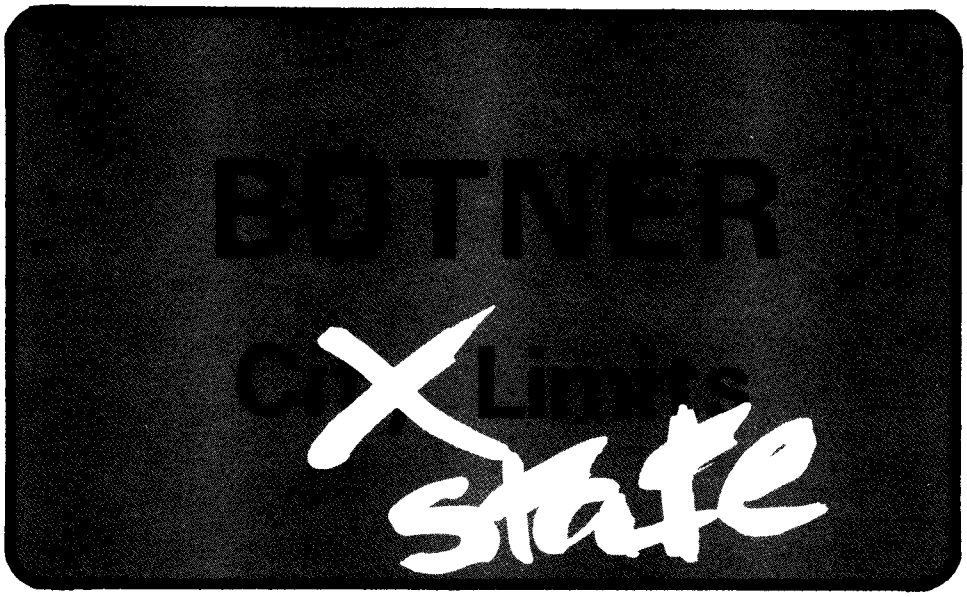
Not just another small town....



by Howard Covington

Residents of the Granville County community of Butner drive on paved streets, have professional police and fire protection, use a central water and sewer system, and enjoy most of the other civic conveniences usually found in any small town in North Carolina. Butner is not just any small town, however. Its residents don't pay a cent in municipal taxes, and the state foots most of the bill for city services.

For more than 20 years Butner has been run by the state of North Carolina, and taxpayers across the state have been paying for just about every town expense from police pay to replacement parts for worn-out water lines. It has been this way since the state Board of Mental Health bought Camp Butner from the U. S. Army at the end of World War II. In the deal, the state acquired about 14,000 acres of land, an enormous hospital, and a ready-made town with paved streets, a forest of fire hydrants, a fire station, barracks, homes, the works. And the state has been supporting the town ever since.

Butner is certainly unique in North Carolina, and it may be the only state-run town in the nation. The anomaly made some sense in the beginning when the state owned all the buildings and land and when nearly all the Butner residents worked at John Umstead Hospital, the first and most imposing of the nine state institutions located there. The hospital business manager looked after the town's utility system, public safety department, and 140 or so rental houses, just as he did the hospital laundry and repair shops.

Today, however, most of the state-owned houses in Butner have been sold and so have most of the town's immediately developable lots. Private businesses line Central Avenue, Butner's main street, and major private industries have settled in the area. About three quarters of the 800 or so Butner households still depend on a state government paycheck, but Butner is one of the fastest growing communities in the area. The living is easy in this community of about 2,700 people, though it is not the company town it once was.

As the character of Butner has changed, the state's role in running the town has not. Today, for example, about one-third of the calls answered by the public safety department (24 men cross-trained as policemen and firemen) come from private residences and businesses, not from state facilities. The state still subsidizes the water and sewer operation, which may not break even this year though rates have recently been increased. Municipal decisions and functions that normally would be made by a locally-elected town board or a full-time clerk consume "35

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to 40 per cent" of the time of the hospital business manager. Even local ordinances are written by non-elected state officials.

During the administration of Gov. James Holshouser, top-level officials in the Department of Human Resources (DHR), which assumed control of Butner from the old Board of Mental Health, questioned whether the state could afford to continue running the town. Expenses were climbing, and serious constitutional questions were raised as more services were provided to Butner's citizens but not to other North Carolinians. Studies were ordered, and at least four groups looked at the situation.

In one report, the Governor's Efficiency Study Commission said in late 1973 that the state could save $143,000 annually if the town were incorporated and local taxpayers shared the cost of managing Butner. In another, the Department of Community Assistance recommended that town and state be separated with Butner residents left to pay for and perform their own civic duties. A special committee of the powerful Advisory Budget Commission reported in 1973 that "special problems exist with these arrangements for providing utilities and services to Butner." But the committee said it had insufficient information and recommended a professional study of the town-state connections.

Berry A. Williams headed up the special study recommended by the Advisory Budget Commission. He and others in the Division of Community Planning mapped the town, conducted extensive interviews with state officials and surveyed Butner residents as well. Particular attention was paid to services provided by the state which Butner residents did not pay for. "There had to be some justification for that, and frankly I didn't find it," Williams said recently.

