 1982. Per capita expenditures on education in North Carolina in 1982 were higher than the Southeast average.

Off-budget spending does not appear in the budget of any governmental unit. North Carolina has experienced a dramatic increase in off-budget spending since the mid-1970s. Legislation in 1976 enabled the state and local governments to issue new types of bonds, and revenue bonds became a popular means of financing projects without raising taxes. Revenue bonds accounted for 15 percent of combined state and local debt in North Carolina in 1978. By 1984, non-industrial revenue bonds constituted about 51 percent of the combined state and local debt.

As of 1984, 96 counties had formed industrial financing authorities for issuing tax-exempt revenue bonds to finance private businesses. In that year, industrial revenue bonds made up about 85 percent of non-guaranteed debt and 43 percent of all debt at the local level.

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INTRODUCTION

State and local government expenditures increased rapidly from 1972 to 1982. These increased expenditures reflect (1) inflation, (2) population increases, and (3) additional per capita government spending. State and local revenues also increased during the same period. However, the increase in revenues from all state and local sources was less than the increase in expenditures. The difference was largely met by an increase in the amount of intergovernmental revenues from the federal government provided to state and local governments. There also were some significant shifts in the sources of revenue from own (state and local) sources.

This study summarizes the sources and uses of revenues for North Carolina state and local governments. Revenues and expenditures of the General Fund and the Highway Fund are discussed to indicate how funds are earmarked for certain uses in North Carolina. North Carolina revenues and expenditures are also compared with those of other states in the Southeast. The scope of off-budget spending activities in North Carolina is also discussed.

GOVERNMENTAL FUNCTIONS AND EMPLOYMENT

Local Government

There were 802 local governments in North Carolina in 1972, including 100 counties, 454 municipalities, and 248 special districts.¹ In 1982, North Carolina had 905 local governments, consisting of 100 counties, 484 municipalities, and 321 special districts (U.S. Bureau of the Census, Compendium of Public Employment, 1972 and 1982). North Carolina has no organized township governments. Townships in North Carolina are geographic subdivisions of counties for property tax assessment purposes and for election of certain officials. In census statistics, school districts or administrative units in North Carolina are considered to be agencies of county governments. This applies to the "city" administrative units that administer schools in and near various municipalities, as well as to the 100 county administrative units directly concerned with other local schools. The method of financing local schools in North Carolina is explained in a later section.

Local governments provide educational facilities, police and fire protection, hospitals, public welfare and a host of other services (see Table 1). The total number of persons employed in providing these services increased by 45 percent from 1972 to

¹North Carolina statutes authorize creation of a variety of special districts or authorities that are included in the Census count of governmental units. Additional information on these districts is presented in Table 1.

10 Table 1. Number of employees by function and type of government, North Carolina, October 1972 and October 1982.

Function	State		Local							
	1972	1982	Total		County		Municipal		Other ^a	
			1972	1982	1972	1982	1972	1982	1972	1982
Education	22,596	28,408	91,308	120,610	91,308	120,576	-	34	-	-
Higher education	19,891	25,446	5,600	9,459	5,600	9,459	-	-	-	-
Local schools	-	-	85,708	111,151	85,708	111,117	-	34	-	-
Other education	2,705	2,962	-	-	-	-	-	-	-	-
Highways	11,670	10,342	2,695	2,885	1	33	2,694	2,852	-	-
Public welfare	989	988	3,973	7,408	3,970	7,393	3	15	-	-
Hospitals	11,586	15,282	7,766	16,248	3,821	9,770	-	576	3,944	5,902
Health	843	1,826	2,900	5,974	2,877	5,954	23	20	-	-
Police protection	1,984	2,441	7,406	10,847	2,087	3,413	5,379	7,434	-	-
Local fire protection	-	-	3,508	4,276	89	205	3,419	4,071	-	-
Sewage	-	-	1,508	2,458	29	58	1,430	2,310	49	90
Other sanitation	-	-	3,750	4,184	51	555	3,699	3,629	-	-
Local parks and recreation	-	372	1,460	2,724	44	423	1,416	2,301	-	-
Natural resources	3,403	5,269	694	897	644	832	14	18	36	47
Housing and urban renewal	-	-	1,350	2,092	4	58	269	365	1,077	1,669
Local airports	-	-	161	266	26	69	72	80	63	117
Water transport and terminals	356	433	-	1	-	-	-	1	-	-
Corrections	4,780	7,570	553	1,107	550	1,102	3	5	-	-
Local libraries	-	b	762	b	545	b	217	b	-	b
Employment security administration	1,622	b	-	b	-	b	-	b	-	b
Financial administration	2,270	2,323	2,641	3,980	1,475	2,259	1,166	1,721	-	-
General control	2,661	-	2,130	-	1,010	-	1,120	-	-	-
Local utilities	-	-	2,911	3,950	31	193	2,812	3,634	68	123
Other and unallocable	2,085	3,593	5,757	8,283	2,453	4,709	3,304	3,542	-	32
Total	77,679	100,669	168,807	245,549	132,159	196,745	31,181	39,339	5,467	9,465

^a Special districts include airport authorities and commissions, drainage districts, hospital authorities, housing authorities, mosquito control districts, sanitary districts, and water and sewer authorities.

^b data not available

Source: U. S. Bureau of Census, Compendium of Public Employment, 1972 and 1982.

1982.² The percentage of local government employees in the educational field decreased from 54 percent in 1972 to 49 percent in 1982 (Table 1), reflecting a decline in the enrollment of local schools over the same period. The average annual gross earnings of local government employees adjusted for inflation decreased from \$7,944 in 1972 to \$6,190 in 1982 (Table 2).

State Government

The state government in North Carolina assumes primary responsibility for higher education, highways, state hospitals, and a number of other services (Table 1). In 1972, 55 percent of all state employees were in three categories: higher education, highways, and hospitals. Almost 51 percent of all state employees in 1982 were in the same three categories. In both 1972 and 1982, the next largest numbers of state employees were in corrections and "natural resources," which included state parks, agricultural experiment stations, and the agricultural extension service. The number of state employees in North Carolina was less than half that of employees of local governments in 1972 and 1982, and the percentage increase in state employees from 1972 to 1982 was also considerably lower-30 percent versus 45 percent (Table 1). These increases in public

²The demand for local services, and consequently the number of people employed to provide these services is in part related to the population of an area. The population of North Carolina increased by approximately 16 percent from 1972 to 1982. This increase in the population is reflected to some degree in all of the employment figures in this section.

employment during the period of analysis may be compared with an increase of 16 percent in the population of North Carolina.

The average salaries for North Carolina state government employees and public school teachers for the years 1972 and 1982 are shown in Table 2. The overall level of prices more than doubled from 1972 to 1982 due to inflation, but average salaries of state government employees and public school teachers increased by 99 percent and 97 percent, respectively, over the ten-year period. Thus, average salaries, adjusted for inflation, were lower in 1982.

Table 2. Average Salary for North Carolina State Government Employees and Public School Teachers, 1972 and 1982 (fiscal years).

Year	Average salary		
	State government employees ^a	Public school teachers	Local government employees ^b
		(dollars)	
1972	7,680	8,567	7,944
1982	15,329 (6,674) ^c	16,876 (7,347)	14,218 (6,190)

^aExcludes salaried positions exempt from State Personnel Act.

^bFigures for local government employees are estimated average annual gross earnings.

^cFigures in parentheses have been adjusted for inflation.

Source: North Carolina Office of Budget and Management, 1984.

Table 3 shows the total number of state government permanent positions in North Carolina funded in the state budget in both 1972 and 1982. The largest number of positions funded in the budget in both 1972 and 1982 were in public education, followed

by higher education. Together these categories made up 65 and 64 percent, respectively, of all permanent positions funded in the budget in 1972 and 1982. The number of permanent positions in human resources and transportation and highway patrols constituted 20 percent and 18 percent, respectively, of all permanent positions funded in the budget in 1972 and 1982.

Table 3. Total number of North Carolina state government permanent positions funded in the state budget, 1972 and 1982 (fiscal years).

State Agency	1972	1982
Community colleges	4,958	8,716
Correction	4,506	7,510
Higher education	20,105	26,354
Human resources	12,890	17,913
Judicial	2,403	3,508
Justice	374	819
Public education	68,287	88,241
Transportation and Highway Patrol	14,369	14,105
Others	8,812	11,974
Total	136,704	179,140

Source: North Carolina Office of State Budget and Management, 1984.

The total number of permanent positions funded in the budget increased by 31 percent from 1972 to 1982 (Table 3). The largest percentage increase in number of permanent positions was in justice, which increased by 118 percent over the ten-year period. Over the same period, the number of permanent positions increased in all other categories except transportation and highway safety, which declined by about 2 percent.

State and Local Government

The combined number of state and local government employees in North Carolina increased for most governmental functions over the period 1972 to 1982. Large increases in public employment occurred in health and public welfare. The combined number of employees in these two areas increased by 108 and 69 percent, respectively. There was a 63 percent increase in the combined number of employees both in hospitals and in corrections. Other large increases in employment occurred in natural resources and education--51 and 31 percent, respectively. These increases are fairly dramatic, considering that North Carolina population increased by about 16 percent from 1972 to 1982. There was one notable exception to these increases in employment in the public sector. The number of employees in highways fell by about 8 percent from 1972 to 1982.

NORTH CAROLINA REVENUES - STATE AND LOCAL

State Revenues

Various sources of North Carolina state governmental revenue for fiscal years 1972 and 1982 are listed in Appendix Table 1.³ General revenues in North Carolina at the state level include revenues from all sources except those from insurance trusts.

General revenues may be divided into three broad categories: taxes, intergovernmental revenues from federal and local governments, and charges and miscellaneous general revenue. In 1972, taxes made up 58 percent of the total per capita state revenue, with intergovernmental revenues (from the federal government and local governments) and charges and miscellaneous general revenue constituting 23 and 10 percents, respectively, of the total (Figure 1). The same broad categories made up 53 percent, 22 percent, and 11 percent, respectively, of the total per capita state revenue in 1982. As the reliance on taxes decreased, the importance of insurance trust revenues increased.

The price level more than doubled from 1972 to 1982. Expenditure and revenue changes during this period are not very meaningful unless adjustment is made for inflation. When

³A fiscal year is the twelve-month period at the end of which the state or any state agency determines its financial condition, reviews its operations, and closes its books (U.S. Bureau of the Census, 1972c). The fiscal year in North Carolina, in terms of the calendar year, begins on July 1 and ends on June 30.

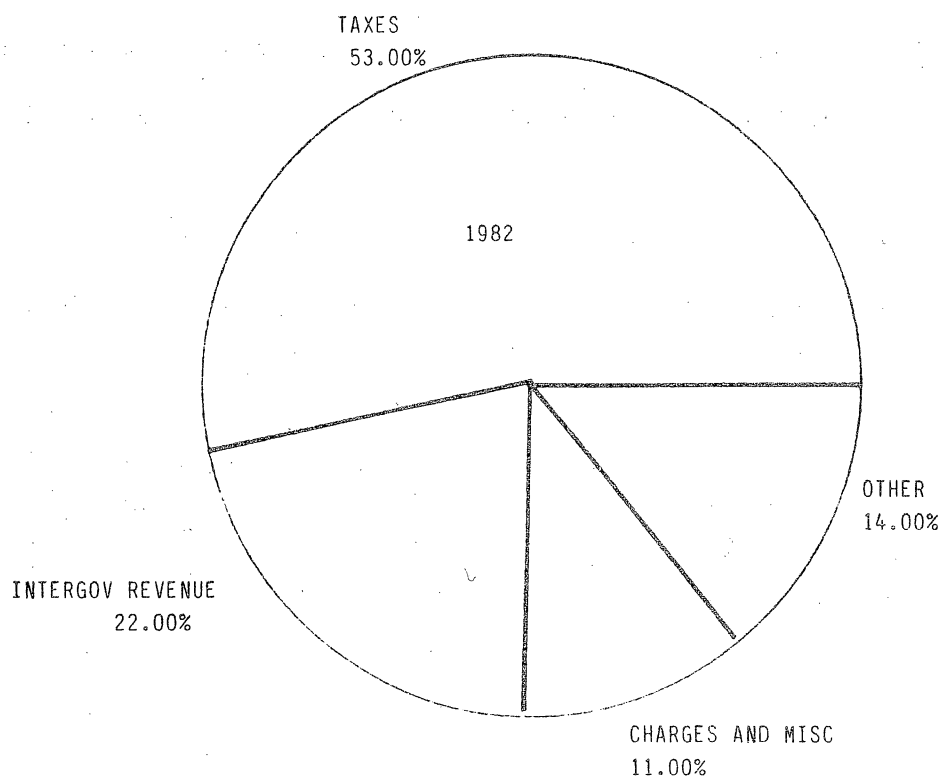
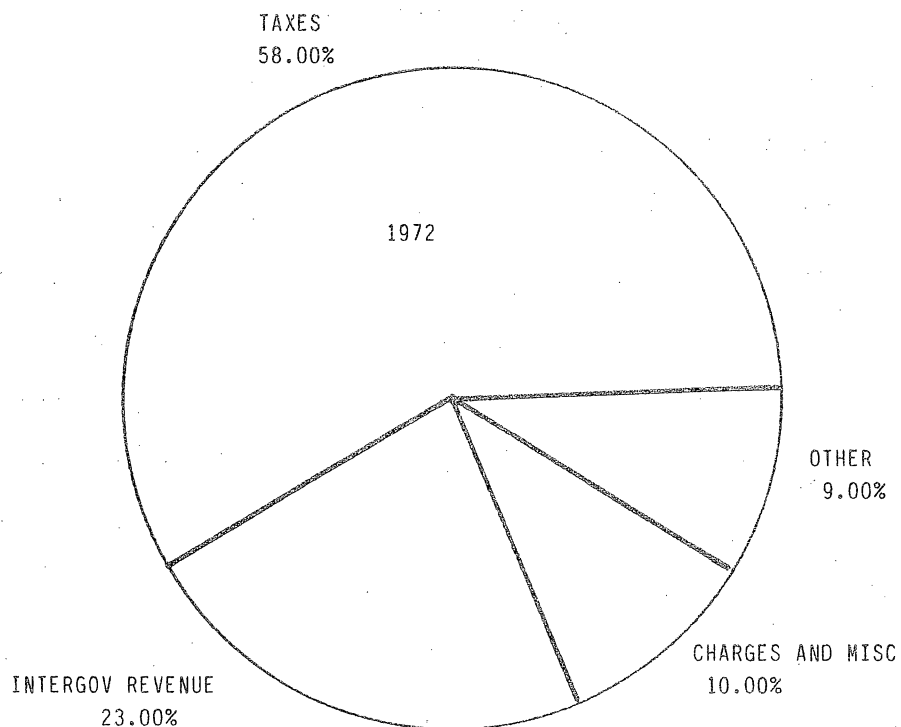


FIGURE 1: STATE GOVERNMENT REVENUE BY SOURCE, 1972 and 1982
SOURCE: APPENDIX TABLE 1

this adjustment is made, a change in revenue or expenditure is said to be in real terms.

In real per capita terms, there was little increase in taxes but significant increases in intergovernmental revenue and in charges and miscellaneous revenues. Insurance and trust revenues showed the largest increase in relative importance, about 70 percent in real per capita terms from 1972 to 1982 (Figure 2). When comparing any of the revenue totals not adjusted for inflation, it should be noted that purchasing power of the dollar declined by approximately 57 percent from 1972 to 1982.

Tax Receipts

Tax receipts accounted for more than half the state general revenues in North Carolina in 1972 and 1982. In real terms, there was little change in total taxes on a per capita basis over the period 1972 to 1982, but there was a pronounced change in the tax mix (Appendix Table 2).

The four major categories of taxes over the period were total sales and gross receipts, license taxes, corporation income taxes, and individual income taxes. There was a decrease in the relative importance of the first three of these tax categories from 1972 to 1982. During the ten-year period 1972 to 1982, sales and gross receipts declined from 54 percent to 44 percent of total tax receipts (Figure 3). Less dramatically, license taxes declined from 9.2 to 7.6 percent, and corporation income taxes fell from 8.4 to 7.3 percent of total tax receipts. However, there was a dramatic increase in the importance of

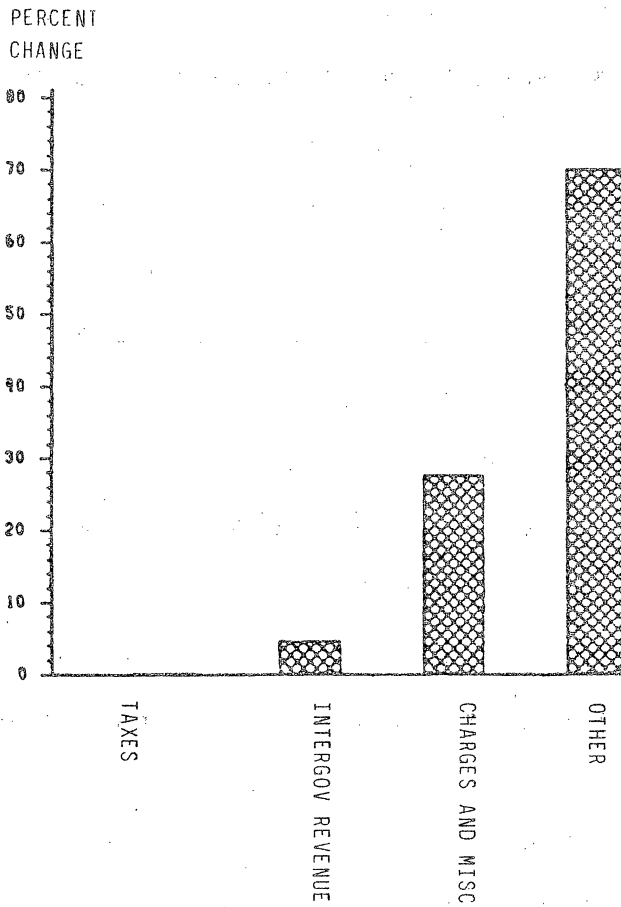


FIGURE 2: PERCENTAGE CHANGE IN-STATE GOVERNMENT REVENUE,
REAL PER CAPITA BASIS, BY SOURCE, 1972 TO 1982.
SOURCE: APPENDIX TABLE 1.

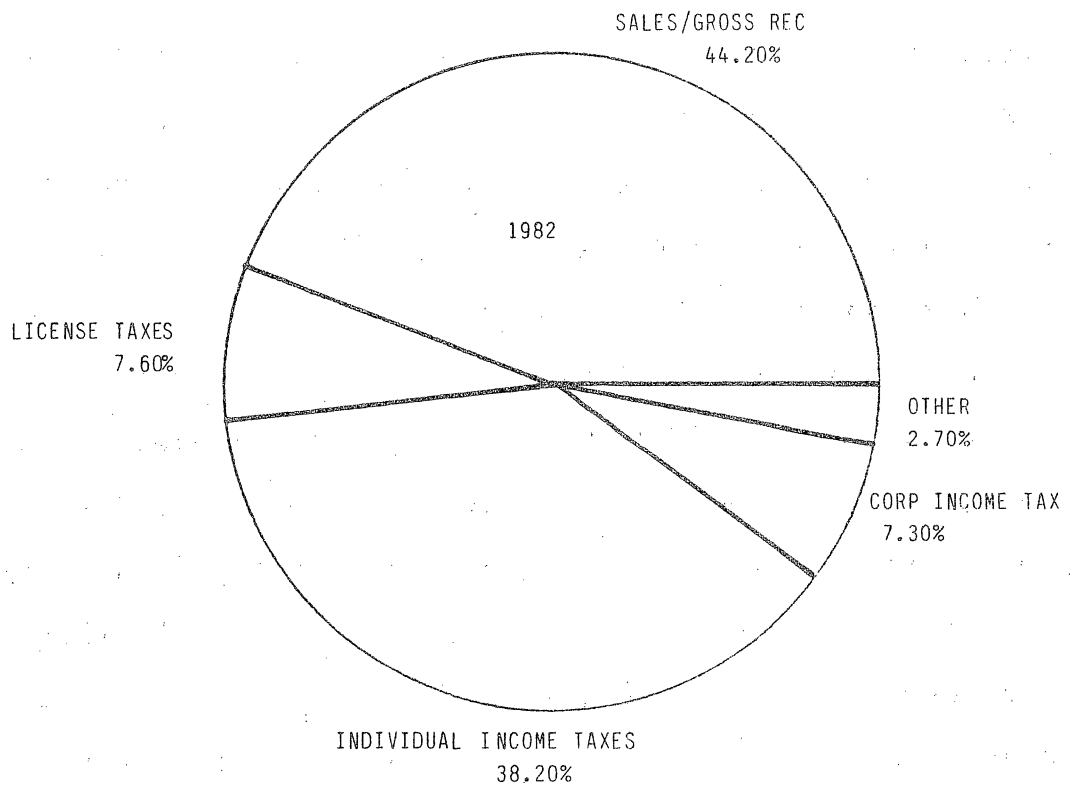
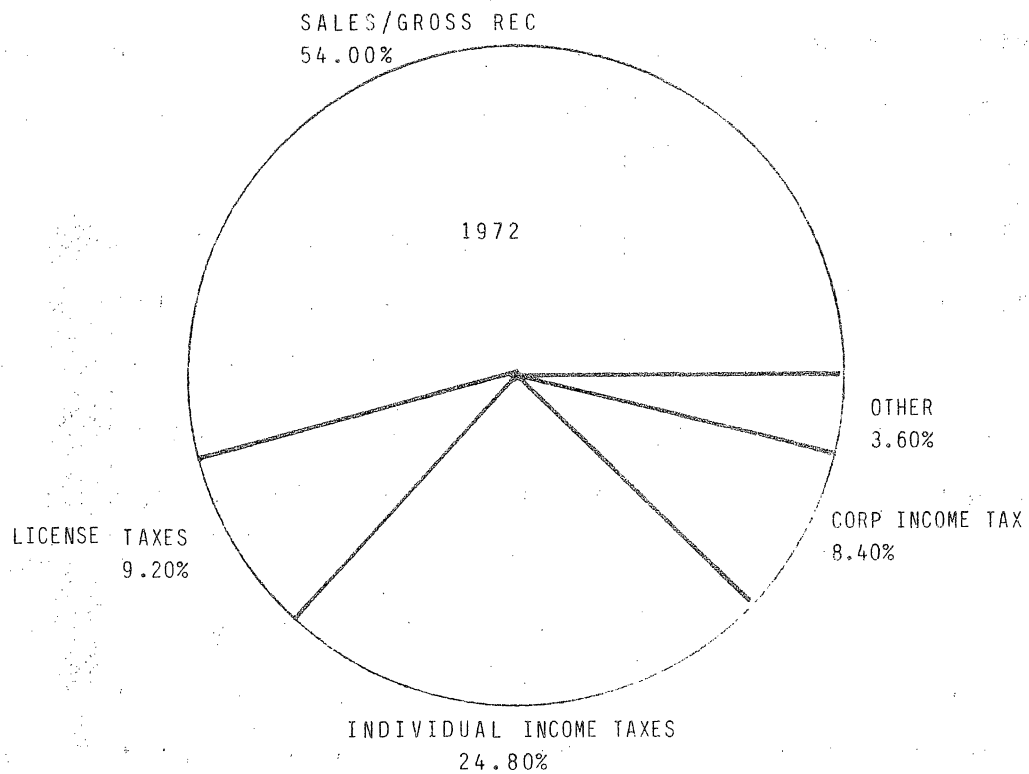


FIGURE 3: STATE TAX COLLECTION BY SOURCE, 1972 AND 1982.
SOURCE: APPENDIX TABLE 2

individual income taxes, which increased from 24.8 percent of total tax receipts in 1972 to 38.2 percent of total tax receipts in 1982.

