
Michael Matros

An Interview with Ron Aycock

C. Ronald Aycock, 43, has been director of the N.C. Association of County Commissioners since 1977. A native of Wilson County, N.C., Aycock received both his B.S. and J.D. degrees from the University of North Carolina at Chapel Hill. He has practiced and taught law, been director of the Region L Council of Governments, and worked as counsel for intergovernmental relations at the association before becoming its director.

The Association of County Commissioners, formed in 1908, has a staff of 10 and an annual budget of $600,000, 75 percent of which comes from voluntary membership dues. All 100 N.C. counties are currently dues-paying members. The association works on behalf of counties before the General Assembly and executive-branch offices. In addition, says Aycock, "We offer a consulting service of peers, organizing county officials to help other counties with problems."

The association publishes a bi-weekly newspaper *(County Lines)*, advises county officials on all county issues, and generally serves as the eyes and ears of county commissioners in Raleigh. The group's board of directors is composed entirely of county commissioners. In addition, the association has policy advisory committees composed of both board members and non-board members.

Bill Finger and Susan Wall conducted this interview on February 8, 1984.

What are the most pressing needs of North Carolina counties?

First, school finance. There's a major need for sorting out the categories that are mandated for the county to fund and for the state to fund. Basically, who should pay for which services — the state or the county? Second, in the water and sewer area, there is a need for greater coordination between the county and municipalities. These were once all city facilities; now counties are much more involved. Third, governance of human services, the interplay of the various boards — boards of health, social services, mental health — with the county commissioners.

What do you mean by "governance"?

Let's take the county boards of social services, which have either three or five members. With the three-member board, the county commissioners appoint one, the state Social Services Commission the second, and these two members choose the third. With a five-member board, it's two and two, and those four choose the fifth. This board must get its local-match funds from the county commissioners, yet the commissioners do not have control over the welfare programs. The local boards of social services oversee the county administration of AFDC [Aid to Families with Dependent Children], food stamps, Medicaid, and other welfare programs. These are major county expense items.

How would you clear up this governance problem?

There are two major options. First, you

could have the county take over the whole function and have advisory groups for each type of human service under the control of the county commissioners. In 1983, local bills from Wake, New Hanover, and Gaston counties came before the legislature proposing such a consolidation.[1] We supported the bills but statewide service groups, like the Public Health Association, opposed them. None of them passed.

A second way would be for counties to organize a local Department of Human Resources, under which all the social services programs are coordinated. This would be most difficult where human service structures cut across county lines, as in mental health, for example.

Can a county undertake such a merger of human service functions on its own?

In North Carolina, we have a "home-rule" provision for any county over 325,000 in population, which right now means only Mecklenburg. But Guilford and Wake are close. Mecklenburg has used the home-rule provision to consolidate some of the human service functions, a kind of reorganization. Some of our rural counties, though, ask, "Why does home-rule apply only to the big counties?" Expanding the home-rule authority in the human services area might become a priority for all counties.[2]

Should the state assume a larger share of human service programs?

Yes. Currently, counties administer welfare programs in only 16 states, including North Carolina. And counties participate in paying Medicaid costs in only 9 states, including North Carolina.

How likely politically is such a state takeover of county Medicaid funding?

It's not going to happen immediately. We realize that Medicaid is a big budget item for the state. But gradually we think the state may take over more of the Medicaid costs.

What percentage of county revenues is actually mandated by state and federal programs, like Medicaid?

We calculate that about 75 percent of all county-generated funds go for services mandated by federal or state law. But the figure is hard to determine. Take schools, for example, where mandates are very muddled. And keep in mind that *50 percent of county-generated funds* go to public education [grades K-12 and community colleges]. If the school board believes that the commissioners are not voting enough funds for a suitable and free public education for all children in the county, the local school board has the *statutory authority* to take the local county commissioners to court. Usually such a threat is settled out of court, as in Wake County last year. But we had a recent judgment in such a suit in Richmond County.[3] Mandatory funding, especially regarding public education, is not always clearcut. [See article on page 30 for more.]

Has the state addressed this problem of county expenditures being mandated by state law?

The 1983 legislature passed what's called the Jordan-Adams bill, which may prove to be one of the most important pieces of legislation in 1983 for counties.[4] It requires the various state departments to show the increased cost to the counties of all new state budget items. In the past, department officials and legislators usually recognized the increased cost for counties only when a budget increase was in the expansion budget for a major new item. The impact on counties of budget increases in the continuation budget of things like energy costs for schools was seldom noted. Now, the impact on counties must be computed by each department. [This process begins with the 1985-86 budget.]