Accordingly, Williams and his colleagues came up with three alternatives to the present situation. The first, a special tax district, would be supported solely by property taxes. The other two involve incorporation and depend on property taxes and taxes collected by the state but returned to local governments. Because Butner is unincorporated, it receives none of this money. For example, Butner's streets are maintained by the state Division of Highways and in 1974 the Transportation Department spent $8,000 in Butner. If the town had been incorporated, it would have been due about $58,000 in state gas tax money earmarked for municipalities.

At one point, Williams requested a formal opinion from the Attorney General which would have helped determine whether the present arrangement between Butner and the state is legal. His questions were sensitive. Answered the "wrong" way, they threatened to leave Butner high and dry without the easy transition DHR officials hoped to achieve. The questions were eventually withdrawn before being formally answered. "When you ask for legal opinions and you're not prepared for the consequences, you'd better not ask for those legal opinions," said Ben Aiken, a former John Umstead business manager who now heads all of the mental health operations in DHR.

Should it be the policy of the state to subsidize municipal services in Butner more than in other North Carolina towns?

Technically, DHR had done about all it could do to prepare Butner residents for such "consequences." Psychologically, Butner residents were far from prepared. They were outraged, and Williams' public hearings drew larger and larger crowds of angry people. The entire issue was drowned in opposition. The report requested by the Advisory Budget Commission was never put in writing.

Butner residents had their own way of viewing the situation. They argued that as long as the state dominated Butner there was no way the residents could afford to maintain an incorporated town. Many also indicated that they had settled in Butner with an understanding from the state that town services would be provided, and they said changing the situation was just plain dirty pool. Most were concerned because they thought incorporation would have meant higher taxes. "It would double our taxes," said Elbert Oakley, a Central Avenue barber who though heavily involved in the debate apparently failed to see all of Williams' figures that showed taxes would rise, but modestly. It would be hard to change Oakley's mind, particularly since the issue of state-control is now dormant and most Butner residents feel secure in their victory. Working in Butner on the eve of the nation's celebration of the Bicentennial, Williams had hoped the town's residents would pick up on the spirit of the occasion. Instead he found that "they were not at all interested (in self government). They did not want public determination. They were satisfied."

"I'm not going to do anything to upset the present situation." said R. D. Milliken, who opened Mt. Hope Finishing Company in some abandoned Army tank repair sheds in 1951. Mt. Hope is one of the community's oldest and biggest employers. His company saves substantially on the cost of fire insurance and enjoys what amounts to a subsidy from the state for the 30 million gallons of water piped monthly to its plant. Mt. Hope pays less than what it costs the state to process the water, a substantial saving that Millikin candidly admits he's "happy with. . . ."

The state could save $143,000 annually if the town were incorporated and the local taxpayers shared the cost of managing Butner.

—Governor's Efficiency Study Commission, 1973

Today Butner residents feel that if the state has police and fire protection on hand anyhow, and if it costs no more, then the state should serve the private residents as it always has. Some, like Oakley, argue that police calls answered on private property are legitimate public expenses if they involve a patient who has wandered from the hospital or a juvenile who has escaped from the prison located there. Other residents point out that the state owns a third or more of the property inside what might become the city limits. This land would be tax-exempt and could possibly inhibit private development of the town. Oakley, for example, had to go through 18 months of paperwork and bureaucratic delays before the state finally agreed to sell him land for his small barbershop.

The feelings of Butner's citizenry run deep. Positions on the issue of state or local control are set. "What you basically boil down to," said one Granville County businessman, is that "it's going to have to be done by the legislature." And that could provoke quite a fight with local legislators. Millikin said he had been promised by Rep. Billy Watkins, an influential Democrat from nearby Oxford, that there will be no changes in the town's situation.

So far, Watkins has been as good as his word. When the issue threatened to blossom again in the 1977 General Assembly over deficits in the so-called revolving fund that pays for municipal services, Watkins, vice chairman of the Base Budget Committee, helped to arrange for the addition of more than $500,000 to the John Umstead Hospital budget to cover deficits in the operation of the public safety department. The increased appropriation passed without any questions about the state running a town.

Business manager Perkinson was happy to get the extra money. It will help forestall Butner's immediate fiscal crisis, but needs still are piling up. A new fire engine and repairs to the water tanks are only two. Perkinson has a long list, and all the needs are expensive. "Either the people outside of Butner don't care or they would have risen up in arms about paying for these services," he said.

Billy Watkins concurs, saying he is going to vote to maintain the status quo "until a majority of the people want a change." Watkins says, too, that if state officials had been serious about not running the town, then Butner should have been planned so that it could support itself without having large blocks of untaxed state property inside its corporation limits.

Watkins indicated, however, that he would support legislation requiring Butner residents to pay a fee for services they received from the state, though no such law has ever been introduced in the General Assembly. Such legislation might raise complex legal questions and it would surely open a Pandora's box of problems in other cities, like Raleigh, where the reverse situation--the state's reluctance to pay for city services---is a continuing source of concern.