There was a four-fold increase in individual income tax collections from 1972 to 1982. However, much of this increase was attributable to inflation. After adjusting for inflation and increases in population, individual income tax receipts increased by 55 percent (Appendix Table 1). Some of this increase can be attributed to "bracket creep," which occurs when individuals find themselves in higher income-tax brackets because of increases in income due to inflation. Bracket creep, however, was not nearly as important in increasing individual state income taxes during the 1972-1982 period as it was in increasing federal income taxes because in 1972 many North Carolina workers were already in the highest marginal tax bracket. And, for workers already in the highest income tax bracket, additional taxable income is taxed at the highest rate--7 percent.

Sales and Gross Receipts Taxes

Among the taxes included in the sales and gross receipts category are retail sales taxes and gasoline taxes, as well as taxes on alcoholic beverages, tobacco products, and soft drinks. As mentioned above, the sales and gross receipts category of taxes declined somewhat in importance from 1972 to 1982. However the general sales tax increased from 41 percent of total sales and gross receipts taxes in 1972 to 47 percent of total sales and gross receipts taxes in 1982 (Figure 4).

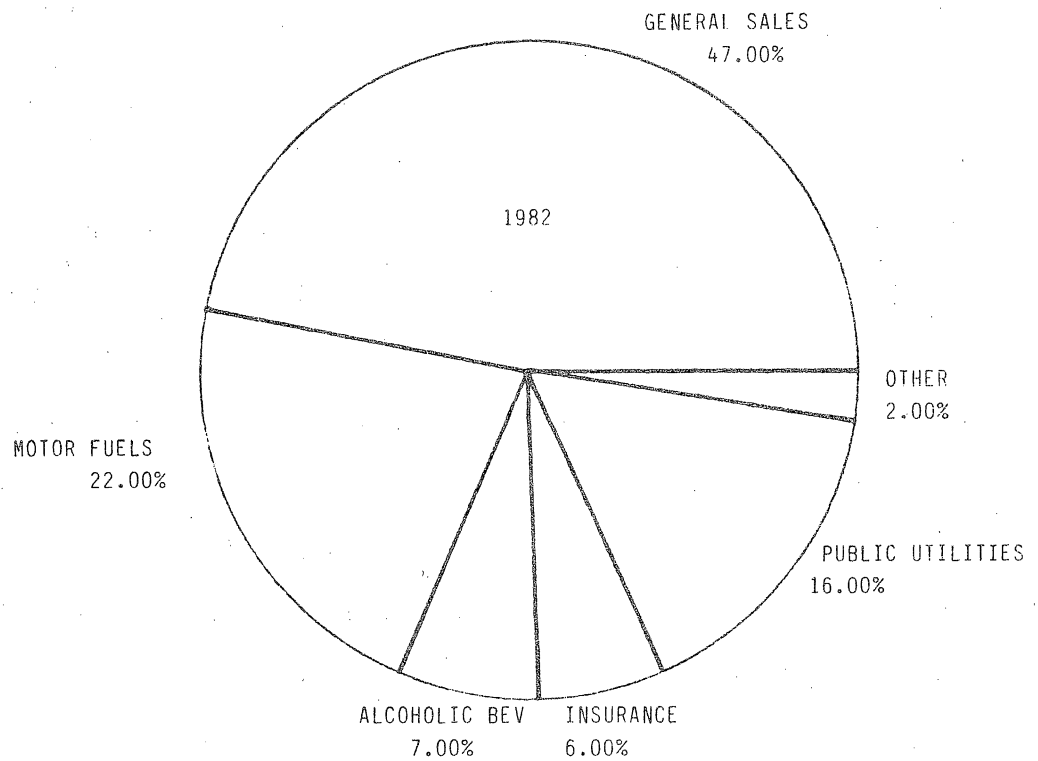
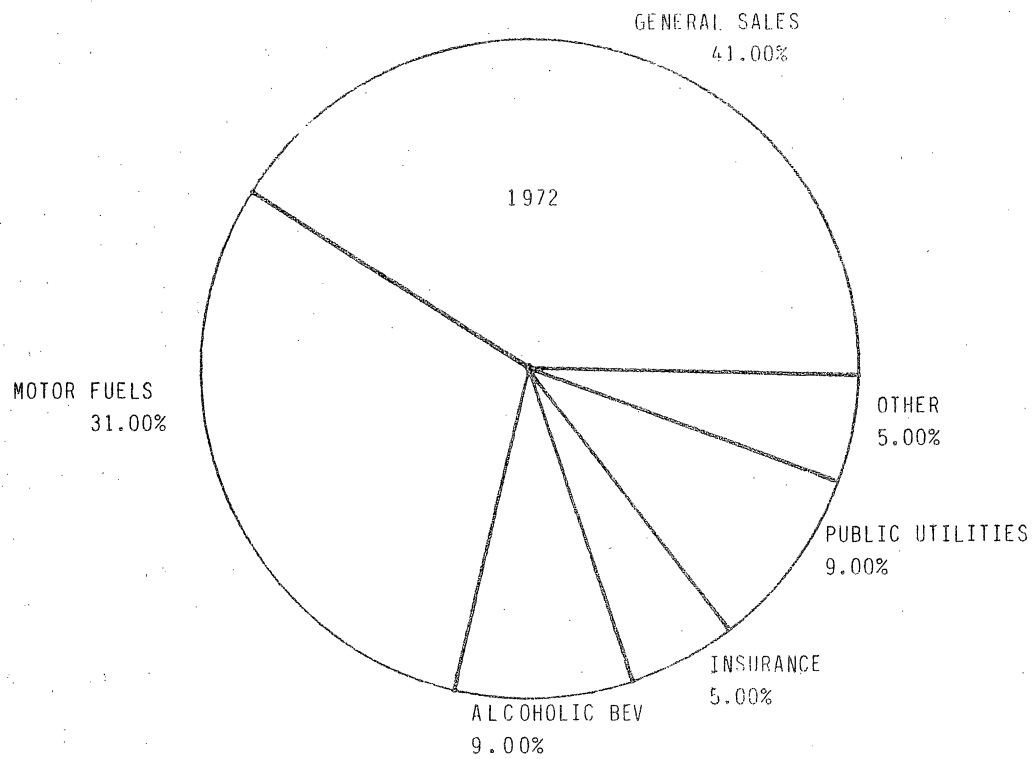


FIGURE 4: GENERAL AND SELECTIVE SALES AND GROSS RECEIPTS TAXES
AS PERCENT OF TOTAL, 1972 AND 1982
SOURCE: APPENDIX TABLE 2

Selective Sales and Gross Receipts Taxes

The remaining portion of total sales and gross receipts taxes came from selective sales and gross receipts taxes levied on gasoline, tobacco products, alcoholic beverages, soft drinks, and other items. The taxes on motor fuels, tobacco products, and alcoholic beverages all provided smaller shares of revenue from total sales and gross receipts in 1982 than in 1972. Over the period, motor fuel tax revenues fell from 31 to 22 percent of total sales and gross receipts revenues (Figure 4). The tax on tobacco products as a share of total sales and gross receipts taxes fell from 2 to 1 percent over the ten-year period, while the share of revenues from the alcoholic beverage tax dropped from 9 percent of total sales and gross receipts revenues in 1972 to 7 percent in 1982 (Figure 4).

The tax revenue shown in Appendix Tables 1 and 2 for tobacco products represents the revenue from a sales tax on cigarettes of 2 cents per pack of twenty. This tax was enacted by the 1969 General Assembly. The rate of 2 cents per pack remained constant from the date of enactment of the tax until 1982 and is among the lowest state cigarette tax rates in the United States.

The gasoline tax and automobile license fees were adopted by North Carolina in the 1920s as a means of financing roads and highways. Similarly, the sales tax was enacted by the state in 1933 to provide revenue for the operation of local schools (Byrd, 1967, p. 77).

A soft drink tax was adopted by the General Assembly in 1969. This tax is levied at the rate of one cent per bottle or container. Products used to make soft drinks are also taxed.

The small amounts reported as property taxes in Appendix Tables 1 and 2 are the revenues from the North Carolina intangible property tax. This tax is levied on property such as accounts receivable, stocks, and bonds (N.C. Department of Revenue, Tax Research Division, 1982, p. 131).⁴ Property taxes on real estate and personal property in North Carolina are levied by local governmental units.

Intergovernmental Revenues

Intergovernmental revenues from the federal government to state and local governments have been of three types--general purpose, broad based and categorical.⁵ General purpose grants give state and local governments almost complete discretion in determining their use. Broad based or "block grants" give state and local governments considerable discretion within broadly defined program areas such as health care, social services, and community development. In 1972, there were virtually no general purpose and few block grants, as grants of both types constituted only about 10 percent of total grants-in-aid. In 1982, these grants were about 20 percent of total grants-in-aid.

⁴In 1985, the N.C. General Assembly enacted legislation to reduce the intangible property tax. Money on deposit, money on hand, and deposits with insurance companies are no longer subject to the intangible tax.

⁵David N. Hyman, Public Finance: A Contemporary Application of Theory to Policy (New York: The Dryden Press, 1983), Ch. 21.

General "revenue sharing" legislation was enacted in 1972 and has been the main type of general purpose grants. However, renewed legislation in 1981 excluded state governments from payment while continuing revenue-sharing payments to local governments.⁶

Most federal aid to state and local governments has been in the form of categorical grants which attach specified conditions to the expenditure of the funds. Categorical grants generally have a matching requirement that specifies the recipient government must bear a certain percentage of the cost of programs financed with the grants. Public assistance, Medicaid, housing payments, food stamps, and nutrition programs are among the major programs financed by categorical grants.

There were more than 200 different kinds of federal grants to state and local governments in 1982. In the following analysis, federal grants are classified broadly according to function--education, highways, public welfare, and so on, at the state level.⁷ This breakdown by function is not available for federal grants at the local level for the period analyzed.

⁶ Ibid, p. 649. The Reagan Administration in 1985 proposed legislation to end Revenue sharing to local governments in October, 1986.

⁷ Federal government grants to North Carolina by federal agency and for major programs are presented in Federal Expenditures by State For Fiscal Year 1982 published by the U. S. Department of Commerce, Bureau of the Census, February 1983.

Intergovernmental Revenues at State Level

Transfers from the federal government are the primary source of intergovernmental revenue at the state level in North Carolina. In 1972 and 1982, revenue from the federal government provided 98 and 93 percent, respectively, of total intergovernmental revenues. That is, intergovernmental revenue from local sources increased from 2 percent of total intergovernmental revenues in 1972 to 7 percent in 1982.⁸

The majority of the federal transfers to the state were earmarked for public welfare, education, and highways (Appendix Table 1). Most of the intergovernmental revenues from local governments in 1982 were for public welfare. It is interesting to note that while intergovernmental revenues from the federal government adjusted for inflation and measured on a per capita basis remained virtually constant from 1972 to 1982, there were significant increases in the amounts of intergovernmental revenue from the federal government allocated to public welfare, health and hospitals, and natural resources. These increases were at the expense of education and highways, which were allotted considerably less intergovernmental revenue from the federal government in 1982 than in 1972. Thus, the functional composition of grant outlays has changed significantly over the years.

⁸ Intergovernmental revenues from local sources are amounts received from local governments as fiscal aid in the form of shared revenues and grants-in-aid, as reimbursements for performance of general government, or in lieu of taxes (U.S. Bureau of the Census, Governmental Finances in 1982, p. 163).

Local Revenues

The sources and amounts of local revenues in North Carolina for 1972 and 1982 are presented in Table 4. Real per capita general revenue raised by local governments increased by 17 percent over the ten-year period. In both 1972 and 1982, intergovernmental revenues provided more than 50 percent of total local general revenue.

Local Revenue from Own Sources

The taxes traditionally collected by the counties and municipalities of North Carolina include privilege license taxes, dog license taxes, marriage license taxes, and the property tax. Revenue from the taxes just mentioned, except for property tax revenue, is included under "Other" taxes in Table 4. Specific amounts collected by local units from the taxes mentioned above are not available except for property tax, which is discussed below.

Property Tax

Property tax is the principal source of local revenues from own sources (that is, revenue not received from intergovernmental sources). Real per capita property taxes decreased by 4 percent from 1972 to 1982 (Table 4). In 1972 property taxes provided 27 percent of total general revenue and 92 percent of total local tax revenue. By 1982, these figures had declined to 22 and 82 percents, respectively (Table 4).

In 1972 about three quarters of the counties in North Carolina had adopted local option sales taxes, thus decreasing

Table 4. Local government finances, revenue by source, N.C., 1972 and 1982 (fiscal years)

Revenue Source	Amount		1982 Amount adjusted for inflation	Percent change	Per capita amount		1982 Per capita amt. adj. for inflation	Percent change
	1972	1982			1972	1982		
	(millions of dollars)				(dollars)			
All general revenue from own sources ^a	760.2	2,510.7	1,093.10	43.77	145.80	426.84	185.83	27.45
Taxes--total	502.6	1,414.7	615.90	22.54	96.39	240.51	104.70	8.62
Property	463.9	1,154.0	502.40	8.29	88.97	196.19	85.41	4.00
Other local taxes	38.7	260.7	113.49	193.02	7.42	44.32	19.29	159.97
Charges and misc. general revenue	257.6	1,096.0	477.15	85.20	49.40	186.33	81.12	64.21
Intergovernmental revenue ^b	953.3	2,698.6	1,174.86	23.23	182.83	458.79	199.73	9.24
From federal government	67.8	443.0	192.86	184.36	13.00	75.31	32.79	152.2
From state government	885.5	2,255.6	982.00	10.89	169.83	383.47	166.94	1.70
Intangibles tax	22.1	45.7	19.89	10.00	4.23	7.77	3.38	20.09
Motor fuels tax	12.5	31.3	13.62	8.96	2.40	5.32	2.32	3.33
Franchise tax	14.7	64.4	28.03	90.68	2.82	10.95	4.76	68.80
Other	836.2	2,114.2	920.44	10.07	160.38	359.43	156.48	2.43
Total general revenue	1,713.5	5,209.3	2,267.96	32.35	328.63	885.63	385.57	17.32

^a General revenue includes all revenue of a government except utility revenue, liquor stores revenue, and insurance trust revenue. Revenues from the sources in 1982 were \$661.1 million, \$237.9 million, and \$5.3 million, respectively.

^b Includes payments from one government to another as grants-in-aid, shared revenues, payments in lieu of taxes, or reimbursements for governmental services.

Source: U.S. Bureau of the Census, Governmental Finances in 1971-1972 and 1981-1982 and North Carolina Department of Revenue, Statistics of Taxation 1972 and 1982.

the importance of the property tax as a source of local funds. By 1982, all but one North Carolina county had adopted a sales tax. In 1972, total net collections of the local 1 percent sales tax were about \$57 million. By 1982, these collections totaled \$99 million in real terms (N.C. Department of Revenue, 1982, p. 120). Although the property tax continues to be an important source of revenue, the local option sales tax has reduced local governments' reliance on the property tax.

In North Carolina, the state assumes some of the financial responsibilities normally left to local units, reducing local reliance upon the property tax as a source of revenue. In many states in the United States, public schools depend largely on the property tax, but this is not the case in North Carolina where the state assumes most of the financial responsibility for public schools. Those funds provided to public schools by the state cover a large part of operating costs. However, the state does not provide revenues for the construction of school buildings, matching funds for vocational education or for supplements used to expand the curriculum, reduce student-teacher ratios, and raise teacher salaries.

In North Carolina the state builds and maintains all public roads. This includes any local streets or roads specified as numbered highways. Thus, local units are spared the expense of building and maintaining roads as well as many expenses associated with operation of public schools. As a result of its larger role in financing schools and roads North Carolina's per

capita revenue received from the property tax and other local sources is lower than that in many other states.

Appraised Value versus Assessed Value

According to North Carolina property tax law, "appraise" means to determine market value and "assess" means to fix the tax value. All property in North Carolina, real or personal, must be appraised at its market or money value. Most types of personal property are appraised each year, whereas real property must be reappraised at least every eight years.⁹

The assessment ratio is the ratio of assessed value to appraised value. Prior to 1974, counties were allowed to use fractional assessment ratios as long as they applied to all taxable property. These fractional ratios were set by each board of county commissioners. In 1972, fractional assessment ratios ranged from a low of 30 percent to a high of 100 percent. Beginning in 1974, fractional assessment ratios were no longer allowed; counties were required to assess all real property at full value (N.C. Department of Revenue, 1982, p. 159).

Table 5 shows the effective county-wide tax rates on property for all North Carolina counties for the 1971-1972 fiscal year and total property tax levies. The effective rate of taxation reported in Table 5 for 1971-72 was found by multiplying the nominal rate by the official fractional assessment ratio. Table 5 also shows the county-wide tax rates on property for the

⁹The property of utilities and railroads is revalued every year.

3 Table 5. Effective county-wide property tax rates and total property taxes levied for all purposes, all N.C. counties, 1971-72 and 1981-82 (fiscal years).

County	Amount per \$100 assessed valuation effective rate		County-wide property tax levies				1981-82 Per capital amount adjusted for inflation	Percent change in per capita amount
	1971-72	1981-82	Total		Per capita ^a			
			1971-72	1981-82	1971-72	1981-82		
Alamance	.833	.76	\$10,448,680	\$20,560,228	\$105.64	\$203.93	88.78	-15.95
Alexander	.80	.66	1,013,412	2,178,328	49.19	84.90	36.96	-22.86
Alleghany	.75	.49	366,176	905,978	43.59	92.35	40.20	- 7.77
Anson	.73	.77	1,272,053	3,878,862	53.90	149.43	65.05	20.68
Ashe	.79	.58	806,395	2,230,350	41.14	97.97	42.65	3.67
Avery	.74	.52	493,366	1,768,670	37.09	120.76	52.57	41.73
Beaufort	.64	.45	2,432,553	5,487,873	67.57	131.79	57.37	-15.09
Bertie	.75	.88	959,229	2,662,331	46.33	125.70	54.72	18.10
Bladen	.785	.90	1,427,542	4,462,273	53.06	145.62	63.39	19.46
Brunswick	.95	.56	1,921,964	11,283,770	69.13	289.12	125.87	82.07
Buncombe	.728	.87	14,130,623	31,692,331	95.67	193.68	84.32	-11.86
Burke	.978	.62	6,244,890	11,313,253	99.91	152.76	66.50	-33.44
Cabarrus	.738	.74	5,065,619	11,416,568	66.39	127.98	55.71	-16.08
Caldwell	.720	.51	4,722,472	10,031,775	81.98	147.24	64.10	-21.81
Camden	.81	.60	261,241	788,233	46.65	137.10	59.68	27.93
Carteret	.80	.41	2,181,539	7,095,285	66.51	162.36	70.68	6.26
Caswell	.876	.78	818,027	1,964,256	42.60	91.23	39.71	- 6.78
Catawba	.672	.49	9,927,882	18,602,602	105.16	172.59	75.13	-28.55
Chatham	.55	.62	2,101,939	5,212,754	70.77	151.98	66.16	- 6.51
Cherokee	.90	.42	751,550	1,876,733	45.54	96.27	41.91	- 7.97
Chowan	.80	1.10	807,442	2,295,513	74.76	182.28	79.35	6.13
Clay	.90	.54	231,529	578,415	44.52	84.50	36.78	-17.38
Cleveland	.845	.57	6,044,247	11,656,842	80.91	139.17	60.58	-25.12
Columbus	1.08	.86	3,123,212	7,777,754	64.79	151.59	65.99	1.85
Craven	.82	.80	3,692,878	8,270,305	57.43	112.12	48.81	-15.00
Cumberland	.955	.85	11,537,581	36,958,809	54.86	147.64	64.27	17.15
Currituck	.875	.50	461,024	1,885,127	58.35	161.52	70.31	20.49
Dare	1.015	.93	1,230,397	6,222,108	164.05	423.47	184.36	12.38
Davidson	.57	.45	6,199,054	15,981,688	62.93	138.86	60.45	- 3.94
Davie	.66	.50	1,332,263	4,045,473	69.02	156.20	68.00	- 1.47
Duplin	.825	.70	2,380,288	5,447,956	61.98	132.86	57.84	- 6.67
Durham	.7125	.87	18,133,766	47,340,347	132.84	303.68	132.21	- 0.47
Edgecombe	.90	.80	4,191,335	8,877,889	80.29	155.78	67.82	-15.53