How will the sorting out of school finance questions take place?

The state has been working on it for about six years now. The current forum, we think, is the 47-member Public Education Policy Council created by the 1983 General Assembly. Our first vice president, Raleigh Carver of Pasquotank County, made a presentation to them on February 29. He presented some general policy approaches that we think would be helpful. [Carver died suddenly in April.] We'll be working closely with the Fiscal Research Division of the legislature, the staff to this council.

Among rural counties particularly, disparity in per-pupil funding is a growing concern. Is equalization of funding for school children a viable option in North Carolina?

Don Liner at the Institute of Government has studied equalization efforts made in other states and found that it usually didn't help. North Carolina provides more of the share of public education than do most states. We're ahead of the times with the state supporting about 63 percent of operating expenses [the N.C. counties provide 25 percent; federal funds provide 12 percent]. The state share, which is so large here, is already distributed for the most part on a per-capita basis. [See article on page 30.]

What about the experiment in eight counties, where they will have more flexibility in spending state school funds?

We see that as more of a home-rule issue than a way to sort out the tangle of school finance mandates and clear up the muddle of county-state responsibility. But it may have some bearing.

To what extent has there been a blurring of roles and functions among N.C. cities and counties?

There has been some blurring, but I think it's a natural kind of transfer from the city to the counties. For example, 50 years ago, I doubt if any county provided any library services. Now in most cases, only counties provide that service; cities have turned it over to the counties. Recreation is becoming more and more exclusively a county-provided service. In the water and sewer area, counties have provided water in many counties but recently have gotten more involved with providing sewerage services as well. Even fire service is changing, in both urban and rural counties. In Guilford County, for example, it's hard to tell the difference in the level of services provided inside municipal limits and outside those limits.

People will wake up one morning and wonder where the separate services from a city and county went.

What kinds of consolidation of services are taking place?

In many counties, libraries, recreation, and other services are often provided totally by the county. In some counties — both rural and urban — there are joint functions like planning and purchasing. A number of counties have contracts with municipalities to join onto the municipal system. In urban *and* rural areas, there is a large amount of sharing of computer services. Most people get a single tax bill for their city and county taxes. Functional consolidation is definitely increasing.

What about political consolidation?

That will definitely come last, if at all. People will wake up one morning and wonder where the separate services from a city and county went. Then we might have a consolidation, but I won't predict how long it will take, maybe 10, 15, 20 years. Mecklenburg County and the city of Charlotte have formed a committee to explore consolidation. New Hanover County and Wilmington are also discussing consolidation.

How has the mix of county revenues changed in recent years?

The property tax remains the major source, about 72 percent of the revenues. It has been at about that rate for a while, since the mid-70s at least. The one-cent optional sales tax has produced a gradually higher percent, about 15 percent of total county revenues in 1978 and up to about 16 percent last year. The percent of a county's budget from federal funds has dropped from 9 percent in 1982 to 7 percent last year.

How do you feel about the level of property taxes? We rank 37th nationally in percent of state-local taxes coming from this source.

I don't think comparisons across state lines are helpful. If you say to a farmer that property taxes are higher in Massachusetts or New York, he will say, "But I live in North Carolina." The *perception* of how high property taxes are is what's important.

Do you think we revalue real property for tax purposes often enough — every eight years?

We should probably revalue more often so that we would have more incremental increases. With the computer technology becoming available, the administrative costs would not rise exorbitantly.

Does the percent of a county's revenues from the property tax increase in revaluation years?

No. Tax revenue received by a county is a function of both rates *and* of assessed value. When the value goes up the rate goes down. Personal property and utility property are revalued every year, real property only every eight years. So a utility like CP&L or a textile company like Fieldcrest are basically subsidizing the homeowner, who has a free ride for eight years, until his property value doubles or so. So CP&L's taxes go down in a revaluation year when the *rate* of taxation declines on a larger total assessed value. The personal and real property rates and the total assessed values tend to work themselves out in revaluation years. The portion of a county's revenue stays at about 70 percent, even in revaluation years.

Should the state retain the inventory and intangibles taxes?