32 Table 5. (continued)

County	Amount per \$100 assessed valuation effective rate		County-wide property tax levies				1981-82 Per capita amount adjusted for inflation	Percent change in per capita amount
	1971-72	1981-82	Total		Per capita ^a			
			1971-72	1981-82	1971-72	1981-82		
Northampton	.80	.81	1,278,089	2,930,427	53.70	129.99	56.59	5.38
Onslow	1.10	.79	3,970,533	10,468,910	42.32	89.74	39.06	- 7.70
Orange	.84	.544	5,158,018	18,318,804	80.97	233.91	101.83	25.76
Pamlico	1.16	.74	462,709	1,446,216	49.75	136.97	59.63	19.85
Pasquotank	1.062	.92	1,843,009	3,666,337	67.75	127.72	55.60	-17.93
Pender	.70	.67	958,526	3,381,023	51.81	147.49	64.21	23.93
Perquimans	.85	1.15	482,897	1,429,726	57.48	149.44	65.06	13.18
Person	.78	.55	2,351,739	6,116,618	88.08	205.90	89.64	1.77
Pitt	.76	.54	5,936,137	16,332,922	80.10	175.65	76.47	- 4.53
Polk	.865	.457	752,926	1,690,418	60.71	119.57	52.05	-14.26
Randolph	.55	.48	5,383,342	11,602,725	68.40	123.52	53.77	-21.38
Richmond	.978	.595	2,482,008	5,622,580	61.28	125.21	54.51	-11.04
Robeson	.90	.82	5,176,371	12,909,326	59.02	124.65	54.26	- 8.06
Rockingham	.654	.76	7,640,682	17,541,938	102.69	207.71	90.42	-11.94
Rowan	.55	.57	6,238,898	14,361,991	68.86	142.44	62.01	- 9.94
Rutherford	.81	.85	3,233,430	8,518,939	65.72	152.83	66.53	1.23
Sampson	.63	.74	2,207,510	7,846,915	47.16	157.10	68.39	45.01
Scotland	.94	.70	2,061,702	4,985,938	73.89	150.82	65.66	-11.13
Stanly	.67	.73	3,341,758	8,065,912	75.94	165.68	72.13	- 5.01
Stokes	.60	.61	1,110,050	5,696,106	43.19	166.59	72.52	67.90
Surry	.588	.70	3,893,359	9,758,037	73.87	163.52	71.19	- 3.62
Swain	.68	.45	304,948	844,141	32.44	80.12	34.88	7.52
Transylvania	.63	.69	1,212,668	4,316,639	61.55	178.22	77.59	26.06
Tyrell	.931	.66	257,572	871,874	67.78	211.61	92.12	35.91
Union	.785	.65	3,526,312	11,056,072	60.79	150.15	65.36	7.51
Vance	.85	.95	2,323,362	5,225,548	72.60	140.13	61.00	-15.97
Wake	.69	.83	28,568,161	88,366,182	117.37	280.74	122.22	4.13
Warren	.74	.96	709,723	2,186,563	41.99	136.01	59.21	41.00
Washington	.925	.61	801,538	2,373,499	59.37	162.90	70.92	19.45
Watauga	.585	.53	1,484,588	4,422,015	58.21	132.90	57.85	- 0.61
Wayne	.655	.58	6,204,193	12,351,785	70.26	126.41	55.03	-21.67
Wilkes	.72	.74	2,646,114	7,244,504	50.78	121.89	53.06	4.48

Table 5. (continued)

County	Amount per \$100 assessed valuation effective rate		County-wide property tax levies				1981-82 per capita amount adjusted for inflation	Percent change in per capita amount
	1971-72	1981-82	Total		Per capita ^a			
			1971-72	1981-82	1971-72	1981-82		
Forsyth	.8642	.76	28,277,900	65,498,241	127.09	262.14	114.12	-10.20
Franklin	.945	1.08	1,324,909	3,651,249	48.17	118.76	51.70	7.32
Gaston	.82	.62	13,176,656	27,002,125	85.95	162.39	70.69	-17.75
Gates	.675	1.23	345,561	1,013,836	41.13	112.22	48.85	18.76
Graham	.7155	.345	276,905	724,280	43.95	101.34	44.11	0.36
Granville	.85	1.06	1,942,506	4,778,016	59.22	135.56	59.01	- 0.35
Greene	.875	.84	727,762	2,440,903	48.84	151.88	66.12	35.38
Guilford	.588	.4174	44,396,691	89,872,178	149.23	280.08	121.93	-18.29
Halifax	.70	.98	4,217,382	9,660,004	77.95	173.63	75.59	- 3.02
Harnett	.8515	.89	2,878,264	8,265,172	55.78	135.51	58.99	5.75
Haywood	.75	.69	2,595,606	7,637,776	61.07	162.27	70.64	15.67
Henderson	.875	.64	2,903,421	8,316,946	65.68	134.26	58.45	-11.00
Hertford	.882	.75	1,780,266	3,534,734	76.07	150.77	65.63	-13.72
Hoke	.975	1.01	981,505	2,804,226	57.39	130.10	56.64	- 1.30
Hyde	.835	.74	308,078	1,447,136	56.01	244.11	106.27	89.73
Iredell	.6975	.55	5,652,082	12,434,091	75.26	147.33	64.14	-14.77
Jackson	.60	.60	842,594	3,143,112	36.47	118.45	51.56	41.37
Johnston	.95	.74	3,787,536	9,918,443	60.11	137.02	59.65	- 0.76
Jones	.93	.84	447,664	1,139,089	45.21	117.08	50.97	12.74
Lee	1.0855	.67	3,011,872	7,748,480	94.71	205.33	89.39	- 5.61
Lenoir	.99	.52	4,038,782	9,215,961	70.60	153.34	66.75	- 5.45
Lincoln	.70	1.00	2,215,049	6,673,222	64.01	154.21	67.13	4.87
Macon	.48	.35	717,189	2,254,295	42.68	103.42	45.02	5.48
Madison	.855	.75	596,157	1,640,311	37.49	96.75	42.12	12.34
Martin	.978	.90	2,719,698	6,025,683	111.46	229.86	100.07	-10.21
McDowell	.625	.57	1,726,202	4,366,287	55.15	121.23	52.77	- 4.31
Mecklenburg	.936	.897	61,429,246	155,457,714	167.70	370.43	161.27	- 3.83
Mitchell	.60	.65	629,415	2,053,947	46.62	142.85	62.19	33.39
Montgomery	.87	.46	1,693,868	3,000,188	87.76	132.01	57.47	-34.51
Moore	.75	.56	3,192,111	9,556,724	78.81	184.71	80.41	2.03
Nash	.75	.65	5,219,950	11,046,919	86.42	161.41	70.27	-18.68
New Hanover	.79	.86	8,973,202	26,262,376	100.37	244.62	106.49	6.09

Table 5. (continued)

County	Amount per \$100 assessed valuation effective rate		County-wide property tax levies				1981-82 Per capita amount adjusted for inflation	Percent change in per capita amount
	1971-72	1981-82	Total		Per capita ^a			
			1971-72	1981-82	1971-72	1981-82		
Wilson	.82	.86	4,869,392	12,815,423	84.68	200.96	87.49	3.31
Yadkin	.774	.75	1,283,108	3,357,303	49.73	115.62	50.33	1.20
Yancey	.60	.50	488,243	1,209,168	37.27	79.52	34.62	- 7.11

^aPer capitas based on population figures from North Carolina Office of State Budget and Management, N.C. State Government Statistical Abstract, 1984.

Source: North Carolina Department of Revenue, Statistics of Taxation, 1972, 1982.

1981-1982 fiscal year, with all property assessed at the required 100 percent assessment ratio.

Property tax levies on a per capita basis are also presented in Table 5. In 1972, Swain county had the smallest and Mecklenburg county the largest property tax on a per capita basis. In 1982, the smallest and largest property taxes on a per capita basis were in Yancey and Dare counties, respectively. A comparison of the 1972 county-wide property tax figures on a per capita basis with the same figures for 1982 adjusted for inflation reveals that the per capita amount of property tax declined in 53 North Carolina counties over the ten-year period. Burke and Montgomery Counties experienced the largest decreases. Almost half the counties experienced tax increases, and for a number of counties these increases were significant. Those counties reporting percentage increases of more than 40 percent were Avery, Brunswick, Hyde, Jackson, Sampson, Stokes, and Warren counties.

Intergovernmental Revenue from the Federal Government

Over the 1972-1982 period, intergovernmental revenue provided by the federal government to local units in North Carolina increased in real per capita terms by 152 percent (Table 4). Federal grants to North Carolina local governments included general revenue sharing and grants for a wide range of activities including public welfare and education. Even with the increase in intergovernmental revenue from the federal government, shared federal revenues make up a fairly small share of total intergovernmental revenues. However, the share of total intergovernmental revenue received from the federal government by North Carolina local government units increased from 7 percent in 1972 to 16 percent in 1982.

Intergovernmental Revenue from the State

Most intergovernmental revenue received by North Carolina local units comes from the state (Table 4). Revenues from several North Carolina taxes are shared by state and local units of government. These shared taxes include alcoholic beverage taxes as well as taxes on intangible property, gasoline, and utility franchise taxes. However, most intergovernmental revenue transfers from state to local governments occur as the state assumes primary financial responsibility for operation of local schools.

Local governments that allow legal sales of beer and wine share with the state revenues from an excise tax on those beverages. Local governments received 23.75 percent of the total

revenues from the excise tax on beer from 1972 to 1982. For some time, local governments did not receive any revenue from the excise tax on fortified wine. However, in 1979 the General Assembly ruled to allow local governments to receive 22 percent of the revenues from this source. From 1947 to 1979, local governments received 50 percent of collections from the unfortified wine excise tax. This share was raised to 62 percent by the General Assembly in 1979. Both beer and wine tax revenues are distributed to local units on a population basis. In 1971, local governments received over \$7 million from beer and wine taxes, and in 1981 this revenue rose to over \$16 million (Table 6). In real terms, however, the revenue received from beer and wine taxes by local governments remained about constant.

Intangibles tax revenue is included in Table 4. This revenue is allocated to counties on a population basis. Within each county, the amount received is divided between the county government and municipalities. The amount of money local governments received from the intangibles tax increased from \$22.1 million in 1972 to \$45.7 million in 1982 (N.C. Department of Revenue, Tax Research Division, 1972 and 1982). There was a decrease from 1 percent to nine-tenths of 1 percent in the percentage of total general revenue provided by the intangibles tax over the period, indicating the small share of this tax in local funds.

In 1972, the share of the state motor fuels tax (also included in Table 4) going to municipalities was one cent of a

Table 6. Amount of beer and wine excise taxes allocated to counties and municipalities in North Carolina, 1971 and 1981

Tax allocation	Beer excise taxes		1981 amt. adj. for inflation	Percent change	Wine excise taxes		1981 amt. adj. for inflation	Percent change	Total beer & wine excise taxes		1981 Total amt. adj. for inflation	Percent change
	1971	1981			1971	1981			1971	1981		
	(dollars)				(dollars)				(dollars)			
Amt. dist. to localities	6,986,328	13,371,124	5,821,286	-16.67	518,195	2,809,191	1,223,016	136.01	7,504,523	16,180,315	7,044,302	- 6.13
Amt. dist. to counties	3,179,338	6,118,256	2,663,659	-16.21	235,572	1,261,275	549,111	133.09	3,414,910	7,379,531	3,212,771	- 5.91
Amt. dist. to towns and cities	3,806,990	7,252,868	3,157,626	-17.05	282,623	1,547,916	673,904	138.44	4,089,613	8,800,785	3,831,531	- 6.31
Amt. retained by state	48,937	18,440	8,028	-83.59	6,154	5,860	2,551	-58.54	55,091	24,301	10,579	-80.79
Amt. held in suspense	14,161	7,845	3,415	-75.88	1,208	1,826	794	-34.27	15,369	9,671	4,210	-72.60
Total	7,049,426	13,397,409	5,832,729	-17.25	525,557	2,816,877	1,226,360	133.34	7,574,983	16,214,288	7,059,091	- 6.81

Source: N.C. Department of Revenue, Statistics of Taxation, 1972 and 1982.

total eight-cent-per-gallon tax. By 1982, this share had increased to one and three-eighths of a total eleven-cent-per-gallon tax. The total share of the state motor fuels tax going to municipalities was distributed on a population basis and according to the amount of city street mileage not included in the state highway system (N.C. Department of Revenue, Tax Research Division, 1982, p. 152). Allocations to municipalities from the motor fuels tax increased from \$12.5 million in 1972 to \$13.6 million (in real terms) in 1982 (N.C. Department of Revenue, 1972 and 1982).

An amount equal to 3 percent of gross receipts from sales of electric power, gas, and telephone companies within municipalities is returned to cities and towns through the utility franchise tax (Table 4). Railways and business corporations pay a portion of the franchise tax, but utilities provide the bulk of the tax revenue. The amount of utility franchise tax received by local units increased from \$14.7 million in 1972 to \$64.4 million in 1982 (N.C. Department of Revenue, 1972 and 1982). In real terms, this means that the share of utility franchise tax received by municipalities increased by 91 percent over the period. Large increases in utility rates and increased consumption of utility services greatly boosted revenues from the franchise tax from 1972 to 1982.

Restrictions on Local Taxation and Incurring Debt

The North Carolina Constitution restricts powers to tax and to incur debt. As a result, there are limitations on local taxes and debt. Some of the limitations specified by the Constitution were relaxed by an amendment (Article V) that became effective July 1, 1973.

Taxes may only be levied for public purposes. Prior to the 1973 amendment, no local unit could collect taxes or incur debt (except for "necessary expenses") without a vote of the people. Under the amendment, voters no longer must approve all local taxes and bonds other than those for "necessary expenses."¹⁰ Under the new article voters need approve only those expenditures classified as debt, where debt is defined to be a situation in which (1) money is borrowed, and (2) taxing power is pledged to repay that money.

The 1973 amendment defines debt in such a way that counties are permitted to enter into contracts to purchase items without citizen vote as long as the contract financing arrangement does not meet the definition of debt specified by the amendment. For example, votes are not required for debt incurred by corporate entities created by state and local governments that issue revenue bonds and whose operations are financed from revenues

¹⁰What constitutes a "necessary expense" is determined by the Supreme Court of North Carolina. Examples of items held to be necessary expenses for cities and counties include buildings, bridges, and law enforcement (Byrd, 1967, pp. 30-31).

generated rather than from taxes. Since 1977 much of the growth in state and local debt is attributable to revenue bonds for which taxing power is not pledged to repay borrowed money and, consequently, voter approval is not required.

Prior to July 1, 1973, the North Carolina Constitution limited the rate of property taxes levied by the county and state to 20 cents on \$100 value of property except for those county taxes levied for special purposes and for maintenance of the public schools (Byrd, 1967, p. 46). In 1973, the 20-cent limitation was eliminated, but the General Assembly is able to set limits on county tax rates.

There also exists a "two-thirds limitation" on incurring debt without voter approval in connection with necessary expenses. This restriction states that without voter approval a governmental unit may incur no debt in any fiscal year greater than two-thirds of the amount by which the outstanding indebtedness of the unit was reduced during the preceding fiscal year. Debt is defined to refer only to a situation in which money is borrowed. The two-thirds limitation requires local governments to hold a referendum only when money is borrowed and taxing power is pledged to repay the loan. Other kinds of debt do not require voter approval. Examples of debt not subject to the "two-thirds limitation" include that incurred (1) to fund or refund a valid existing debt, (2) to borrow in anticipation of collection of taxes due and payable within the fiscal year to an amount not exceeding 50 percent of such taxes (3) to supply a casual

deficit, and (4) to suppress riots or insurrections (Byrd, 1967, p. 250).

The General Assembly also has the power to allow the governing body of a county, city, or town to form special taxing districts within the limits of its territory. These special taxing districts may be formed to enable a local area to finance, provide, or maintain those services, functions, or facilities not provided by the county or city. These districts also may be formed to provide revenue needed to extend services, functions, or facilities provided by the county or city. Special taxing districts often are formed to collect revenues for fire protection, schools, and hospitals.

State and Local Revenues

Combined state and local general revenues by source are shown in Table 7. Property taxes listed in the table are primarily local taxes; "other" taxes are mainly state taxes (Appendix Table 2). On a real per capita basis, total general state and local revenues increased by 12 percent. Real per capita charges and miscellaneous general revenue increased by about 46 percent over the period. This category of revenue includes charges for education, highways, hospitals, natural resources, and parks and recreation.

During the ten years from 1972 to 1982 intergovernmental revenues from the federal government, measured on a real per capita basis, increased by 15.8 percent. Increased reliance on federal revenues reflects the effects of increases in general

42 Table 7. State and local revenues by source, North Carolina, 1972 and 1982 (fiscal years)

Revenue source	Amount		1982 Amount adjusted for inflation	Percent change	Per capita amount		1982 Per capita amt. adj. for inflation	Percent change
	1972	1982			1972	1982		
	(millions of dollars)				(dollars)			
All general revenue from own sources ^a	2,462.1	7,097.8	3,090.11	25.50	472.21	1,206.70	525.35	11.25
Taxes--total	1,963.5	5,204.8	2,265.97	15.40	376.68	884.87	385.23	2.26
Property	492.5	1,210.9	527.18	7.02	94.50	205.87	89.62	- 5.16
Other	1,471.0	3,993.9	1,738.79	18.20	282.12	679.00	295.61	4.78
Charges and misc. general revenue	498.6	1,893.0	824.14	65.30	95.63	321.83	140.11	46.51
Intergovernmental Revenue ^b								
From federal government	625.0	1,875.9	816.69	30.70	119.86	318.92	138.84	15.83
Other (state-local and local-state)	c	c			c	c		
Total general revenue	3,087.1	8,973.7	3,906.81	26.55	592.07	1,525.62	664.19	12.18

^a General revenue includes all revenue of a government except utility revenue, liquor stores revenue, and insurance trust revenue.

^b Includes payments from one government to another as grants-in-aid, shared revenues, payments in lieu of taxes, or reimbursements for governmental services.

^c Duplicate transactions between levels of government are excluded.

Source: U.S. Bureau of the Census, Governmental Finances in 1971-1972 and 1981-1982.

purpose, broad-based and categorical grants. Categorical grants still comprised about 80 percent of all federal grants to state and local governments in 1982. However, the share of broad-based and general purpose grants increased significantly during the period of analysis--from about 10 percent to about 20 percent.

As general revenue sharing is phased out, it is projected that the share of general-purpose grants will decrease, the share of categorical grants will increase, and the share of broad-based grants will remain about the same. Total federal grants to state and local governments are projected by the Reagan Administration to decline as large reductions were proposed in 1985 for mass transit, urban development, and other programs.¹¹

Federal grants to state and local governments have important economic effects. A comprehensive analysis of these effects is beyond the purview of this study, but the effect of breaking the link between those who receive the benefits and those who bear the costs is illustrated by the general revenue sharing program. Part of the rationale for the general revenue sharing program enacted in 1972 was to give state and local governments power and flexibility in spending, allowing them to set their own priorities.

Incentive problems arise when the costs of financing a public project are not borne by those who derive the benefits. Consider the situation in which a local unit of government is

¹¹Office of Management and Budget, Special Analysis, Budget of the United States Government (Washington, D. C.: U. S. Government Printing Office, 1985).

weighing the feasibility of financing a transportation (or any other) project through a revenue-sharing grant. Local citizens would receive the benefits of any money spent. Cost of the project to these citizens, however, would be nil because their expected federal income tax burden would not be appreciably affected by an expenditure of revenue sharing funds. Consequently, the local unit of government has an incentive to overspend because those receiving the benefits bear a negligible or small amount of cost.

NORTH CAROLINA EXPENDITURES--STATE AND LOCAL

State Expenditures

Expenditures by the state of North Carolina for 1972 and 1982 are shown in Appendix Table 3. Total expenditures consist of general expenditures and "insurance-trust expenditures."

In 1972, expenditures for education, highways, public welfare, and hospitals accounted for 84 percent of all general expenditures by the state (Figure 5). These same categories accounted for 77 percent of all general expenditures by the state in 1982. Except for highways, there were real increases in expenditures on a per capita basis in each of the categories. Several other expenditure categories measured on a per capita basis increased significantly from 1972 to 1982. These included expenditures on health, corrections, and interest payments on the debt (Appendix Table 3).

Total state expenditures for all education increased by 19 percent from 1972 to 1982 (Figure 6). In both 1972 and 1982, expenditures for education accounted for approximately half of all general expenditures, and higher education accounted for about a third of state educational expenditures. State expenditures for capital outlays related to operation of state institutions of higher education increased by 57 percent from 1972 to 1982, as there was a significant expansion of the state university system during this period.¹² Total state

¹²In making expenditure comparisons, expenditures for 1982 have been adjusted for inflation.

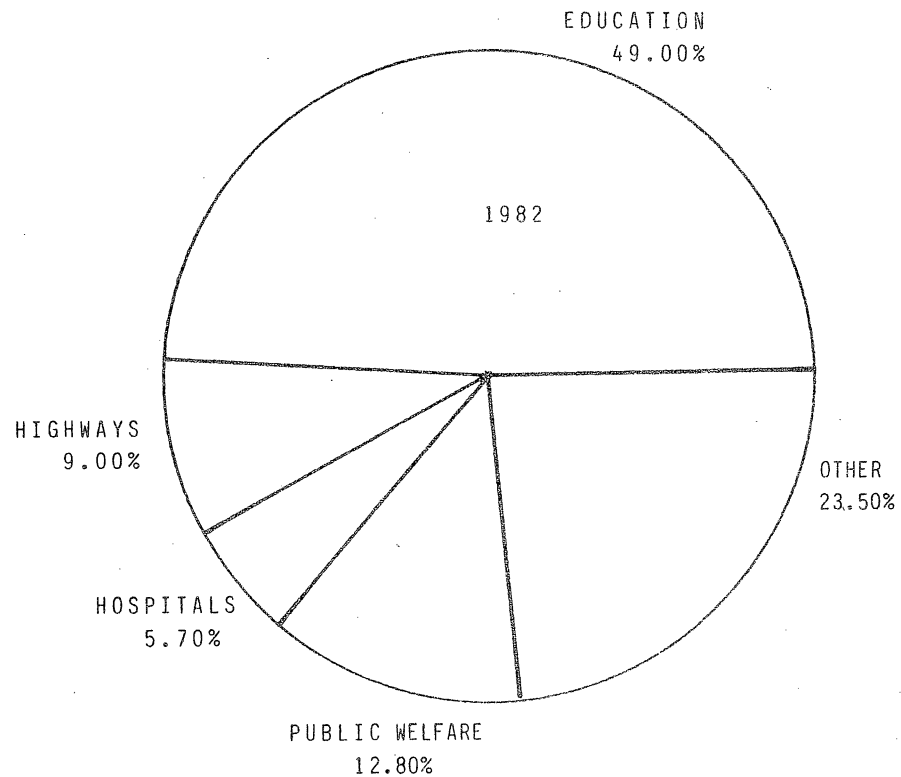
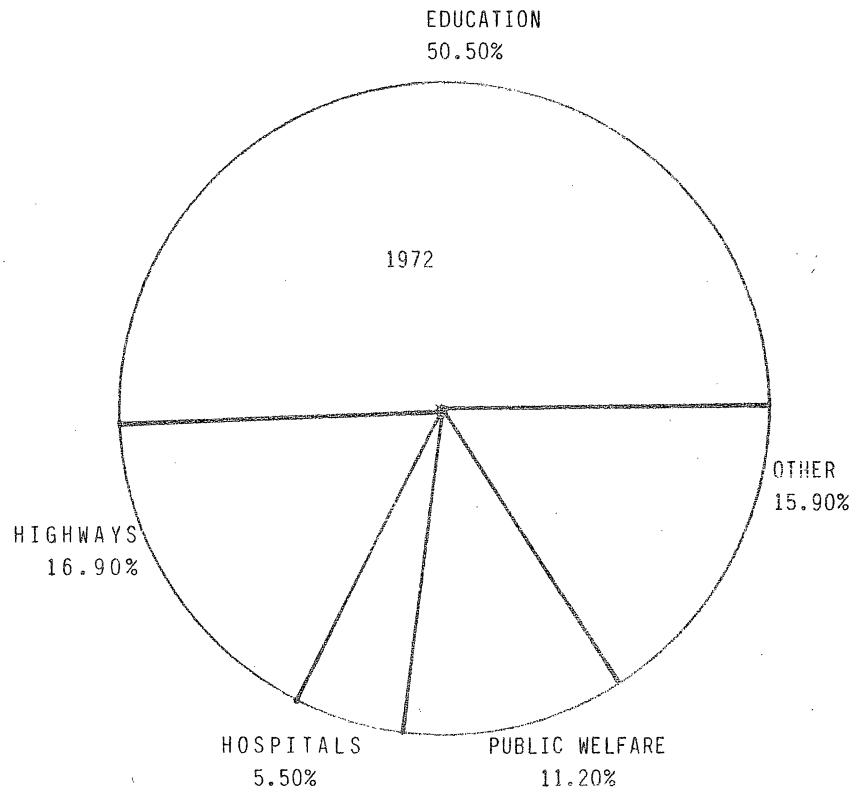


FIGURE 5: STATE GOVERNMENT EXPENDITURES BY FUNCTION, 1972 AND 1982
SOURCE: APPENDIX TABLE 3

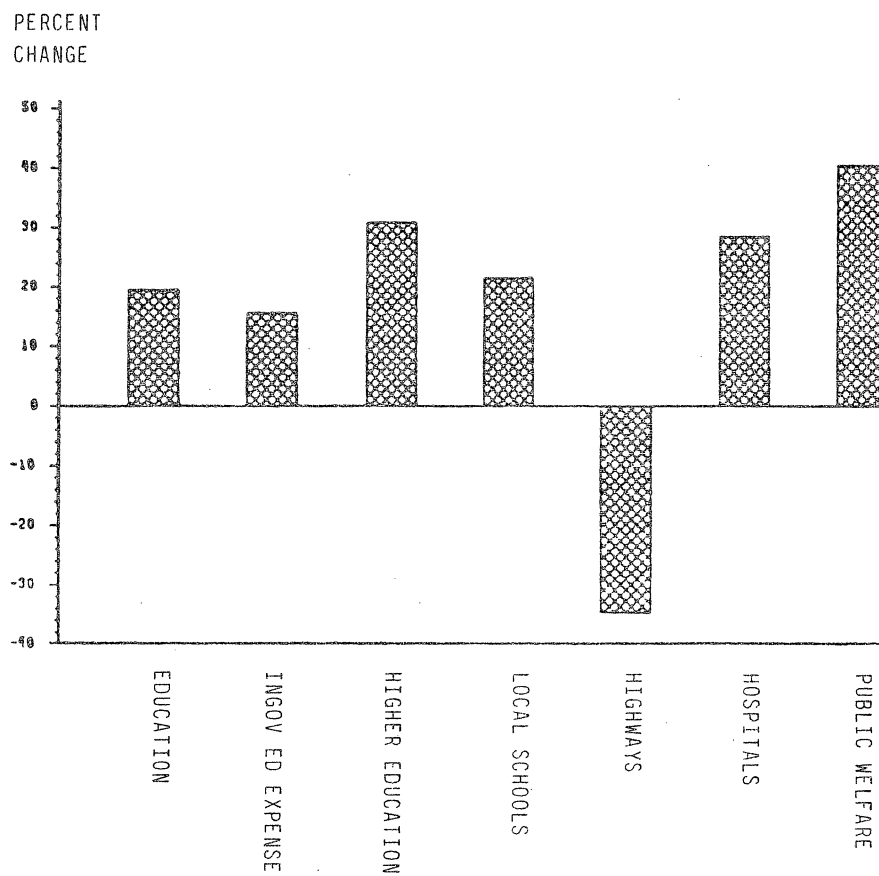


FIGURE 6: PERCENTAGE CHANGE IN STATE EXPENDITURES
 SELECTED FUNCTIONS, ADJUSTED FOR INFLATION, 1972 TO 1982.
 SOURCE: APPENDIX TABLE 3.

expenditures for higher education increased by almost 31 percent over the ten-year period. State expenditures on local schools were mainly through intergovernmental transfers, which increased about 15 percent (Figure 6). There was a significant change in the student mix during this period. Enrollment in North Carolina public institutions of higher education more than doubled, increasing from 98,407 students in 1972 to 227,701 in 1982. Over the same ten-year period, enrollment in local public schools fell from 1,197,791 to 1,182,045 students.¹³

Total state expenditures on highways (adjusted for inflation) declined by 35 percent from 1972 to 1982 (Figure 6). An increase in intergovernmental expenditures on highways can be attributed to the adoption of revenue sharing in 1972. Despite the increase in intergovernmental expenditures on highways, the share of total general expenditures in North Carolina going to highways fell from about 17 percent in 1972 to about 9 percent in 1982 (Figure 5).

Total state expenditures on public welfare in North Carolina from 1972 to 1982 increased by 41 percent (Figure 6). Although intergovernmental expenditures on public welfare fell by 66 percent, total direct and other expenditures on public welfare more than tripled. The net effect is that expenditures on public welfare on a per capita basis adjusted for inflation increased by 25 percent from 1972 to 1982 (Appendix Table 3).

¹³Expenditures on a per pupil basis are presented in a later section that describes combined state and local spending.

Several other categories of state expenditures in North Carolina increased dramatically from 1972 to 1982. Per capita health expenditures adjusted for inflation increased by 162 percent. Per capita expenditures on corrections rose by 75 percent, with capital outlays for corrections more than four times higher in 1982. Interest payments on the general debt on a per capita basis rose by 151 percent. While there were large increases in each of these categories, together they constituted only about 5 percent of total expenditures at the state level in North Carolina in 1982.

Insurance trust expenditures, which are not included in general expenditures, include expenditures for state employee retirement, unemployment compensation, and workman's compensation. Insurance trust expenditures on a per capita basis, adjusted for inflation, increased by over 150 percent from 1972 to 1982 (Appendix Table 3).

In summary, from 1972 to 1982, total state expenditures in North Carolina on a real per capita basis increased by about 16 percent. During this same period, real per capita income in North Carolina increased by only about 4 percent (North Carolina Office of State Budget and Management, 1984, p. 441).

Local Expenditures

General expenditures of local governments in North Carolina on a real per capita basis increased by 13 percent from 1972 to

1982 (Figure 7).¹⁴ Over the same period, local expenditures on local schools, higher education, health and hospitals, and local parks and recreation, measured on a similar basis increased by 16 percent, 43 percent, 98 percent, and 88 percent, respectively (Figure 7). Local expenditures for public welfare on a real per capita basis fell by 69 percent from 1972 to 1982. As mentioned in the previous section, state expenditures for public welfare increased by about 24 percent, in real per capita terms, over the same period. Expenditures for education constituted about 50 percent of total local general expenditures in 1972 and 1982, with local schools comprising about 47 percent of total local general expenditures in both years (Appendix Table 4).

Local Schools

The county is the basic unit in administering the public school system in North Carolina. The counties provide funds for the capital outlay, maintenance, debt service, and insurance associated with the operation of public schools. Counties also provide salary supplements. Taxes to support education are levied by the county commissioners, and bonds to finance educational facilities are issued by the county (N.C. Local Government Commission, 1970, p. 2). There are additional "city administrative

¹⁴Receipts and expenditures from locally operated public utilities are not included in the Department of Commerce tabulations of general revenues and expenditures because receipts from sales of services of local water, electric, gas and transit utilities often are offset by the cost of producing the commodities or services sold. This is frequently the case for local water supply systems in North Carolina. In other cases, however, profits from the sale of utilities (e.g., electricity) are important sources of municipal revenues.

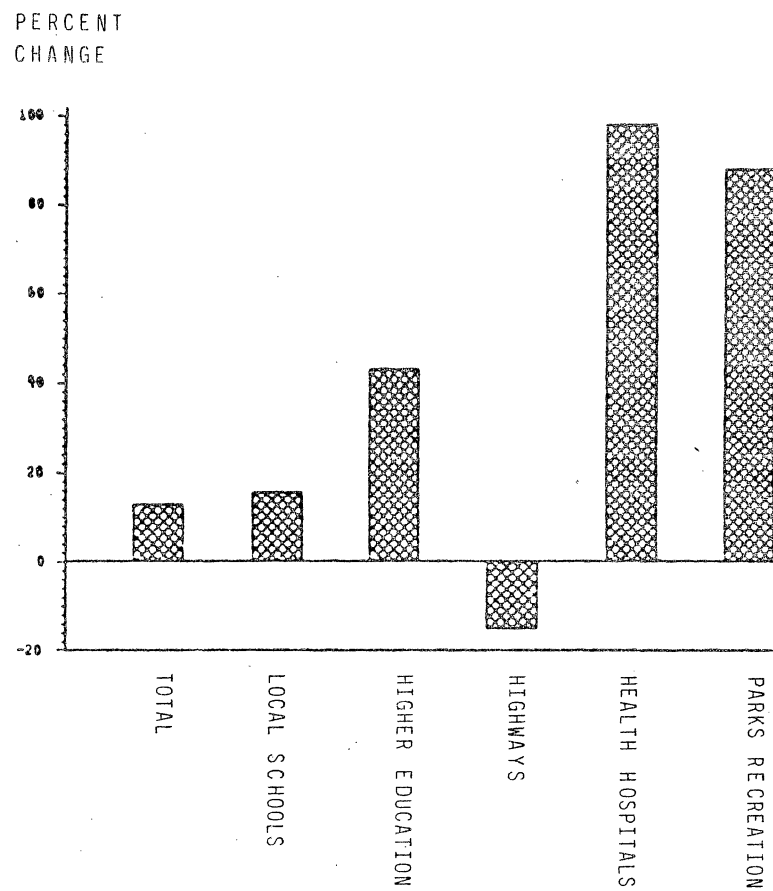


FIGURE 7: PERCENTAGE CHANGE IN REAL PER CAPITA LOCAL
GOVERNMENT EXPENDITURES, 1972 TO 1982, BY FUNCTION.
SOURCE: APPENDIX TABLE 4.

units" with separate school systems which were created in large part to levy additional taxes to supplement the basic level of county support (N.C. Local Government Commission, 1970, p. 5). The supplemental taxes of city school administrative units to augment the basic support provided from county taxes are levied by boards of county commissioners. Community colleges, technical institutes, and industrial education centers are financed in a manner similar to that of city and county school units.

Although federal funds exceed local funds in a number of counties, financing of local schools in North Carolina is mainly through state intergovernmental payments and county-wide taxes.¹⁵

As indicated earlier, the state provides the major part of operating funds for public schools. These intergovernmental funds provided by the state are included in the statistics of Appendix Table 4, since local governments are responsible for operating the public schools. Proceeds of county-wide property taxes are divided between city and county administrative units of a particular county on the basis of school population.

Expenditures for each of the county school systems on a per pupil basis for the 1971-1972 and 1981-1982 school years are shown in Table 8. In 1971-1972, expenditures varied from a low

¹⁵The percentages of current operating expenses of the public school system in North Carolina during 1971-1972 were as follows: state, 66.8 percent; local, 18.1 percent; and federal, 15.1 percent. The percentages of current operating expenses of the public school system in North Carolina during 1981-1982 were as follows: state, 65.4 percent; local, 24.3 percent; and federal, 10.3 percent (North Carolina Office of State Budget and Management, 1973 and 1984).

Table 8. Current expenditures of public schools by source of funds, by county, North Carolina 1972 and 1982 (fiscal years).

County	Number of		Total per pupil expenditure				Percent of total expenditures					
	pupils		1972	1982	1982 amt.adj. for inflation	Percent change	State		Federal		Local	
	1972	1982					1972	1982	1972	1982	1972	1982
			(dollars)									
Alamance	22,812	19,378	678	1,959	853	25.8	69.6	65.9	11.1	8.2	19.3	25.9
Alexander	4,682	5,105	584	1,736	756	29.5	78.8	74.3	10.3	7.2	10.9	18.5
Alleghany	1,862	1,841	783	2,044	890	13.7	70.1	71.7	19.1	11.2	10.8	17.1
Anson	5,800	5,359	753	1,967	856	13.7	64.9	68.5	24.7	16.1	10.4	15.4
Ashe	4,461	4,199	735	2,089	909	23.7	72.0	71.1	19.3	12.8	8.7	16.2
Avery	3,117	3,156	718	1,994	868	20.9	71.1	68.9	22.1	14.3	6.8	13.8
Beaufort	8,651	8,759	755	1,923	837	10.9	63.8	68.5	19.9	12.3	16.3	19.2
Bertie	5,709	4,637	800	2,084	907	13.4	62.4	68.4	28.4	20.6	9.2	11.0
Bladen	7,232	6,705	768	2,052	893	16.3	65.5	67.4	23.3	15.6	11.2	17.0
Brunswick	7,016	8,376	647	2,095	912	40.9	70.3	63.6	19.7	11.8	10.0	24.6
Buncombe	30,684	29,073	1,389	2,009	875	-37.0	71.3	65.3	9.7	7.8	19.0	26.9
Burke	13,710	13,388	670	1,890	823	22.8	69.9	68.7	7.6	6.4	22.5	24.9
Cabarrus	18,282	18,222	1,925	1,897	826	-57.1	72.9	69.5	10.8	7.7	16.3	22.8
Caldwell	14,416	13,874	1,373	1,845	803	-41.5	69.6	70.6	10.0	7.6	20.4	21.8
Camden	1,521	1,262	809	2,118	922	14.0	62.7	67.6	24.8	15.9	12.5	16.5
Carteret	7,435	7,347	691	1,845	803	16.2	67.3	68.9	15.5	9.0	17.2	22.1
Caswell	5,069	4,299	767	1,954	851	10.9	66.2	71.2	25.0	15.2	8.8	13.6
Catawba	20,743	21,242	1,856	1,880	818	-55.9	74.5	68.8	7.7	7.0	17.8	24.2
Chatham	6,780	6,141	735	2,114	920	25.2	69.2	64.7	13.4	9.3	17.4	26.0
Cherokee	3,832	4,070	700	1,801	784	12.0	70.8	72.2	20.1	12.8	9.1	15.0
Chowan	2,926	2,588	794	2,112	919	15.7	62.8	65.4	17.7	13.6	19.5	21.1
Clay	1,181	1,269	833	2,052	893	7.2	67.8	73.3	21.7	12.3	10.5	14.4
Cleveland	18,190	17,915	2,146	2,001	871	-59.4	69.6	67.0	13.6	10.2	16.8	22.8
Columbus	13,108	11,665	1,470	2,035	886	-39.7	64.3	67.0	21.4	17.5	14.3	15.5
Craven	14,983	13,652	1,475	2,001	871	-40.9	65.3	67.3	25.7	12.0	9.0	20.7
Cumberland	47,355	46,480	1,352	2,024	881	-34.8	67.9	62.9	21.5	12.5	10.6	24.6
Currituck	1,984	2,320	795	2,391	1,041	30.9	64.5	60.3	18.2	11.2	17.3	28.5
Dare	1,594	2,326	901	2,179	949	5.3	60.0	61.1	12.3	7.2	27.7	31.8
Davidson	22,944	23,267	1,913	1,773	772	-59.6	72.5	72.9	10.4	7.1	17.1	20.0
Davie	4,408	5,108	616	1,817	791	28.4	77.3	71.0	9.7	7.1	13.0	21.9
Duplin	9,700	8,784	746	2,008	874	17.2	82.2	69.2	26.8	14.4	12.0	16.4
Durham	27,241	26,156	1,614	2,315	1,008	-37.5	59.3	57.8	13.2	8.1	27.5	34.1
Edgecombe	10,681	9,167	1,455	1,941	845	-41.9	66.6	68.4	21.6	15.1	11.8	16.5
Forsyth	48,616	41,952	739	2,260	984	33.2	65.5	59.0	8.3	8.5	26.1	32.5
Franklin	6,510	6,078	1,441	1,993	868	-39.8	67.3	66.7	24.7	14.4	8.0	18.9
Gaston	34,288	34,377	653	1,782	776	18.8	70.4	71.1	8.8	7.6	20.8	21.3
Gates	2,295	1,770	744	2,423	1,055	41.8	67.2	62.9	23.9	19.0	8.9	18.1
Graham	1,545	1,617	826	2,006	873	5.7	69.9	72.9	23.6	9.4	6.5	17.7
Granville	7,813	7,076	735	1,934	842	14.6	67.2	68.3	19.9	14.8	12.9	16.9
Greene	4,254	3,182	801	2,379	1,036	29.3	62.0	59.9	29.1	19.4	8.9	20.7

54 Table 8. (Continued).

County	Number of pupils		Total per pupil expenditure				Percent of total expenditures					
	1972	1982	1972	1982	1982 amt.adj. for inflation	Percent change	State		Federal		Local	
							1972	1982	1972	1982	1972	1982
				(dollars)								
Guilford	66,623	59,325	2,191	2,196	956	-56.4	65.4	61.4	7.9	7.4	26.7	31.2
Halifax	14,163	11,972	2,359	2,133	929	-60.6	61.7	65.1	25.3	18.5	13.0	16.4
Harnett	12,143	12,256	710	1,893	824	16.1	64.4	68.7	20.4	12.9	15.2	18.4
Haywood	9,252	9,065	683	1,958	852	24.7	69.7	67.4	14.0	7.9	16.3	24.7
Henderson	9,286	10,732	1,430	1,935	842	69.8	66.5	67.6	9.2	8.5	24.3	23.9
Hertford	5,983	4,698	774	2,059	896	15.8	67.7	65.6	19.8	19.0	12.5	15.4
Hoke	4,978	4,912	770	1,953	850	10.4	63.7	67.6	23.1	19.1	13.2	13.3
Hyde	1,333	1,135	967	2,430	1,058	9.4	59.8	62.8	29.8	16.0	10.4	21.2
Iredell	17,385	16,730	2,008	1,942	845	-57.9	69.8	68.7	10.8	10.0	19.4	21.3
Jackson	3,594	4,091	785	1,975	860	9.6	68.2	69.1	21.5	11.0	10.3	19.9
Johston	15,244	15,060	763	2,003	872	14.3	62.9	66.1	21.8	12.1	15.3	21.8
Jones	2,585	1,849	823	2,293	998	21.3	63.0	65.9	27.1	17.6	9.9	16.5
Lee	7,777	7,597	1,461	2,034	886	-39.4	67.4	65.2	12.5	9.1	20.1	25.7
Lenoir	13,096	11,934	1,646	2,142	933	-43.3	61.9	65.7	18.6	13.5	19.5	20.8
Lincoln	8,160	8,984	1,275	1,829	796	-37.6	74.0	72.0	9.3	7.6	16.7	20.4
McDowell	6,855	7,458	631	1,769	770	22.0	74.8	72.4	11.8	10.4	13.4	17.2
Macon	3,480	3,765	742	2,047	891	20.0	70.6	69.6	18.9	10.0	10.5	20.4
Madison	3,023	3,009	895	2,055	895	-0-	64.3	74.1	27.9	12.8	7.8	13.1
Martin	6,438	5,751	818	2,233	972	18.8	63.6	62.9	23.3	12.5	13.1	24.6
Mecklenburg	82,358	75,648	852	2,330	1,014	19.0	57.0	56.8	6.7	8.1	36.3	35.1
Mitchell	2,931	2,624	701	2,052	893	27.4	73.1	69.3	18.2	12.3	8.7	18.4
Montgomery	4,957	4,450	685	1,966	856	25.0	71.1	68.7	14.6	13.2	14.3	18.1
Moore	9,978	9,271	801	2,114	920	14.9	61.7	63.7	19.1	11.6	19.2	24.7
Nash	18,579	17,671	1,528	2,008	874	-42.8	63.9	64.9	18.1	12.5	18.0	22.6
New Hanover	20,300	20,708	740	1,992	867	17.2	63.7	64.1	14.0	8.4	22.3	27.5
Northampton	6,220	4,820	745	2,263	985	32.2	67.2	62.1	26.7	23.5	6.1	14.4
Onslow	16,483	15,736	674	1,838	800	18.7	66.2	68.6	21.5	11.9	12.3	19.5
Orange	9,925	10,501	1,385	2,315	1,008	-27.2	68.4	57.0	9.1	6.8	22.5	36.2
Pamlico	2,439	2,217	754	1,985	864	14.6	67.5	70.4	24.4	12.1	8.1	17.5
Pasquotank	6,499	5,418	699	2,040	880	25.9	68.3	65.0	19.0	9.0	12.7	26.0
Pender	4,676	4,889	751	2,057	888	18.2	66.5	66.4	22.9	15.0	10.6	18.6
Perquimans	2,128	1,719	786	2,403	896	14.0	63.5	62.5	23.9	17.6	12.6	19.9
Person	7,001	5,807	761	2,012	876	15.1	63.9	67.1	16.7	11.4	19.4	21.5
Pitt	18,070	16,698	1,469	2,049	892	-39.3	65.8	62.0	20.5	14.0	13.7	24.0
Polk	2,612	2,420	1,463	2,144	933	-36.2	70.8	70.6	13.8	9.7	15.4	19.7
Randolph	17,653	17,784	1,214	1,764	768	-36.7	74.8	72.8	8.0	5.8	17.2	21.4
Richmond	10,221	9,611	676	1,855	808	19.5	70.6	70.5	17.7	13.6	11.7	15.9
Robeson	25,853	25,603	4,334	2,047	891	-79.4	64.1	65.4	27.6	18.7	8.3	15.9
Rockingham	17,969	16,992	2,637	1,947	848	-67.8	71.4	68.2	11.7	9.8	16.9	22.0
Rowan	18,064	16,413	1,447	1,942	845	-41.6	66.9	68.0	13.8	8.2	19.3	23.8

Table 8. (continued).

County	Number of		Total per pupil expenditure				Percent of Total expenditures					
	pupils		1982 amt.adj.				State		Federal		Local	
	1972	1982	1972	1982	for inflation	Percent change	1972	1982	1972	1982	1972	1982
			(dollars)									
Rutherford	10,919	10,963	683	1,895	825	20.8	72.9	69.7	11.3	8.6	15.8	21.7
Sampson	11,480	10,518	1,481	2,114	920	-37.9	66.3	65.5	21.8	15.0	11.9	19.5
Scotland	7,286	7,805	803	2,086	908	13.1	62.0	64.3	19.6	11.4	18.4	24.3
Stanley	9,561	9,225	1,407	1,958	852	-39.4	67.1	69.5	10.4	7.5	22.5	23.0
Stokes	5,851	7,063	679	1,971	858	26.4	69.9	67.4	15.4	8.4	14.7	24.2
Surry	12,032	11,984	2,058	1,975	860	-58.2	69.6	67.0	12.5	10.1	17.9	22.9
Swain	1,773	1,708	752	2,320	1,010	34.3	71.6	65.4	24.7	13.6	3.7	21.0
Transylvania	4,591	4,528	648	1,918	835	28.9	70.9	68.5	12.0	7.3	17.1	27.2
Tyrell	1,029	777	945	2,539	1,105	16.9	60.5	61.7	25.0	19.4	14.5	18.9
Union	1,029	16,049	1,292	1,813	789	-38.9	69.1	71.0	13.1	7.9	17.8	21.1
Vance	7,839	7,984	744	1,914	833	12.0	65.8	67.6	17.3	14.5	16.9	17.9
Wake	51,588	55,430	1,467	2,152	937	-36.1	64.0	61.0	11.1	6.7	24.9	32.3
Warren	4,206	3,350	875	2,248	979	11.9	61.2	64.7	29.2	21.4	9.6	13.9
Washington	3,815	3,262	819	2,004	872	6.5	61.0	67.5	22.2	14.4	16.8	18.1
Watauga	4,449	4,924	780	2,032	885	13.5	71.2	68.4	16.8	10.4	12.0	21.2
Wayne	22,053	19,359	1,428	1,990	866	-39.4	66.2	66.3	23.4	11.5	10.4	22.2
Wilkes	11,886	11,681	1,287	1,824	794	-38.3	73.3	74.2	13.2	9.6	13.5	16.2
Wilson	13,646	13,301	2,208	2,018	879	-60.2	67.0	65.7	20.4	12.6	12.6	21.7
Yadkin	5,567	5,505	626	1,895	825	31.8	76.3	71.7	11.6	10.6	12.1	17.7
Yancey	2,824	2,947	704	1,883	820	16.5	74.1	75.4	18.7	11.9	7.2	12.7
State total	1,197,797	1,148,868	719	2,034	886	23.2	66.8	65.4	15.1	10.3	18.1	24.3

Note: Figures may not add to totals due to rounding.