First, the question should be, "Should the cities and counties retain these taxes?" The revenues from these taxes go to local governments. Regarding the intangibles tax, what's the difference if a person puts $50,000 in savings into stocks and bonds [subject to intangibles tax] or into a building [subject to property tax]? Why should he be exempt from paying that tax if it's in stocks and bonds? But a lot of people want to get rid of it. The intangibles tax funds about three percent of a county's budget. If the state takes away that tax, then it should replace the revenues somehow [$51 million for counties and municipalities in 1982].

On inventory taxes. Opponents claim that it hurts us in attracting industry. But *Forbes, Fortune,* and *Time* rank North Carolina in the top five states in the nation in attractiveness to industry. They don't seem to think the tax hurts us. The inventory tax — which is a part of the real property tax — brings in from $100 million to $125 million a year to counties. How could the legislature make up for that loss? The inventory tax by and large is passed on to consumers anyway, many of them out of state. That tax doesn't seem to be hurting the state.

We should also be clear that the half-cent sales tax in no way was a tradeoff for the inventory or intangibles tax. The inventory tax provides $100 million to $125 million to counties a year. [As of June 1,] 96 counties have approved the new half-cent, local-option tax. In those 96, the new tax will bring in over $100 million, $40 million of which has to be spent on school construction. In addition to providing funds for school capital purposes (and for water and sewer for cities), the half-cent sales tax legislation had as one of its stated purposes the relieving of some pressure on the property tax.[5] So there's no tradeoff with the inventory tax.

Does the new local-option sales tax represent a state effort to stop funding local school and water and sewer projects?

I wouldn't put it that strongly, but it was a factor. Written in the same legislation was a provision to repeal the state's authority to issue new clean water bonds.[6]

Now that you've gotten the half-cent tax, have you painted yourself in a corner for future state help for capital projects?

I don't think so. They probably said the same thing about the one-cent sales tax. We can't come back too soon, but it's too early to tell whether the half-cent tax will be enough.

The funding formula for the half-cent tax sparked some controversy. What do you think about state allocation formulas in general?

People said the half-cent tax would be a "rural" tax because of the per-capita distribution formula [rather than a point-of-collection formula, which would favor the commercial-rich, urban counties] and because of the greater needs of rural counties. But it hasn't worked out that way. Forsyth and Madison were the first two that passed it. Three of the five largest counties have passed it; Wake and Mecklenburg have not. [Both have now passed the tax; only four counties have not.]

A Legislative Revenue Study Commission examined all the state formulas some years ago. Jim Newlin of the Fiscal Research Division staffed the commission and did a good job summarizing all the formulas.[7] But after all that work, nobody could think of a better way of distributing the funds.

Do you think counties should be given a local option for other types of taxes — income, excise tax on luxury items, tax on professional services, or others?

Some sentiment for other types of local option taxes could emerge from county officials. It depends on how severe the county financial pressures become in the future. We have a structure within our association to examine county taxation and financial areas. If a consensus emerges for a new kind of local option tax, then the association would seek that authority from the General Assembly.

FOOTNOTES

[1]The Gaston and New Hanover bills were combined into HB 351, which passed the House in the 1983 session. The bill is eligible to be considered by the Senate in the 1984 short session. The Wake County bill (SB 523) was not acted on in the Senate Committee on Human Resources and is therefore not eligible for consideration in 1984.

[2]The 1983 General Assembly considered a bill to alter the 325,000 population limit. The proposal, HB 351, passed the House of Representatives and, as amended, is now in the Senate Human Resources Committee, which could consider it in the short 1984 session.

[3]NCGS 115C-431. The Richmond County School Board brought a formal legal action against the Richmond County Commissioners, claiming under this statute that for fiscal year 1981-82 the county had not provided adequate funding for the school children in their school district. The Clerk of Court ruled against the School Board, but the Superior Court judge overturned that ruling on appeal. The judge held that the Richmond County Commissioners must appropriate an additional $450,000 to the School Board. This ruling resulted in an additional 3½-cent property tax assessment.

[4]SB 23, Section 13, Chapter 761 of the 1983 Session Laws. It amends NCGS 143-10.1.

[5]See Chapter 908 of the 1983 Session Laws (HB 426), Part I, to be codified as NCGS 105-481.

[6]Ibid., Part II.

[7]State Revenue Sharing, Legislative Research Commission, Interim and Final Reports to the 1980 and 1981 sessions of the General Assembly of North Carolina.