Source: North Carolina Office of State Budget and Management, 1973 and 1984.

of \$584 per pupil in Alexander County to a high of \$4,334 per pupil in Robeson County. After adjusting for inflation, expenditures in 1981-1982 ranged from a low of \$756 per pupil in Alexander County to a high of \$1,105 per pupil in Tyrell County. Thus, there was much less variation in per pupil expenditures in the latter period. The remaining differences are due in part to the considerable variation between counties in both the property tax base and tax rates.

There were dramatic changes in per pupil expenditures in many of the counties during the period 1971-72 to 1981-82 (Table 8). However, annual per pupil expenditures adjusted for inflation, on average, increased from \$719 in the former year to \$886 in the latter year--an increase of 23 percent.

Utility Revenues and Expenditures

Receipts and expenditures from locally operated public utilities are not included in general revenues and expenditures. Sales receipts of local water, electric, gas, and transit companies may be more than offset by the cost of producing the commodities and services sold. For example, during the 1982 fiscal year, local water supply systems in North Carolina yielded \$180.6 million in revenues and total expenditures were \$333.8 million. Locally operated public utilities other than water supply systems had revenues and expenditures during 1982 of \$480.5 million and \$608.0 million, respectively.

State and Local Expenditures

Combined state and local expenditures by type of expenditure are shown in Appendix Table 5.

Educational expenditures accounted for about 43 percent of combined state and local expenditures in both 1972 and 1982 (Figure 8). The proportion of educational expenditures on higher education increased during this period, reflecting the relative increase in higher education enrollment. The four categories education, highways, public welfare, and health and hospitals accounted for 75 percent of total expenditures in 1972 and 71 percent of total expenditures in 1982 (Figure 8). The real value of combined state and local expenditures increased by about 14 percent on a per capita basis from 1972 to 1982 (Figure 9). Expenditure categories that increased substantially over the period from 1972 to 1982 included education, public welfare, health and hospitals, natural resources, parks and recreation, interest on the general debt, and police and fire protection. On a real per capita basis, combined expenditures for natural resources and parks and recreation increased by a dramatic 374 percent from 1972 to 1982. Real per capita expenditures on health and hospitals increased by 58 percent, reflecting the increasing costs of health care. Combined state and local real per capita expenditures on highways fell by 41 percent, largely attributable to a decrease in construction and maintenance expenditures.

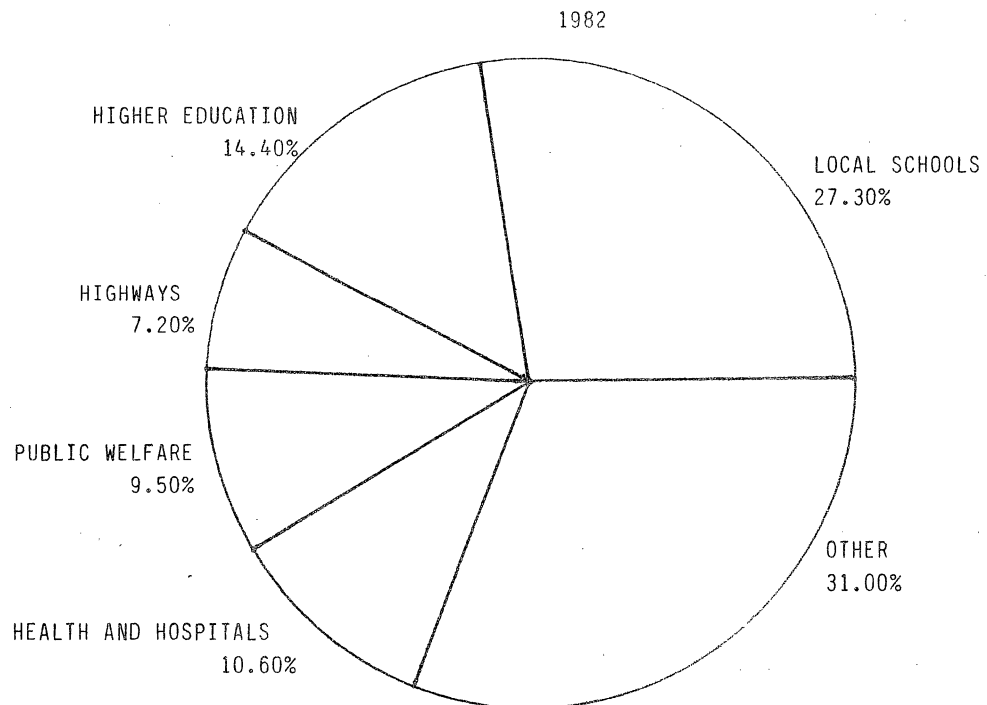
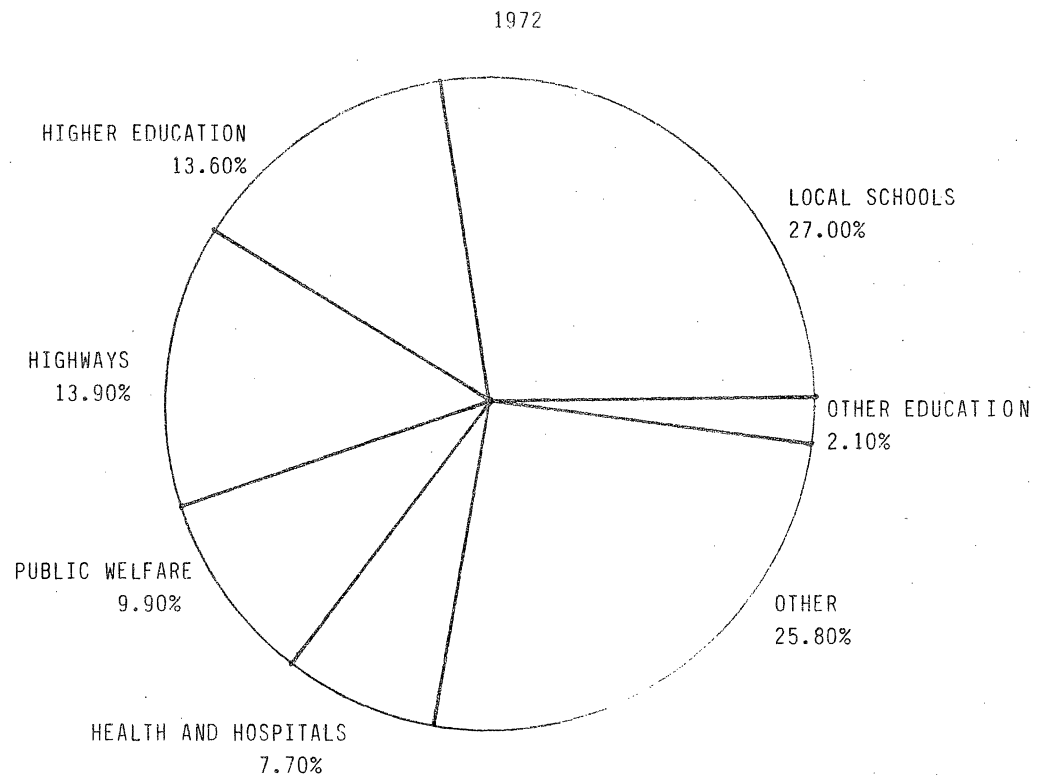


FIGURE 8: STATE AND LOCAL EXPENDITURES SELECTED FUNCTIONS, 1972 AND 1982.
SOURCE: APPENDIX TABLE 5.

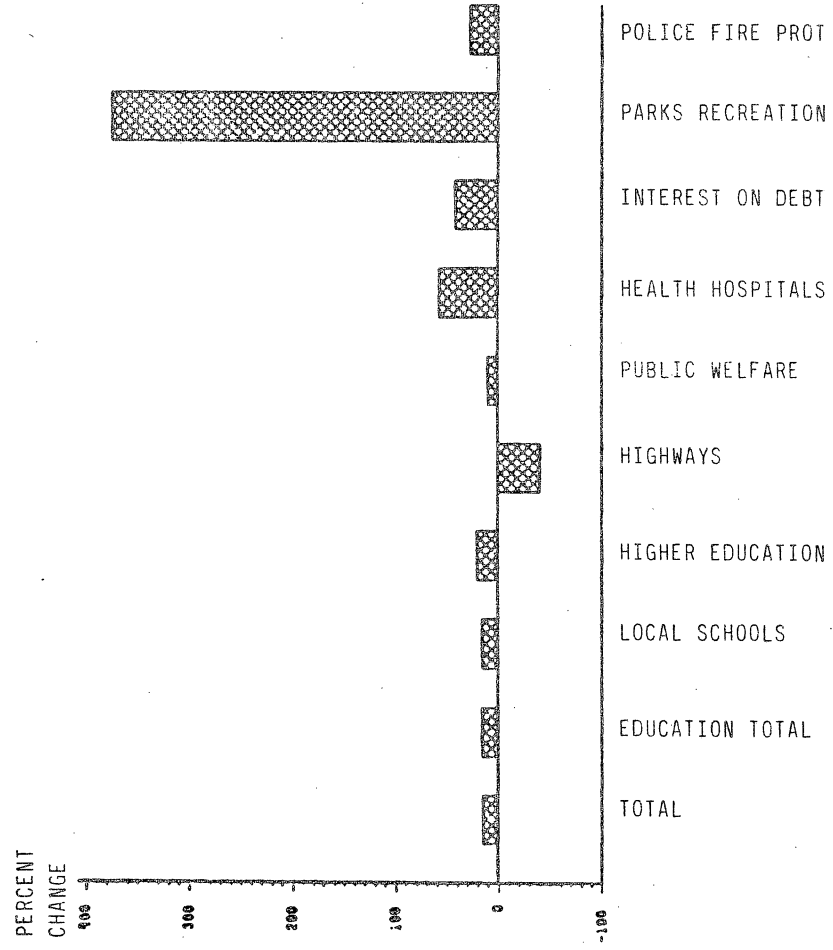


FIGURE 9: PERCENTAGE CHANGE IN PER CAPITA STATE AND LOCAL EXPENDITURES
BY FUNCTION, ADJUSTED FOR INFLATION, 1972 TO 1982.
SOURCE: APPENDIX TABLE 5.

GENERAL FUND AND HIGHWAY FUND

State revenues and expenditures in North Carolina are divided for budget purposes into a General Fund and a Highway Fund. Division of state revenues and expenditures into the two funds is important from the standpoint of budget flexibility, since transfers between the two funds are not allowed without approval of the General Assembly. The previous data on state revenues and expenditures (as compiled by the U.S. Department of Commerce) are aggregative in the sense that the distinction between the General Fund and the Highway Fund is not indicated. This section indicates major sources of revenues and expenditures in the two funds and changes in the funds from 1972 to 1982.

Revenues

General Fund Revenues

General Fund revenues include all state revenues with the exception of Federal Aid, receipts of special funds, institutional earnings, and agricultural fees and receipts. General Fund revenues are derived mainly from taxes, which accounted for approximately 96 and 95 percent of General Fund revenues in 1972 and 1982, respectively (Figures 10 and 11)¹⁶ The individual income tax provided the largest portion of the tax revenues, providing 33 percent and 45 percent of General Fund revenues in

¹⁶ Data presented in Figures 10 and 11 are not directly comparable with those of Appendix Table 1, since various sources of revenue are classified somewhat differently by the North Carolina Department of Tax Research (Figures 10 and 11) and the U. S. Department of Commerce (Appendix Table 1).

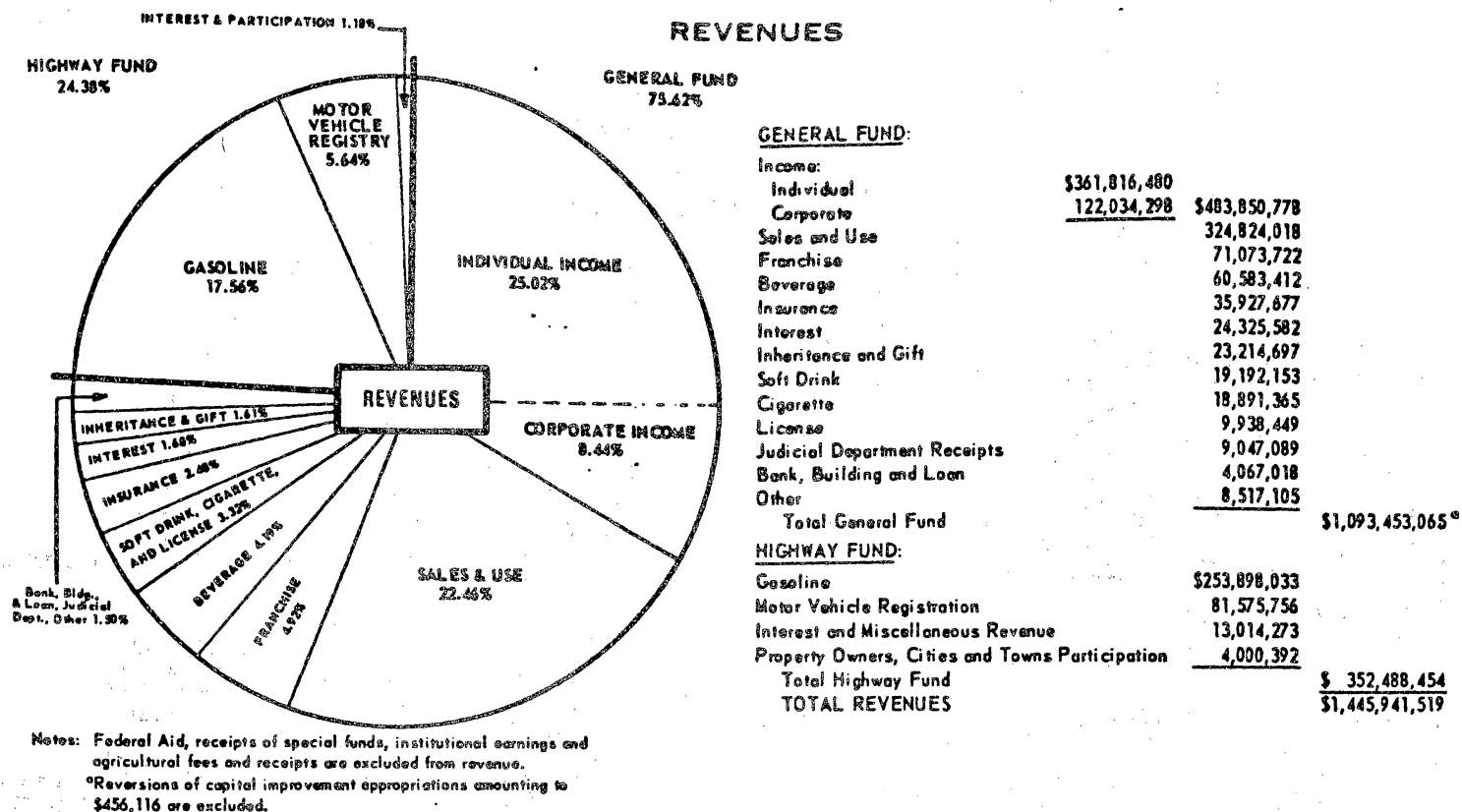
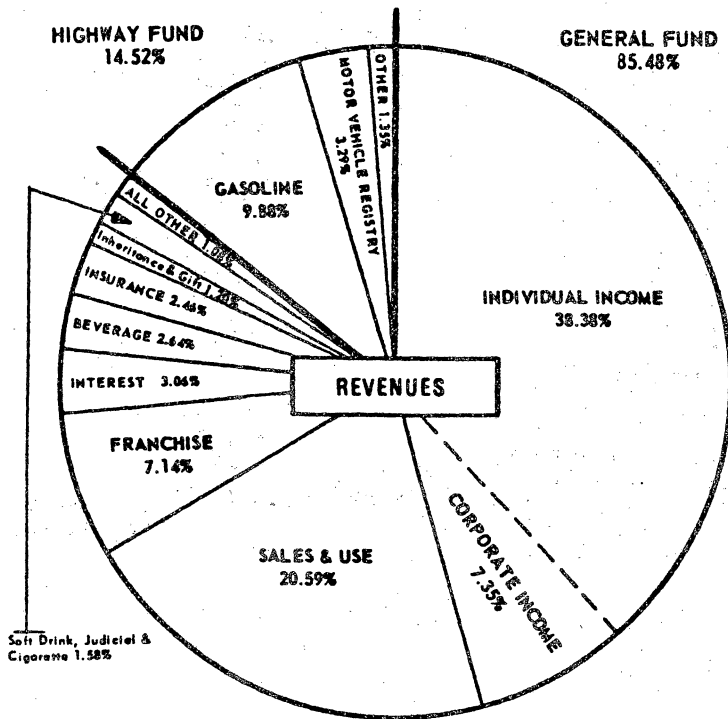


Figure 10. State of North Carolina revenues (General Fund and Highway Fund) for the 1972 fiscal year.

Source: N.C. Department of Revenue, Raleigh, N.C.

REVENUES



GENERAL FUND:

Income:		
Individual	\$1,449,370,198	
Corporation	<u>277,447,978</u>	\$1,726,818,176
Sales and Use		777,449,131
Franchise		269,764,189
Interest		115,633,898
Beverage		99,640,685
Insurance		92,817,199
Inheritance and Gift		45,335,528
Soft Drink		21,882,630
Judicial Department Receipts		19,619,697
Cigarette		18,277,757
License		16,613,223
Building and Loan		8,493,419
Other		<u>15,560,351^a</u>
Total General Fund		\$3,227,905,883 ^b

HIGHWAY FUND:

Gasoline	\$ 373,087,275
Motor Vehicle Registration	124,181,571
Interest and Miscellaneous Revenue	40,392,368 ^c
Gasoline Inspection Fees	8,155,841
Property Owners, Cities and	
Towns Participation	<u>2,534,818^d</u>
Total Highway Fund	\$ 548,351,873 ^e
TOTAL REVENUES	<u>\$3,776,257,756</u>

NOTES: Revenues do not include (1) Federal Aid other than General Shared Federal Revenue, (2) receipts of special funds, (3) institutional earnings, (4) proceeds from sale, lease, or rental of State property, and (5) agricultural fees and receipts.

^a Includes General Shared Federal Revenue amounting to \$262,398.

^b Excludes reversions of capital improvement appropriations amounting to \$1,179,069.

^c Reflects reduction in Contracting Authorization of \$11,200,000.

^d Excludes \$30,000 in Governor's Highway Safety Program funds.

^e Excludes (1) \$4,940,000 transferred from General Fund, (2) \$1,629,093 in Grants and General Participation, and (3) \$175,017,292 in Federal Aid.

Figure 11. State of North Carolina revenues (General Fund and Highway Fund) for the 1982 fiscal year.

Source: N.C. Department of Revenue, Raleigh, N.C.

1972 and 1982, respectively (Figures 10 and 11).¹⁷

Sales and use taxes also contributed significantly to General Fund revenues, constituting 30 percent in 1972 and 24 percent in 1982 (Figures 10 and 11). Corporation income taxes were responsible for another 11 percent of General Fund revenues in 1972 and 9 percent in 1982. The remaining taxes contributed much smaller amounts to General Fund revenues (Figures 10 and 11). Those General Fund revenues not provided by taxes were derived mainly from interest and court costs (and fees) from counties in which district courts have been established.

The General Fund as a percent of total North Carolina state revenues increased from 76 percent in 1972 to 85 percent in 1982. In real terms, the General Fund increased from about \$1.09 billion in 1972 to \$1.4 billion in 1982.

Highway Fund Revenues

The Highway Fund consists primarily of revenues obtained from gasoline taxes and motor vehicle registration fees. In 1972, 24 percent of total North Carolina state revenues (excluding federal aid) were earmarked for the Highway Fund (Figure 10).¹⁸ In 1982, the amount of total state revenues earmarked for the Highway Fund had decreased to 14 percent (Figure 11). In 1972, 72 percent of Highway Fund revenues were obtained

¹⁷ Percentages in the revenue pie charts are based on total (General Fund plus Highway Fund) revenues.

¹⁸ A number of special funds administered by the Department of Motor Vehicles are separate from the Highway Fund. Drivers license and drivers education fees provide most of the revenue for these special funds.

from the gasoline tax, while 23 percent of the Fund's revenues were derived from registration fees. By 1982, the gasoline tax provided 68 percent of Highway Fund revenues, with no change in the importance of registration fees. Most of the remaining revenue in the 1972 and 1982 Highway Fund shown in Figures 10 and 11 (excluding Federal Aid) was derived from interest. Federal Aid to the Highway Fund totaled about \$112 million in 1972 and had fallen in real terms to about \$76 million by 1982.

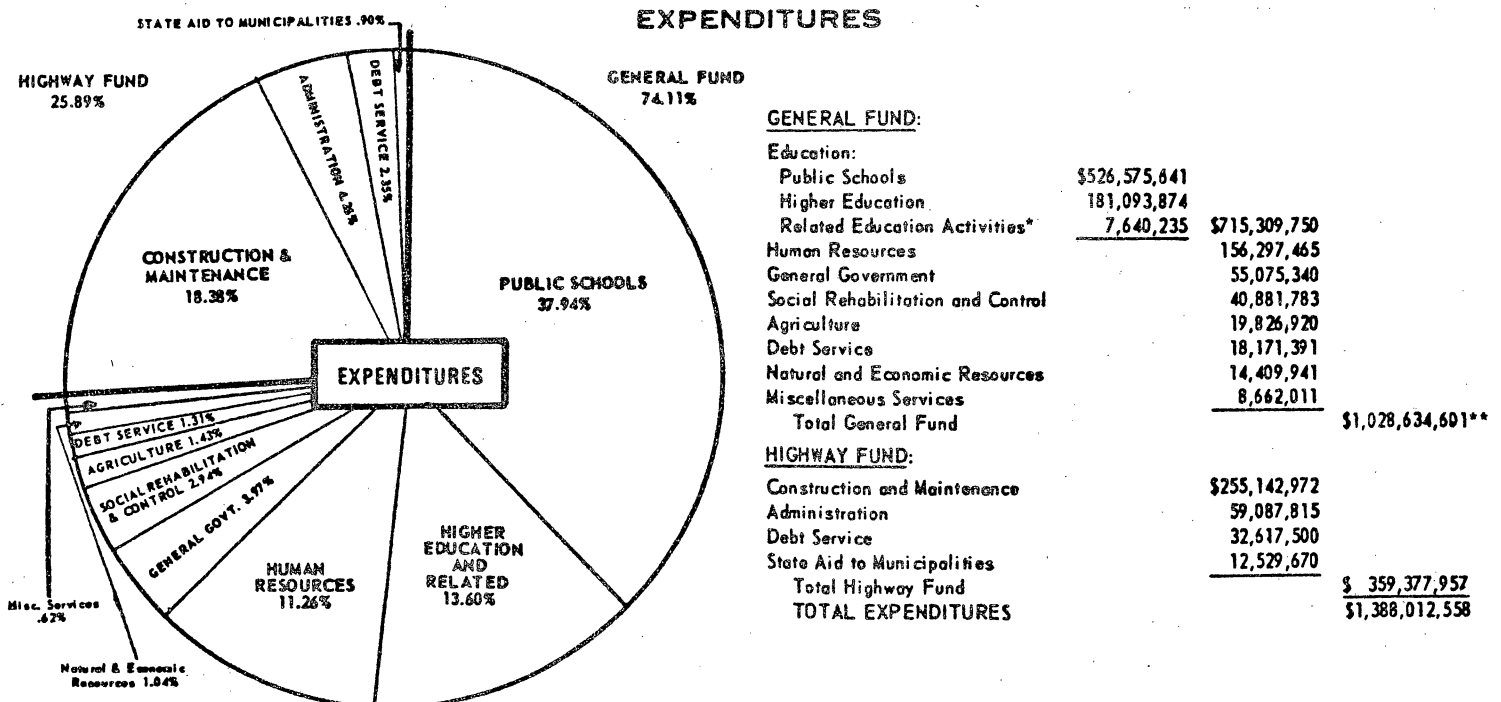
Expenditures

Expenditures from the General Fund and the Highway Fund for 1972 and 1982 are shown in Figures 12 and 13. Data in Figures 12 and 13 are not directly comparable with the expenditure data in Appendix Table 3 because (1) various expenditures are classified differently by the North Carolina Department of Tax Research (Figures 12 and 13) and the U.S. Department of Commerce (Appendix Table 3), and (2) expenditures in Appendix Table 3 include Federal Aid expended in various expenditure categories.

General Fund Expenditures

General Fund expenditures include all nonhighway expenditures except for funds appropriated for capital improvements. Expenditures on education constituted between 68 and 70 percent of total General Fund expenditures in both 1972 and 1982 (Figures 12 and 13).¹⁹ Although the share of total General Fund expenditures allotted to education was about the same over the

¹⁹The percentages in the expenditure pie charts are based on total (General Fund plus Highway Fund) expenditures.



Notes: Expenditures from special funds, from institutional earnings, from Federal Aid and for permanent improvements other than roads are excluded. (Highway expenditures from Federal Aid amounted to \$112,112,426)

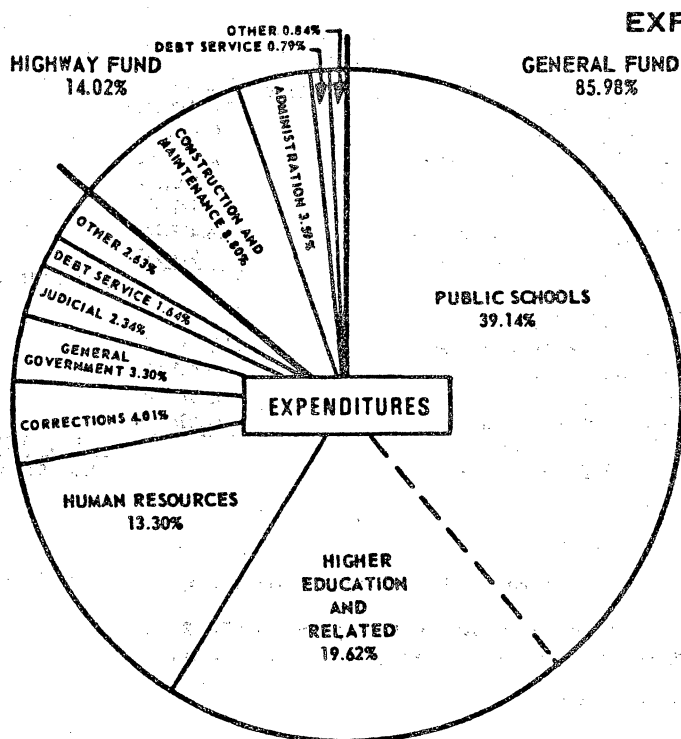
General Fund expenditure categories are not necessarily comparable to charts of previous years because of state government reorganization in 1971-72.

*Includes expenditures of \$4,987,028 for operation of the Department of Art, Culture, and History and expenditures of lesser amounts for the N. C. School of the Arts, Advancement School, historical associations, etc.

**Excludes \$64,891,192 appropriated for capital improvements and \$2,718,479 reserved for permanent appropriation.

Figure 12. State of North Carolina expenditures (General Fund and Highway Fund) for the 1972 fiscal year.

Source: N.C. Department of Revenue, Raleigh, N.C.



GENERAL FUND:

Education:		
Public Schools	\$1,477,036,604	
Higher Education	715,958,569	
Related Education Activities*	24,475,379	\$2,217,470,552
Human Resources		501,927,937
Corrections		151,194,947
General Government		124,717,605
Judicial		88,506,852
Debt Service		61,723,326
Resource Development and Preservation		35,894,421
Public Safety and Regulation		37,292,549
Agriculture		19,685,534
Legislative		6,345,010
Total General Fund		\$3,244,758,733**

HIGHWAY FUND:

Construction and Maintenance	\$ 332,020,765
Administration	135,441,916
State Aid to Municipalities	31,647,049
Debt Service	30,062,040
Total Highway Fund	\$ 529,171,770
TOTAL EXPENDITURES	\$3,773,930,503

NOTES: Expenditures from special funds, from institutional earnings, from Governor's Highway Safety Program funds, from Federal Aid and for permanent improvements other than roads are excluded. Highway expenditures from Federal Aid amounted to \$138,386,227.

*Includes expenditures of \$20,480,899 for operation of the Department of Cultural Resources and expenditures of \$3,994,480 for the North Carolina School of the Arts.

**Excludes \$30,861,142 for capital improvements.

Figure 13. State of North Carolina expenditures (General Fund and Highway Fund) for the 1982 fiscal year.

Source: N.C. Department of Revenue, Raleigh, N.C.

ten-year period, the share of total General Fund expenditures going to public schools fell, and expenditures on higher education and related education activities increased.²⁰ Expenditures for public schools decreased from 51 percent of total General Fund expenditures in 1972 to 45 percent in 1982. During the same period, expenditures for higher education and related education activities increased from 18 percent to 23 percent of total General Fund expenditures (Figures 12 and 13). This change, as suggested in the previous section, reflects increased enrollment in North Carolina institutions of higher education relative to that in public schools.

In both 1972 and 1982 about 15 percent of the total expenditures from the General Fund were allocated to Human resources (Figures 12 and 13). The human resources category includes expenditures on items such as state hospitals, state schools for the blind and deaf, mental health services, and vocational rehabilitation.

Highway Fund Expenditures

Highway Fund expenditures include all expenditures for highways except for expenditures from special funds, from institutional earnings, from Federal Aid, and for permanent highway-related improvements other than roads. Expenditures for construction and maintenance made up almost 71 percent of total Highway Fund expenditures in 1972 (Figure 12) and about 63 per-

²⁰Expenditures for related education activities include those for operation of the Department of Cultural Resources and the North Carolina School of the Arts.

cent in 1982 (Figure 13). These construction and maintenance expenditures fell by about 44 percent in real terms from 1972 to 1982. Administration expenditures rose from 16 percent of total Highway Fund expenditures in 1972 (Figure 12) to 26 percent in 1982 (Figure 13).

As mentioned earlier, the amounts listed in Figures 12 and 13 exclude expenditures based on intergovernmental transfers from the federal government. Highway expenditures from Federal Aid amounted to \$112 million in 1972 and fell in real terms to \$60 million in 1982.

General Fund and Highway Fund as Proportions of Total Revenues and Expenditures

Over the 1972-1982 period the relationship between the General Fund and the Highway Fund changed with respect to both total revenues and total expenditures. Revenues accruing to the General Fund increased from 75 percent of total state revenues in 1972 to 85 percent in 1982 (Figures 10 and 11). This increase was matched by a 10 percent decline in the proportion of revenues from the Highway Fund in relation to total state revenues. One explanation for this change is that the taxes that contribute a large share to the General Fund revenues (the individual income tax, sales and use tax, and corporate income tax) are based largely on income. General Fund revenues increased as a result of increases in incomes. In contrast, most of the Highway Fund

revenue comes from the gasoline tax, a fixed amount per gallon.²¹ The quantity of gasoline sold decreased from 1972 to 1982 as gasoline prices increased, and revenues from the gasoline tax (adjusted for inflation) also decreased. Thus, the proportion of total state revenues contributed by the Highway Fund fell over the ten-year period.

General Fund expenditures increased from 74 percent of total state expenditures in 1972 to 86 percent in 1982. Correspondingly, expenditures from the Highway Fund fell by 12 percent during the same ten-year period. This decline was due largely to a real decrease in state expenditures for highway construction and maintenance.

²¹The motor fuels tax rate was increased from \$.09 per gallon to \$.12 per gallon in 1981, the first change since 1969.

COMPARISONS WITH OTHER STATES IN SOUTHEAST

There are a number of problems in comparing revenues or expenditures between states. Population and income levels influence demand for public services, and both population and income vary widely between states in the Southeast.²² In 1972, population varied from 1,978,000 in Arkansas to 7,259,000 in Florida. In 1982 it varied from 2,328,000 in Arkansas to 10,680,000 in Florida. Personal income on a per capita basis ranged from \$2,788 in Mississippi to \$3,930 in Florida in 1972 and from \$8,479 in Arkansas to \$11,095 in Virginia in 1982 (U.S. Bureau of the Census, Governmental Finances, 1971-1972 and 1981-1982). One might expect states with higher per capita incomes to have higher demands (and higher expenditures) for various public services. Hence, in comparing revenues and expenditures between states, one must consider these population and income differences.

Methods of financing individual public services vary widely from state to state. North Carolina, for example, finances a higher percentage of local school expenditures through state revenues than do other states in the Southeast. Consequently, state taxes constitute a higher proportion of total tax receipts (state and local) in North Carolina than in most other states. Similarly, local taxes, of which the property tax

²²The Southeast as defined in this study includes the 11 states of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia.

is the mainstay, are not as high in North Carolina as in several other southeastern states. The fact that state taxes (relative to local taxes) are relatively higher in North Carolina is demonstrated in Table 9. When states were ranked on the basis of state taxes expressed as a percentage of total state and local taxes, North Carolina ranked fourth and sixth highest in the southeastern in 1972 and 1982, respectively (Table 9). State taxes in all southeastern states, however, constituted a high percentage of total state and local taxes relative to the U. S. average (Table 9). The contrast between North Carolina (and other states in the Southeast) and the United States as a whole in this respect is marked. Whereas 74.4 percent of taxes in North Carolina in 1972 were collected by the state, for the United States as a whole, the comparable figure was only 55 percent. Similarly, in 1982, 72.8 percent of North Carolina taxes were collected by the state, and the comparable figure for the United States was 61 percent. It should be noted that Table 9 pertains to tax collections and does not include revenues from other sources (such as charges and fees) that provide significant amounts of revenue in many states.

Since the method of financing individual services varies widely from state to state, combined state and local revenues and expenditures provide a clearer picture of the role of government than that obtained by attempting to compare only state revenues or expenditures between states.

Table 9. Total state and local tax collections for eleven southeastern states, 1971-1972 and 1981-1982.

States	Total state tax collections		Total local tax collections		Total state and local tax collections		(1) (5) X 100	(2) (6) X 100	Rank for col. 7	Rank for col. 8
	1971-1972 (1)	1981-1982 (2)	1971-1972 (3)	1981-1982 (4)	1971-1972 (5)	1981-1982 (6)	(7)	(8)	(9)	(10)
	(millions of dollars)						(percent)			
North Carolina	1,461	3,790	503	1,415	1,964	5,205	74.4	72.8	4	6
Alabama	818	2,196	276	777	1,094	2,973	74.7	73.8	3	5
Arkansas	460	1,264	159	402	619	1,666	74.3	75.8	5	3
Florida	1,990	5,556	1,194	3,665	3,184	9,221	62.5	60.2	9	10
Georgia	1,198	3,281	635	1,886	1,833	5,167	65.3	63.5	8	8
Kentucky	861	2,491	307	639	1,168	3,130	73.7	79.6	6	1
Louisiana	1,105	3,127	457	1,506	1,562	4,633	70.7	67.5	7	7
Mississippi	588	1,462	190	431	778	1,893	75.5	77.2	2	2
South Carolina	683	1,959	219	669	902	2,628	75.7	74.5	1	4
Tennessee	887	2,146	538	1,399	1,425	3,545	62.2	60.5	10	9
Virginia	1,189	3,236	805	2,273	1,994	5,509	59.6	58.7	11	11
Southeast total	11,240	30,508	5,283	15,062	16,523	45,570	68.0	66.9		
U.S. total	59,870	162,658	48,930	103,641	108,800	266,299	55.0	61.0		

Source: U.S. Bureau of the Census, Governmental Finances, in 1971-1972 and 1981-1982.

Revenues

Per capita revenues for the eleven southeastern states for the 1972 and 1982 fiscal years are presented in Appendix Table 6.²³ North Carolina's rank among the eleven southeastern states for both 1972 and 1982 fiscal years is shown in Table 10. On a per capita basis, North Carolina ranked fifth in 1972 and sixth in 1982 (among the eleven southeastern states) in the amount of revenue derived from own sources. When intergovernmental revenue derived from the federal government is also considered, North Carolina ranked ninth in 1972 and eighth in 1982 in the amount of total general revenue measured on a per capita basis.

North Carolina taxes were slightly higher on a per capita basis in both 1972 and 1982 than was the average of all the southeastern states (Table 10). This is the case for property taxes and other kinds of taxes taken collectively. Considered separately, both property taxes and other taxes, measured on a per capita basis, were just slightly higher than the average for all southeastern states in 1972 and 1982 (Table 10). Revenue from charges, fees, etc. in North Carolina is below the southeastern average, so total general revenue derived from own sources in both 1972 and 1982 was lower than the Southeast's average--particularly in 1982. Only Florida (of the eleven southeastern states listed in Table 9) had a smaller amount

²³ General revenues do not include liquor store or insurance trust revenues.

74 Table 10. Per capita general revenues of state and local governments by source in North Carolina relative to that of other areas, 1971-1972 and 1981-1982.

Revenue Source	North Carolina				Range in		Southeast		National	
	State & local revenue		Rank among 11		Southeast		average		average	
	1971-1972	1981-1982	1971-1972	1981-1982	1971-1972	1981-1982	1971-1972	1981-1982	1971-1972	1981-1982
	(dollars)				(dollars)					
General revenue										
from own sources	472.21	1206.70	5	6	418.15-576.46	1065.12-1738.73	488.86	1493.58	648.79	1629.84
Taxes	376.58	884.87	5	5	311.61-438.58	728.88-1101.46	368.80	874.66	522.49	1175.47
Property	94.45	205.86	4	4	42.54-142.71	89.06- 323.82	90.39	197.51	202.33	361.59
Other	282.12	679.00	4	5	237.92-343.01	572.58- 966.89	278.40	677.16	320.16	813.87
Charges & miscell.										
general revenue	95.63	321.83	11	10	95.63-156.43	283.91- 637.27	120.07	399.72	126.29	454.37
Intergovernmental										
revenue from										
federal government	119.86	318.92	10	8	100.90-177.48	293.97- 411.82	142.84	349.42	150.08	383.78
Total general										
revenue	592.07	1525.62	9	8	566.21-738.11	1426.76-2107.13	631.71	1623.81	798.87	2013.62

Source: Appendix Table 6.

of intergovernmental revenue from the federal government than North Carolina during the 1972 fiscal year. In 1982, Florida, South Carolina, and Virginia received smaller amounts of intergovernmental revenue from the federal government than North Carolina.

As discussed above, average levels of personal income vary widely between states. Consequently, the lower the average level of income in a state, the heavier the tax burden necessary to achieve any given level of revenue. One way to adjust for income differences between states is to compute the revenues collected per \$1,000 of personal income (Table 11).

North Carolina ranked fifth among southeastern states in personal income on a per capita basis in both 1972 and 1982. Although per capita personal income in North Carolina was a bit larger than the Southeast's average (\$3,424 versus \$3,384) in 1972, per capita personal income in North Carolina was about \$100 below the Southeast's average (\$8,649 versus \$8,745) in 1982.

When the states were ranked according to various sources of revenues per \$1,000 personal income, North Carolina's ranking among the southeastern states changed noticeably in only a few instances. Measuring general revenue from own sources per \$1,000 personal income changed North Carolina's rank in 1972 from fifth to ninth among the 11 southeastern states (Tables 10 and 11). Measuring charges and miscellaneous general revenue per \$1,000 personal income, North Carolina's ranking in 1982

Table 11. State and local general revenues per \$1000 personal income by source in North Carolina relative to that of other areas, 1971-1972 and 1981-1982.

Revenue Source	North Carolina				Range in		Southeast		National	
	State & local rev.per		Rank among 11		Southeast		average		average	
	1971-1972	1981-1982	1971-1972	1981-1982	1971-1972	1981-1982	1971-1972	1981-1982	1971-1972	1981-1982
	(dollars)				(dollars)					
General revenue										
from own sources	139.41	137.84	9	6	136.04-178.55	128.96-178.36	148.27	143.79	157.62	153.49
Taxes	111.17	101.08	4	5	101.60-130.10	89.09-112.99	111.62	98.57	126.94	110.70
Property	27.88	23.52	6	5	13.87- 37.51	10.77- 30.49	26.97	21.97	49.15	34.05
Other	83.29	77.56	6	6	75.54-106.25	58.60- 99.19	84.64	76.60	--	76.65
Charges and										
miscellaneous										
general revenue	28.23	42.79	10	6	27.65- 48.45	33.70- 65.37	36.64	45.77	30.68	42.79
Intergovernmental										
revenue from										
federal government	35.38	36.43	9	9	26.52- 64.02	27.68- 55.37	44.06	40.07	36.46	36.14
Total general										
revenue	174.78	174.27	10	8	167.70-233.69	156.65-216.16	192.34	183.86	194.08	189.63

Source: Appendix Table 7.

changed from tenth to sixth (Tables 10 and 11). Tables 10 and 11 demonstrate that North Carolina was somewhat below the Southeast's average in terms of revenues received from the federal government in both 1972 and 1982. Distribution of income may also affect the "revenue burdens" between (or within) states.

In contrasting revenue burdens by computing taxes or other revenues per \$1,000 personal income, there is an implicit assumption that when the level of personal income is the same for two states, distribution of income is also the same. Even if the average level of income is the same in two states but a higher percentage of individuals are in lower income brackets in one state, any given revenue per \$1,000 personal income will represent a higher ratio of taxes to income for low income taxpayers unless taxes and other revenues are progressive. Since many taxes are regressive (most notably general sales taxes), the ratios of revenues to personal income presented in Appendix Table 7 may understate the tax burden in states such as North Carolina, which have high percentages of taxpayers in low income brackets.²⁴ For example, North Carolina (when compared with other southeastern states) in 1972 had the second highest percentage of federal income tax taxpayers with adjusted gross incomes of less than \$5,000 (U.S. Treasury Department, 1972).

²⁴ Note that there is no way to make valid comparisons of tax burdens between individuals. The "revenue burden" as conventionally defined assumes that taxes affect all individuals in the same way and that these effects are interpersonally comparable.

The mix of state taxes varies greatly between states. Compared to most other states in the Southeast, North Carolina relies more heavily on income taxes (both individual and corporation) and somewhat less on sales and gross receipts taxes as sources of revenue (Appendix Table 8). On a per capita basis, individual income taxes were higher in North Carolina than in all other southeastern states except Virginia in both 1972 and 1982 (Table 12). North Carolina had the highest per capita corporation income tax in the Southeast in 1972 and the second highest in the Southeast in 1982 (Table 12). North Carolina total state tax collections were higher than those of most other southeastern states in both 1972 and 1982.

Expenditures

Per capita state and local expenditures for most functions in North Carolina were slightly lower than the average for the Southeast in 1972 and 1982 (Table 13). A notable exception was higher education. Per capita spending on higher education in North Carolina was higher than that of any state in the Southeast in both 1972 and 1982. In contrast, North Carolina had the smallest per capita expenditure on interest on the general debt. North Carolina's rank among the eleven southeastern states for expenditures on health and hospitals and financial administration changed the most notably from 1972 to 1982. North Carolina ranked eighth in per capita expenditures on health and hospitals in 1972; by 1982 this ranking had increased to third. Over the ten-year period, North Carolina's rank with respect to per capita

Table 12. Per capita state tax collections by source for eleven southeastern states, 1971-1972 and 1981-1982.

State	Taxes		Sales and gross receipts tax		License tax		Individual income tax		Corporation income tax		Property tax ^a		Death and gift tax		Severance tax		Document and stock transfer		Other	
	71-72	81-82	71-72	81-82	71-72	81-82	71-72	81-82	71-72	81-82	71-72	81-82	71-72	81-82	71-72	81-82	71-72	81-82	71-72	81-82
(dollars)																				
North																				
Carolina	280.18	674.11	151.41	295.18	25.76	49.60	69.39	259.39	23.68	51.29	5.47	10.38	4.45	8.07	b	0.20	b	b	b	b
Alabama	232.95	595.43	160.56	352.37	19.04	30.36	33.90	141.50	9.37	34.01	7.22	13.55	0.99	2.33	0.86	19.62	0.97	1.68	b	b
Arkansas	232.44	577.17	150.34	304.89	23.22	48.50	35.46	167.53	15.95	37.50	0.54	1.97	0.67	3.12	2.51	12.25	0.57	1.13	3.14	b
Florida	275.01	588.24	213.80	453.20	33.76	41.96	b	b	3.83	35.10	10.91	12.41	4.31	7.50	0.30	13.03	12.20	25.03	b	b
Georgia	253.82	619.01	169.50	315.19	12.06	18.91	50.82	237.08	18.84	42.19	0.85	2.52	1.45	2.10	b	b	b	0.90	0.27	0.13
Kentucky	260.96	707.24	166.59	322.73	15.59	35.72	47.39	175.91	16.33	46.78	8.63	55.27	4.26	10.42	1.80	60.19	0.33	0.22	b	b
Louisiana	297.07	683.31	149.82	307.76	21.35	44.63	28.32	52.02	21.37	72.92	7.82	197.29	2.66	0.62	65.71	8.06	b	b	b	b
Mississippi	259.93	599.50	199.13	398.94	16.84	47.14	24.15	78.41	10.14	26.82	1.92	0.36	1.47	3.14	6.26	44.69	b	b	b	b
South																				
Carolina	256.22	660.41	170.25	356.69	13.52	27.92	47.92	224.71	19.56	40.07	0.76	2.71	2.45	4.89	b	b	1.67	3.50	b	b
Tennessee	220.15	481.73	154.49	365.46	33.54	46.09	3.37	11.18	19.12	43.72	b	b	6.69	7.95	b	0.73	2.08	4.71	0.66	1.87
Virginia	249.53	645.63	126.89	267.44	20.10	38.71	76.69	287.57	16.29	34.01	3.02	0.25	3.39	6.66	0.11	3.31	2.96	6.91	0.04	0.77
Southeast average	256.20	621.07	164.79	339.98	21.34	39.04	41.74	163.53	15.86	42.21	4.71	29.67	2.98	5.16	11.07	18.00	2.96	5.51	1.02	0.92
U.S. average	288.35	739.72	160.17	361.90	25.87	45.98	62.61	214.91	21.21	56.77	6.22	14.16	6.22	10.98	3.65	31.93	2.43	2.92	0.07	0.16

^a State, not local, property taxes.^b Not applicable.

Note: Figures may not add to totals due to rounding.

Source: U.S. Bureau of the Census, State Government Tax Collections in 1972 and 1982.

Table 13. Per capita state and local general governmental expenditures by function in North Carolina relative to that of other areas, 1971-1972 and 1981-1982.

Functions	North Carolina				Range in		Southeast		National	
	State & local expenses		Rank among 11		Southeast		average		average	
	1971-1972	1981-1982	1971-1972	1981-1982	1971-1972	1981-1982	1971-1972	1981-1982	1971-1972	1981-1982
	(dollars)						(dollars)			
Education-total	240.40	640.74	7	4	200.44-275.86	475.05-699.61	242.80	590.69	311.60	682.30
Local schools	152.37	403.83	8	5	131.45-194.03	307.17-475.60	163.19	385.35	219.27	468.34
Higher education	76.80	213.32	1	1	52.66- 76.80	128.45-213.32	64.58	170.02	76.57	183.28
Other education	11.23	23.59	9	8	10.42- 24.29	16.77- 58.60	15.01	35.33	15.76	30.68
Highways	78.22	106.15	9	10	64.50-128.62	70.69-211.94	79.82	148.40	91.29	152.48
Public welfare	55.72	141.35	9	11	36.55- 84.64	125.50-207.52	65.72	163.90	101.19	248.32
Health & hospitals	43.20	156.61	8	3	35.73- 89.88	99.44-326.17	56.89	191.84	61.79	177.70
Police protection	17.58	51.70	5	5	12.17- 28.52	37.09- 88.49	17.72	54.04	28.70	72.66
Fire protection	6.18	17.98	7	7	4.46- 10.00	12.62- 31.51	6.92	21.05	12.37	30.57
Sewerage	8.14	15.99	8	10	4.42- 18.03	9.20- 55.11	9.26	28.54	15.19	47.66
Parks and recreation	4.61	50.25	7	5	2.05- 13.72	38.73- 92.26	6.49	53.44	11.16	61.45
Financial										
administration	10.31	20.31	3	9	6.30- 13.07	19.15- 37.60	9.05	28.02	11.91	35.40
General control	10.51	32.01	6	6	7.74- 18.33	23.09- 51.23	10.93	35.64	16.36	48.08
Interest on debt	12.80	41.49	11	11	12.80- 37.05	41.49-124.34	23.33	65.51	28.66	88.15
Other general expenditures	69.67	103.42	9	6	54.13-101.48	75.71-194.34	74.16	111.02	103.67	159.54

Source: U.S. Bureau of the Census, Governmental Finances in 1971-1972 and 1981-1982.

expenditures on financial administration changed from third to ninth.

Debt

One factor influencing the method of financing public services is the amount of debt. Governments usually borrow to finance capital facilities. In this way, state and local governments can obtain additional funds without raising taxes in the current period. The most common form of state and local debt consists of bonds where obligations are created against future tax revenues. That is, when a state or local government borrows, taxpayers incur tax liabilities that must be met in the future. Consequently, as the amount of debt increases, a larger and larger amount of current revenue is required to finance the debt. State and local debts are often held externally i.e., not by borrowers residing in the jurisdiction.

The per capita amount of total debt (state and local) at the end of the 1972 fiscal year in North Carolina was \$103.23. Compared with other states in the Southeast, only Arkansas and Virginia had smaller per capita total debts in 1972. By 1982, the per capita total debt in North Carolina in real terms had increased five-fold--to \$568.82. However, this amount was well below the average real per capita debt in the Southeast for 1982, which was \$707. Of the southeastern states, only Mississippi had a smaller amount of per capita debt than North Carolina in 1982.

OFF-BUDGET SPENDING IN NORTH CAROLINA

In addition to the on-budget expenditures already discussed, there are off-budget spending activities that must be considered to obtain a more complete picture of state and local government fiscal trends in North Carolina. Off-budget activities are those that do not appear in the budget of any government unit. Off-budget spending in North Carolina began with the passage of the Revenue Bond Act of 1938. This act permitted counties and municipalities to issue revenue bonds and engage in off-budget activities by pledging the revenues created by those activities to repay the revenue bonds.

Procedures related to applying for and issuing revenue bonds were more carefully outlined by the Local Government Revenue Bond Act of 1973. The 1973 act also specified projects that could be financed by revenue bonds. These included water systems or facilities, sewer disposal systems or facilities, electric or gas systems or facilities, solid waste systems or facilities, public transportation systems, parking facilities, aeronautical facilities, marine facilities, hospitals, auditoriums, gymnasiums, stadiums, convention centers, and recreational facilities (Lawrence, 1979, p.59).

North Carolina has experienced a dramatic increase in off-budget spending since the mid-1970s due to several factors. In 1976, two amendments to the North Carolina Constitution concerning revenue bonds were ratified. One amendment authorized the General Assembly to enact general laws enabling the state and

local governments to issue revenue bonds to finance or refinance health care facilities. The other allowed the General Assembly to enact laws enabling state and local government units to issue revenue bonds to finance pollution control facilities for industry and public utilities (Sanders, 1977). The state and many local governments began to issue revenue bonds for these particular activities after passage of the 1976 amendments.

Some of the increase in off-budget activity also arose from the "tax revolt" that swept through the United States in the 1970s. In response to pressure from taxpayers, the Congress and state legislatures became concerned about levels of taxation and public expenditures. As a result, off-budget spending became a popular means of avoiding constitutional prohibitions against deficit spending and a way to finance projects without raising taxes. In North Carolina, revenue bonds are exempt from the "two-thirds limitation." This borrowing limitation requires a governmental unit to obtain voter approval when increasing debt by more than two-thirds the amount by which the unit reduced its outstanding indebtedness in the preceding year (Lawrence, 1979,p.37).

Off-Budget Enterprises

Off-budget activities are performed by entities known as "off-budget enterprises." Off-budget enterprises (OBEs) are separate corporate entities created by state or local governments that can issue bonds not subject to the legal restrictions placed on public debt. These entities may be called agencies,

authorities, boards, commissions, corporations, districts, or trusts. Off-budget enterprises have the following characteristics: (1) their operations are not financed from taxes but from revenues generated by their activities, (2) taxpayers are not liable for their financial obligations and voter approval is not required for the debt issued by an OBE, and (3) the financial activities of an OBE do not appear in the budget of the government unit or units that created it.

An example of an off-budget enterprise would be a toll bridge financed by a revenue bond, where the tolls collected during the operation of the bridge are pledged to repay the debt. Another example is a water authority formed to provide water for a local area. Bonds are issued to purchase several local water companies, with revenue from operation of the water companies pledged to repay the debt.

Growth of Off-Budget Activity in North Carolina

State Government

There has been a marked increase in the amount of off-budget spending in North Carolina since the mid-1970s at both the state and local levels of government. Table 14 shows guaranteed and nonguaranteed long-term state gross debt outstanding in North Carolina for selected years. Guaranteed or "full faith and credit" debt must be approved by taxpaying voters in a referendum and an increase in taxes, if needed, guarantees repayment of the principal and interest. "Nonguaranteed" debt, as in the case of that incurred through the sale of revenue bonds, carries with it

Table 14. State gross long-term debt by character, North Carolina, selected years.

Type of debt	1971	1977 (deflated)	1979 (deflated)	1981 (deflated)	1984 (deflated)	Percent change from 1971 to 1984 in real terms
(thousands of dollars)						
Total gross long term debt	516,449	533,781	591,166	579,905	1,963,612	280.2
Full faith and credit	415,561	418,713	348,634	333,835	343,041	-17.3
Nonguaranteed	100,888	115,067	242,531	246,069	1,620,571	1506.31
Nonguaranteed as percent of total	19.5	21.6	41.0	42.4	82.5	

Source: U.S. Bureau of the Census, State Government Finances various issues and and N.C. Department of Treasury, Annual Report, Fiscal Years 1976-77, 1978-79, 1983-84.

no certain assurance enforceable in court that repayment of the debt will be forthcoming from tax increases (Bennett and DiLorenzo, p.41).

There was a dramatic increase in the relative importance of nonguaranteed state debt from 1971 to 1984. In 1971, nonguaranteed debt constituted 19.5 percent of the total state long-term debt in North Carolina (Table 14). Thirteen years later in 1984, this proportion was 82.4 percent. Over the thirteen-year period from 1971 to 1984, the amount of state guaranteed long-term debt in real terms decreased by 17.3 percent whereas nonguaranteed debt was sixteen times higher in 1984.

What types of spending by state agencies are being financed by revenue bonds? Table 15 shows the dollar amounts and types of revenue bond and other indebtedness of North Carolina state authorities and institutions in 1978 and 1984, respectively. In 1984, the total amount of revenue bonds and other indebtedness of North Carolina state authorities and institutions adjusted for inflation was almost eleven times higher than in 1978 (Table 15). The number of state off-budget enterprises increased from 20 to 24 over the six-year period, and the mix of these enterprises included fewer universities and more state-created authorities, agencies, etc. in 1984 than in 1978. State schools and universities were responsible for approximately 46 percent of the total dollar amount of state revenue bonds in 1978 but for only about 4 percent of the total dollar amount of state revenue

Table 15. Revenue bonds and other indebtedness of North Carolina state authorities and institutions, 1978 and 1984.

Authority or Institution	1978	Amount 1984 (deflated)	Percent change
	(millions of dollars)		
State schools and universities	109.6	102.2	-6.8
State Education Assistance Authority	43.0	48.4	12.6
State Ports Authority	11.4	6.7	-41.2
North Carolina Housing Finance Agency	16.2	276.8	1608.6
North Carolina Medical Care Commission	57.5	187.0	225.2
North Carolina ABC Commission	--	3.3	--
North Carolina Department of Administration (Agriculture Bonds)	--	1.0	--
North Carolina Eastern Municipal Power Agency	--	1,021.4	--
North Carolina Municipal Power Agency No. 1	--	963.0	--
Total	237.7	2,610.8	998.4

Source: North Carolina Department of State Treasurer, Annual Report, fiscal years 1977/1978 and 1983/1984.

bonds indebtedness in 1984 (Table 15). The dramatic increase in nonguaranteed state debt from 1978 to 1984 can be attributed to four agencies--the two municipal power agencies, the N. C. Finance Agency and the N. C. Medical Care Commission. These four agencies accounted for 94 percent of the total amount of revenue bond indebtedness at the state level in 1984.

Local Governments

Table 16 shows the amounts of "full faith and credit" and nonguaranteed long-term debt by local governments in North Carolina for the years 1976 through 1984. These data demonstrate the dramatic increase in off-budget activity at the local level in North Carolina since the mid-1970s. During the eight-year period 1976-1984, the amount of guaranteed long term local debt in real terms increased by 78.7 percent, whereas nonguaranteed debt increased by 605.5 percent. The amount of nonguaranteed long-term local government debt in North Carolina expressed as a percentage of the total long-term local debt increased from only about 21 percent in 1976 to almost 51 percent in 1984. This means that in 1984, just slightly less than half of all long-term local debt in North Carolina was guaranteed by taxes.

Nonguaranteed debt at the local level consists of industrial revenue bonds and general revenue bonds. In 1984, industrial revenue bonds constituted 85 percent of nonguaranteed debt.

As of 1984, 96 counties had formed industrial financing authorities for issuing tax-exempt industrial revenue bonds to finance private business. The backing for industrial revenue

Table 16. North Carolina long-term local government debt by type, selected years.

Type of Debt	1976	Deflated Figures							Percent change from 1976
		1977	1978	1979	1980	1981	1982	1984	to 1984 in real terms
(millions of dollars)									
Total	1,670.0	1,598.6	1,564.1	1,705.6	1,973.8	2,075.8	2284.7	4,816.0	188.4
Full faith and credit	1,322.2	1,249.6	1,173.5	1,081.5	1,101.9	1,087.3	1085.9	2,362.4	78.7
Nonguaranteed	347.8	348.97	390.52	624.1	871.83	988.5	1198.8	2,453.6	605.5
Nonguaranteed as percent of total	20.8	21.8	24.9	36.6	44.2	47.6	52.4	50.9	

Source: U.S. Bureau of the Census, Governmental Finances, various issues, and N.C. Department of Treasurer, Annual Report, fiscal year 1983/1984.

bonds is the credit of the borrowing firm and revenue from projects financed and operated by the firm. Since interest income from these bonds is tax exempt, private business can borrow at below-market interest rates. Industrial revenue bond financing has been used by many companies in North Carolina both large and small--especially during the past five years.

Burlington Industries, Weyerhaeuser Company, Phillip Morris, Inc., Monsanto Co., Black and Decker, Georgia-Pacific Corp., and Campbell Soup Company are some of the better known firms that have financed operations in North Carolina through industrial revenue bonds.

Revenue bonds also have been used by North Carolina counties, cities, districts, and authorities. In 1984, about 60 percent of the revenue bond indebtedness was incurred by counties and cities, with most of the remainder incurred by "authorities."

Revenue bonds (non-industrial) at the local level are used primarily for three types of activities--hospital, airports, and water and sewer facilities. These types of facilities accounted for 52, 37, and 8 percent, respectively, of outstanding revenue bond indebtedness at the local level in 1984.

From the taxpayer's perspective, nonguaranteed debt is no less important than full faith and credit debt. Although the same legal commitment is not explicitly made for nonguaranteed bonds, there is an implied commitment. If the revenues from an off-budget activity are not sufficient to repay a revenue bond,

then subsidies and grants, which are funded by taxes, are likely to be used to avoid default (Bennett and DiLorenzo, p.45).

State and Local Debt in North Carolina

Table 17 shows amounts of combined state and local government debt in North Carolina in 1978 and 1984, respectively. Total state and local indebtedness from 1978 to 1984 increased by 160 percent in real terms. However, there was a pronounced change in the mix of the debt. Guaranteed debt, total general obligations, in real terms, fell by about 22 percent from 1978 to 1984. Nonguaranteed debt, however, increased by 920 percent during this six-year period.

Revenue bonds accounted for 15 percent of combined state and local debt in North Carolina in 1978 (Table 17). In 1984, non-industrial revenue bonds constituted approximately 51 percent of combined state and local debt in North Carolina (Table 17). It became legal for state and local units to issue industrial revenue bonds in late 1976, but few were issued until the late 1970s. Industrial revenue bonds constituted 43 percent of total local debt and 18 percent of combined state and local total debt in 1984 (Table 17). Consequently, state and local revenue bonds of all types constituted almost 70 percent of total state and local debt. Non-guaranteed state and local debt thus increased from 15 percent of total indebtedness in 1978 to almost 70 percent in 1984.

The data in Table 17 reflect a pronounced change in the means of financing government activities in North Carolina. The

Table 17. Summary of North Carolina state and local government debt 1978 and 1984.

Government unit	Total general obligation		Industrial revenue bonds	Other revenue bonds		Total indebtedness		
	1978	1984	1984	1978	1984	1978	1984	1984 (Deflated)
	(millions of dollars)							
State	671.2	879.2	--	1.8	--	673.0	879.2	565.4
State authorities and institutions	--	--	--	237.7	4,153.5	237.7	4,153.5	2,671.1
State total	671.2	879.2	--	239.5	4,153.5	910.7	5,032.7	3,236.5
Counties	706.7	817.6	--	104.9	128.7	811.6	946.3	608.5
Cities	743.3	911.9	--	9.8	46.1	753.1	958.0	616.1
Districts and authorities	33.1	69.2	1,598.2	17.9	113.0	51.0	1,780.5	1,145.0
Local total	1,483.1	1,798.7	1,598.2	132.6	287.8	1,615.7	3,684.5	2,369.5
Total state and local	2,154.3	2,677.9	1,598.2	372.1	4,441.3	2,526.4	8,717.5	5,606.3

Source: North Carolina Department of State Treasurer, Annual Report, fiscal years 1977-1978 and 1983-1984.

rapid increase in off-budget spending makes it important to consider this type of spending when analyzing fiscal trends of state and local governments in North Carolina.

Appendix Table 1. State government finances, revenue by source, North Carolina, 1972 and 1982 (fiscal years).

Revenue source	Amount		1982 Amount adjusted for inflation ^a	Percent change	Per capita amount ^b		1982 Per capita amt. adj. for inflation	Percent change 1972-1982
	1972	1982			1972	1982		
	(thousands of dollars)				(dollars)			
Taxes--total	1,460,869	3,790,035	1,650,039	12.90	280.18	644.34	280.52	.12
Total sales & gross receipts	789,453	1,673,132	728,419	- 7.73	151.41	284.45	123.84	- 18.2
General sales and gross receipts	325,417	779,512	339,370	4.28	62.41	132.52	57.69	- 7.56
Selective sales and gross receipts	464,036	893,620	389,049	- 16.15	89.00	151.92	66.14	- 25.68
Motor fuels	245,884	372,159	162,024	- 34.10	47.16	63.27	27.55	- 41.58
Alcoholic beverages	71,032	115,728	50,384	- 29.06	13.62	19.67	8.56	- 37.15
Tobacco products	18,891	18,278	7,958	- 57.87	3.62	3.11	1.35	- 62.70
Insurance	35,481	93,239	40,593	14.40	6.81	15.85	6.90	1.32
Public utilities	73,556	272,333	118,564	61.18	14.11	46.29	20.15	42.80
Other	19,192	21,883	9,527	- 50.35	3.68	3.72	1.62	- 55.97
License taxes	134,330	286,649	124,796	- 7.09	25.76	48.73	21.22	- 17.62
Motor vehicles	72,839	138,495	60,296	- 17.22	13.97	23.55	10.25	- 26.62
Motor vehicle operators	4,870	21,646	9,424	93.51	.93	3.68	1.60	72.04
Corporations in general	24,163	64,507	28,084	16.22	4.63	10.97	4.77	3.02
Public utilities	5	--	--	--	--	--	--	--
Alcoholic beverages	380	1,722	749	97.10	.07	.29	.126	80.00
Amusements	1,164	2,496	1,087	- 6.61	.22	.42	.182	- 17.27
Occupations and businesses	26,449	48,372	21,059	- 20.37	5.07	8.22	3.58	- 29.38
Hunting and fishing	4,180	8,262	3,596	- 13.97	.80	1.40	.610	- 23.75
Other	280	1,149	500	78.57	.05	.20	.087	74.00
Individual income taxes	361,816	1,449,370	631,001	74.39	69.39	246.41	107.28	54.60
Corporation net income taxes	123,502	277,460	120,796	- 2.19	23.69	47.17	20.53	- 13.33
Property taxes	28,551	56,871	24,759	- 13.28	5.48	9.67	4.21	- 23.17
Death and gift taxes	23,215	45,336	19,738	- 14.97	4.45	7.71	3.36	- 24.49
Severance	--	1,217	530	--	--	--	--	--
Other taxes	2	--	--	--	--	--	--	--
Intergovernmental revenue--total	567,047	1,536,436	668,907	17.96	108.75	261.21	113.72	4.57
From federal government--total	557,196	1,432,835	623,803	11.95	106.87	243.59	106.05	- .76
Education	208,916	393,955	171,513	- 17.90	40.07	66.98	29.16	- 27.22
Highways	112,245	175,017	76,196	- 32.11	21.53	29.75	12.95	- 39.85
Public welfare	171,123	593,403	258,345	50.97	32.82	100.88	43.92	33.82
Health and hospitals	19,505	68,361	29,762	- 52.58	3.74	11.62	5.06	35.29
Natural resources	12,116	34,421	14,986	23.68	2.32	5.85	2.55	9.91
Employment Security Administration	16,327	32,441	14,124	- 13.49	3.13	5.51	2.40	- 23.31
Other	16,964	135,237	58,877	247.00	3.25	22.99	10.00	207.69

Appendix Table 1. (continued).

Revenue source	Amount		1982 amount adjusted for inflation ^a	Percent change	Per capita amount ^b		1982 per capita amt. adj. for inflation	Percent change 1972-1982
	1972	1982			1972	1982		
	(thousands of dollars)				(dollars)			
From local governments--total	9,851	103,601	45,104	357.00	1.89	17.61	7.66	305.29
Education	3,001	4,609	2,007	- 33.12	.58	.78	.34	- 41.37
Highways	2,838	827	360	- 87.31	.54	.14	.06	- 88.88
Public welfare	1,044	95,094	41,400	3865.00	.20	16.17	7.03	3415.00
Health and hospitals	305	127	55.29	- 81.87	.06	.02	.008	- 86.66
Other	2,663	2,944	1,282	- 51.85	.51	.50	.22	--
Total charges and misc. general revenue	240,972	797,023	346,994	43.99	46.22	135.50	58.99	27.62
Current charges--total	185,792	562,585	244,928	31.82	35.63	95.65	41.64	16.86
Education	130,506	336,767	146,616	12.34	25.03	57.25	24.92	- .43
Highways	426	1,575	686	61.03	.08	.27	.12	.5
Hospitals	32,652	147,834	64,361	97.11	6.26	25.13	10.94	74.76
Natural resources	4,236	12,993	5,657	33.54	.81	2.21	.96	18.51
Water transport and terminals	4,625	17,055	7,425	60.54	.90	2.90	1.26	40.00
Parks and recreation	--	872	379	--	--	.15	.065	--
Misc. commercial activities	119	--	--	--	.02	--	--	--
Other	13,228	45,499	19,808	49.74	2.54	7.74	3.37	32.67
Miscellaneous general revenue	55,180	234,438	102,065	84.96	10.58	39.86	17.35	63.98
Total general revenue	2,268,888	6,123,494	2,665,939	17.49	435.14	1041.05	453.23	4.15
Other revenues								
Insurance trust revenues--total all systems	228,009	1,004,840	437,469	91.86	43.72	170.83	74.37	70.11
Employee retirement	162,604	723,375	314,930	93.67	31.19	122.98	53.54	71.65
Unemployment Compensation	65,182	280,734	122,221	87.50	12.50	47.73	20.78	66.24
Workman's Compensation	223	731	318	42.60	.04	.12	.05	25.00
Total revenue	2,496,897	7,128,334	3,103,409	24.29	478.88	1,211.89	527.61	10.17

^a All figures reported in real terms adjusted for inflation by the ratio of the 1972 to the 1982 CPI.^b Per capita figures based on 1972 N.C. population estimate of 5,214,037 and 1982 N.C. population estimate of 5,882,042.Source: U.S. Bureau of the Census, State Government Finances, 1972 and 1982.

96 Appendix Table 2. State tax collections by source, as a percent of total state tax collections, 1972 and 1982 (fiscal years).

Type of tax	1972		1982	
	Amount (thousands of dollars)	Percent of total	Amount (thousands of dollars)	Percent of total
Taxes--total	1,460,869	100.00	3,790,035	100.00
Total sales and gross receipts	789,453	54.04	1,673,132	44.15
General sales & gross receipts	325,417	22.28	779,512	20.57
Selective sales and gross receipts	464,036	31.76	893,620	23.58
Motor fuels	245,884	16.83	372,159	9.82
Alcoholic beverages	71,032	4.86	115,728	3.05
Tobacco products	18,891	1.29	18,278	.48
Insurance	35,481	2.43	93,239	2.46
Public utilities	73,556	5.04	272,333	7.19
Other--soft drinks	19,192	1.31	21,883	.58
License taxes	134,330	9.20	286,649	7.56
Motor vehicles	72,839	4.99	138,495	3.65
Motor vehicle operators	4,870	.33	21,646	.57
Corporations in general	24,163	1.65	64,507	1.70
Public utilities	5	.0003	--	--
Alcoholic beverages	380	.03	1,722	.05
Amusements	1,164	.08	2,496	.07
Occupations and businesses	26,449	1.81	48,372	1.28
Hunting and fishing	4,180	.29	8,262	.22
Other	280	.02	1,149	.03
Individual income taxes	361,816	24.77	1,449,370	38.24
Corporation net income taxes	123,502	8.45	277,460	7.32
Property taxes	28,551	1.95	56,871	1.50
Death and gift taxes	23,215	1.59	45,336	1.20
Other taxes	2	.00014	1,217	.03

Note: Figures may not add to totals due to rounding.

Source: U.S. Bureau of the Census, Governmental Finances in 1971-1972 and 1981-1982.

Appendix Table 3. State government finances, expenditures by function, North Carolina, 1972 and 1982 (fiscal years).

Type of expenditure	Amount		1982 amount adjusted for inflation ^a	Percent change	Per capita		1982 Per capita amt. adj. for inflation	Percent change
	1972	1982			1972	1982		
	(thousands of dollars)				(dollars)		(dollars)	
General expenditures--total	2,189,450	6,180,301	2,690,671	22.89	419.92	1,050.71	457.43	8.93
Education--total	1,104,684	3,030,321	1,319,288	19.42	211.87	515.19	224.29	5.86
Intergovernmental expenditures	708,466	1,879,236	818,148	15.48	135.88	319.49	139.09	2.36
Total direct expenditures	396,218	1,151,085	501,139	26.48	75.99	195.70	85.20	12.12
State institutions of higher education	326,725	981,958	427,507	30.84	62.66	166.94	72.67	15.97
Current operation	298,560	880,188	383,200	28.34	57.26	149.64	65.14	13.76
Capital outlay	28,165	101,770	44,306	57.30	5.40	17.30	7.53	39.44
Local schools	10,914	30,397	13,233	21.24	2.09	5.17	2.25	7.65
Other education	58,579	138,730	60,397	3.10	11.23	23.59	10.27	- 8.54
Highways--total	370,310	555,696	241,929	- 34.66	71.02	94.47	41.12	- 42.10
Intergovernmental expenditures	12,524	41,777	18,188	45.22	2.40	7.10	3.09	28.75
Total direct and other expenditures	357,786	513,919	223,741	- 37.46	68.62	87.37	38.03	- 44.57
Hospitals--total	119,768	353,433	153,871	28.47	22.97	60.09	26.16	13.88
Intergovernmental expenditures	5,489	11,535	5,021	- 8.52	1.05	1.96	.85	- 19.04
Total direct expenditures	114,279	341,898	148,849	30.25	21.92	58.13	25.30	15.41
Public welfare--total	244,783	790,161	344,006	40.53	46.95	134.33	58.48	24.55
Intergovernmental expenditures	150,380	118,116	51,423	- 65.80	28.84	20.08	8.74	- 69.69
Total direct and other expenditures	94,403	672,045	292,583	209.92	18.11	114.25	49.74	174.65
Health	27,887	189,565	82,529	195.94	5.35	32.23	14.03	162.24
Police protection	25,394	64,098	27,905	9.88	4.87	10.90	4.74	- 2.66
Corrections--total (direct expenditure)	47,850	217,702	94,779	98.07	9.18	37.01	16.11	75.49
Current operation	44,510	175,794	76,534	71.94	8.54	29.89	13.01	52.34
Capital outlay	3,152	37,088	16,146	412.24	.60	6.31	2.74	356.66
Sewerage	--	38,478	16,751	--	--	6.54	2.84	--
Natural resources--total	53,843	150,316	66,441	23.39	10.13	25.56	11.12	9.77
Agriculture	32,667	20,903	9,100	- 72.14	6.27	3.55	1.54	- 75.43
Fish and game	6,626	15,754	6,858	3.50	1.27	2.68	1.16	- 8.66

Type of expenditure	Amount		1982 Amount adjusted for inflation	Percent change	Per capita		1982 Per capita amt. adj. for inflation	Percent change
	1972	1982			1972	1982		
	(thousands of dollars)				(dollars)		(dollars)	
Natural resources (cont.)								
Forestry and parks	11,023	20,903	9,100	- 17.44	2.11	3.55	1.54	- 27.01
Other	3,527	--	--	--	.68	--	--	--
Parks and recreation	--	29,576	12,876	--	--	5.03	2.18	--
Employment Security Administration	15,292	32,022	13,941	- 8.83	2.93	5.44	2.36	- 19.45
Financial administration	28,143	52,968	23,060	- 18.06	5.40	9.01	3.92	- 27.40
General control	31,858	97,412	42,409	33.11	6.11	16.56	7.20	17.83
Judicial	21,253	73,287	31,906	50.12	4.08	12.46	5.42	32.84
Legislative	1,394	6,782	2,929	110.11	.27	1.15	.50	85.18
Other	9,211	17,343	7,550	- 18.03	1.77	2.95	1.28	- 27.68
Housing and urban renewal		14,190	6,177	--	--	2.41	1.04	--
Airports	108	3,336	1,452	1244.44	.02	.57	.24	1100.00
Water transport and terminals	4,971	15,089	6,569	31.34	.95	2.57	1.11	16.84
Miscellaneous commercial activities	85	--	--	--	.02	--	--	--
Protective inspection and regulation	9,810	29,200	12,712	29.58	1.88	4.96	2.15	14.36
General public buildings	7,329	14,581	6,348	- 13.38	1.41	2.48	1.07	- 4.96
Veterans services	840	1,839	800	- 4.76	.16	.31	.13	- 18.75
Libraries	4,889	9,805	4,268	- 12.70	.94	1.67	.72	- 23.40
Interest on general debt	19,130	124,329	54,128	182.94	3.67	21.14	9.20	150.68
Other general expenditures--total								
Intergovernmental expenditures	56,603	232,069	101,034	78.49	10.86	39.45	17.17	58.10
Current operation	14,602	134,115	58,388	299.86	2.80	22.80	9.92	254.28
Capital outlay	1,271	--	--	--	.24	--	--	--
Insurance trust expenditures	97,980	670,402	291,876	197.89	18.79	113.97	49.61	164.02
Total expenditures	2,287,430	6,850,703	2,982,547	30.38	438.71	1164.68	507.05	15.57

Note: Figures may not add to totals due to rounding.

Source: U.S. Bureau of the Census, State Government Finances in 1972 and 1982.

Appendix Table 4. Local government expenditures by function, North Carolina, 1972 and 1982 (fiscal years).

Type of expenditure	Amount		1982 amount Adjusted for inflation	Percent charge	Per capita		1982 per capita amt. adj. for inflation	Percent change
	1972	1982			1972	1982		
	(millions of dollars)				(dollars)		(dollars)	
General expenditures--total	1,699.1	4,931.1	2,146.81	26.34	325.85	844.42	367.62	12.81
Education--total	857.3	2,617.7	1,139.64	32.93	164.42	445.04	193.75	17.83
Local schools	783.6	2,345.0	1,020.92	30.28	150.29	398.67	173.56	15.48
Institutions of higher education	73.7	272.8	118.76	61.13	14.13	46.38	20.19	42.88
Libraries	--	34.2	14.88	--	--	5.81	2.52	--
Highways	50.1	110.4	48.06	- 4.07	9.61	18.77	8.17	- 14.98
Public welfare	196.2	159.4	69.39	- 64.63	37.63	27.10	11.79	- 68.66
Health and hospitals	95.1	487.8	212.36	123.30	18.24	82.93	36.10	97.91
Police protection	66.8	240.0	104.48	56.40	12.81	40.80	17.76	38.64
Fire protection	32.3	105.8	46.06	42.60	6.19	17.99	7.83	26.49
Sewerage	42.5	94.0	40.92	- 3.71	8.15	15.98	6.95	- 14.72
Sanitation other than sewerage	31.5	115.4	50.24	59.49	6.04	19.62	8.54	41.39
Local parks and recreation	24.1	117.4	51.11	112.07	4.62	19.96	8.68	87.87
Financial administration	25.6	66.5	28.95	13.08	4.91	11.30	4.91	0
General control	23.0	90.9	39.57	72.04	4.41	15.45	6.72	52.38
Interest on general debt	47.6	119.7	52.11	9.47	9.13	20.35	8.85	- 3.06
Airports	--	43.6	18.98	--	--	7.41	3.22	--
Housing and urban renewal	--	204.0	88.81	--	--	34.68	15.09	--
General public buildings	--	58.5	25.46	--	--	9.95	4.33	--
Other general expenditure	207.0	265.7	115.67	- 44.12	39.70	45.17	19.66	- 50.47

Note: Figures may not add to totals due to rounding.

Source: U.S. Bureau of the Census, Governmental Finances in 1971-1972 and 1981-82.

Appendix Table 5. State and local government expenditures by function, North Carolina, 1972 and 1982.

Type of expenditure	Amount		1982 Amount adjusted for inflation	Percent change	Per capita amount		1982 Per capita amt. adj. for inflation	Percent change
	1972	1982			1972	1982		
	(millions of dollars)				(dollars)		(dollars)	
General expenditure--total	2,937.8	8,707.1	3,795.93	29.20	563.45	1,480.30	644.46	14.37
Education--total	1,253.5	3,768.8	1,643.04	31.07	240.41	640.72	278.94	16.02
Local schools	794.5	2,375.4	1,035.57	30.34	152.37	403.83	175.81	15.38
Institutions of higher education	400.5	1,254.7	546.99	36.57	76.80	213.32	92.87	20.92
Other Education	58.6	138.7	60.46	3.17	11.23	23.59	10.27	- 8.54
Libraries	-0-	38.0	16.56	-0-	-0-	6.47	2.81	-0-
Transportation	407.6	687.8	299.44	- 26.53	78.17	116.93	50.90	- 34.87
Highways	407.6	624.4	272.21	- 33.21	78.17	106.15	46.21	- 40.88
Airports	-0-	43.6	19.00	-0-	-0-	7.41	3.22	-0-
Other transportation	-0-	19.8	8.63	-0-	-0-	3.37	1.46	-0-
Public welfare	290.6	831.4	362.45	24.72	55.73	141.35	61.53	10.40
Health and hospitals	225.2	921.2	401.60	78.33	43.20	156.61	68.18	57.82
Police protection	91.7	304.1	132.57	44.56	17.59	51.70	22.50	27.91
Fire protection	32.3	105.8	46.12	42.78	6.19	17.98	7.82	26.33
Sewerage	42.5	94.0	40.98	- 3.57	8.14	15.99	6.96	- 14.49
Sanitation other than sewerage	31.5	115.4	50.30	59.68	6.03	19.62	8.54	41.62
Local parks and recreation	24.1	295.6	128.86	434.68	4.61	50.25	21.87	374.40
Housing and urban renewal	-0-	213.3	92.99	-0-	-0-	40.41	17.59	-0-
Financial administrations	53.8	119.4	52.05	- 3.25	10.31	20.30	8.83	- 14.35
General control	54.8	188.3	82.09	49.79	10.51	32.01	13.93	32.54
General public buildings	-0-	73.0	31.82	-0-	-0-	12.41	5.40	-0-
Interest on general debt	66.8	244.1	106.41	59.29	12.80	41.50	18.06	41.09
Corrections	-0-	232.0	101.14	-0-	-0-	39.44	17.17	-0-
Protective regulation & inspection	-0-	46.0	20.05	-0-	-0-	7.82	3.40	-0-
Other general expenditure	303.3	428.9	186.98	- 38.35	69.67	72.92	31.74	- 54.43

Note: Figures may not add to totals due to rounding.

Source: U.S. Bureau of the Census, Governmental Finances in 1971-1972 and 1981-1982.

Appendix Table 6. Per capita general revenue of state and local governments, eleven southeastern states, 1971-1972 and 1981-1982.

General Revenue														
State	Total		From federal government		All general revenue from own sources		Taxes						Charges and miscellaneous	
	1971-72	1981-82	1971-72	1981-82	1971-72	1981-1982	1971-72	1981-82	1971-72	1981-82	1971-72	1981-82	1971-72	1981-82
(dollars)														
North Carolina	592.07	1525.62	119.86	318.92	472.21	1206.70	376.57	884.86	94.45	205.86	282.12	679.00	95.63	321.83
Alabama	612.57	1558.67	171.25	354.30	441.32	1204.37	311.61	763.56	42.54	89.06	269.07	674.50	129.70	440.81
Arkansas	576.87	1426.76	158.72	361.63	418.15	1065.12	312.55	728.88	74.63	156.30	237.92	572.58	105.59	336.24
Florida	668.34	1663.56	100.90	293.97	567.44	1369.59	438.58	946.17	142.71	323.82	295.87	622.35	128.85	423.42
Georgia	685.39	1803.01	154.56	399.53	530.83	1403.48	388.61	945.80	119.95	254.44	268.66	691.36	142.41	457.68
Kentucky	614.77	1501.77	148.32	362.69	466.45	1139.07	354.10	855.17	73.87	150.23	280.23	704.94	112.35	283.91
Louisiana	738.11	2107.13	161.65	368.40	576.46	1738.73	420.03	1101.46	77.02	134.57	343.01	966.89	156.43	637.27
Mississippi	647.80	1572.96	177.48	411.82	470.32	1161.14	343.99	751.02	78.22	162.59	265.77	588.43	126.33	410.12
South Carolina	566.21	1538.00	119.97	317.59	446.24	1220.41	338.90	841.90	78.51	200.43	259.98	641.47	107.74	378.51
Tennessee	599.00	1452.38	136.33	340.17	462.67	1112.21	353.67	772.14	94.42	194.96	259.24	577.18	109.00	340.07
Virginia	647.73	1712.04	122.28	314.56	525.45	1397.49	418.62	1030.40	118.02	300.37	300.60	730.03	106.82	367.08
Southeast average	631.71	1623.81	142.84	349.42	488.86	1493.58	368.80	874.66	90.39	197.51	278.40	677.16	120.07	399.72
U.S. average	798.87	2013.62	150.08	383.78	648.79	1629.84	522.49	1175.47	202.33	361.59	320.16	813.87	126.29	454.37

Source: U.S. Bureau of the Census, Governmental Finances in 1971-1972 and 1981-1982.

Appendix Table 7. General revenues of state and local governments per \$1000 personal income, eleven southeastern states, 1971-1972 and 1981-1982.

State	General Revenue															
	Total		From federal government		All general rev. from own sources		Taxes						Charges and miscellaneous		Personal income ^a (per capita)	
							Total		Property		Other					
	1971-72	1981-82	1971-72	1981-82	1971-72	1981-1982	1971-72	1981-82	1971-72	1981-82	1971-72	1981-82	1971-72	1981-82	1971-72	1981-82
(dollars)																
North																
Carolina	174.79	174.27	35.38	36.43	139.41	137.84	111.17	101.08	27.88	23.52	83.29	77.56	28.23	42.79	3,424	8,649
Alabama	199.73	188.51	55.84	42.85	143.89	145.66	101.60	92.34	13.87	10.77	87.73	81.57	42.29	53.31	3,087	8,219
Arkansas	190.01	176.62	52.28	44.77	137.73	131.85	102.95	90.23	24.58	19.35	78.37	70.88	34.78	41.62	3,078	8,044
Florida	175.70	156.64	26.52	27.68	149.18	128.96	115.30	89.09	37.51	30.49	77.79	58.60	33.87	39.87	3,930	10,165
Georgia	192.72	197.80	43.46	43.83	149.26	153.97	109.21	103.76	33.67	27.91	75.54	75.85	40.04	50.21	3,599	8,934
Kentucky	187.27	178.25	45.18	43.05	142.09	135.20	107.86	101.50	22.50	17.83	85.36	83.67	34.22	33.70	3,306	8,420
Louisiana	228.62	216.15	50.07	37.79	178.55	178.36	130.10	112.99	23.85	13.80	106.25	99.19	48.45	65.37	3,252	9,518
Mississippi	233.69	211.50	64.02	55.37	169.67	156.13	124.09	100.98	28.21	21.86	95.88	79.12	45.57	55.15	2,788	7,408
South																
Carolina	182.37	188.62	38.64	38.95	143.73	149.67	109.02	103.25	25.28	24.58	83.74	78.67	34.70	46.42	3,142	8,039
Tennessee	183.15	171.16	41.68	40.09	141.47	131.07	108.14	91.00	28.87	22.98	79.27	68.02	33.33	40.08	3,726	8,447
Virginia	167.70	162.91	31.66	29.93	136.04	132.98	108.38	98.05	30.55	28.58	77.83	69.47	27.65	34.93	3,899	10,349
Southeast average	192.34	183.85	44.06	40.06	148.27	143.79	111.62	98.57	26.97	21.97	84.64	76.60	36.64	45.77	3,384	8,745
U.S. average	194.08	189.63	36.46	36.14	157.62	153.49	126.94	110.70	49.15	34.05	--	76.65	30.68	42.79	4,150	10,619

^aPersonal income is for the calendar years 1971 and 1981.

Source: U.S. Bureau of the Census, Governmental Finances in 1971-1972 and 1981-1982.

Appendix Table 8. State tax collections, by source, as a percent of total state tax collections, eleven southeastern states, 1971-1972 and 1981-1982.

State	Taxes		Sales and gross receipts tax		License tax		Individual income tax		Corporation income tax		Property tax ^a		Death and gift tax		Severance tax		Document and stock transfer		Other	
	71-72	81-82	71-72	81-82	71-72	81-82	71-72	81-82	71-72	81-82	71-72	81-82	71-72	81-82	71-72	81-82	71-72	81-82	71-72	81-82
(percent)																				
North																				
Carolina	100.0	100.0	54.0	43.8	9.2	7.4	24.7	38.5	8.5	7.6	2.0	1.5	1.6	1.2	b	0.03	b	b	b	b
Alabama	100.0	100.0	69.0	59.2	8.2	5.1	14.6	23.8	4.0	5.7	3.1	2.3	0.4	0.4	0.3	3.3	0.4	0.3	b	b
Arkansas	100.0	100.0	64.7	52.8	10.0	8.4	15.3	29.0	6.9	6.5	0.2	0.3	0.3	0.5	0.1	2.1	0.2	0.2	1.3	0.05
Florida	100.0	100.0	77.7	77.0	12.2	7.1	b	b	1.3	6.0	3.9	2.1	1.5	1.3	0.1	2.2	4.4	4.3	b	b
Georgia	100.0	100.0	66.8	50.9	4.7	3.1	20.0	38.3	7.4	6.8	3.4	0.4	5.7	0.3	b	-0-	b	0.1	0.1	0.02
Kentucky	100.0	100.0	63.8	45.6	5.9	5.1	18.1	24.9	6.2	6.6	3.3	7.8	1.6	1.5	0.7	8.5	0.1	0.03	b	b
Louisiana	100.0	100.0	50.4	45.0	7.2	6.5	9.5	7.6	7.2	10.7	2.6	0.09	8.9	1.2	22.1	28.9	b	b	b	b
Mississippi	100.0	100.0	76.6	66.5	6.5	7.9	9.3	13.1	3.9	4.5	0.7	0.06	0.5	0.5	2.4	7.5	b	b	b	b
South																				
Carolina	100.0	100.0	66.4	54.0	5.3	4.2	18.7	34.0	7.6	6.1	0.3	0.4	0.9	0.7	b	b	0.6	0.5	b	b
Tennessee	100.0	100.0	70.2	75.9	15.2	9.6	1.5	2.3	8.7	9.1	b	b	3.0	1.7	b	0.2	0.9	1.0	0.3	0.4
Virginia	100.0	100.0	50.8	41.4	8.0	6.0	30.7	44.5	6.5	5.3	1.2	1.0	1.3	0.5	0.04	0.04	1.2	1.1	0.02	0.1
Southeast average	100.0	100.0	58.4	55.6	8.4	6.4	16.2	23.3	6.2	6.8	2.1	1.7	2.3	0.9	3.7	4.8	1.1	0.7	0.35	0.05
U.S. average	100.0	100.0	55.5	48.9	8.9	6.2	21.7	29.1	7.3	7.7	2.1	1.9	2.1	1.5	1.2	4.3	0.8	0.4	0.02	0.02

^aState, not local, property taxes.

^bNot applicable.

Note: Figures may not add to totals due to rounding.

Source: U.S. Bureau of the Census, State Government Tax Collections in 1972 and 1982.

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