

# Popular Government

*December 1957*

**The Vehicle Financial Responsibility Act of 1957**



**PUBLISHED BY THE INSTITUTE OF GOVERNMENT**  
**UNIVERSITY OF NORTH CAROLINA**  
Chapel Hill

## CONTENTS

THE CLEARINGHOUSE	1
County Attorney School Held	1
City Notes	1
A-Z Notes	24
Personnel Notes	24
Employment Security Commission Institute	2
PUBLIC PERSONNEL	3
STUDY COMMISSIONS CREATED BY THE LEGISLATURE <i>by John L. Sanders</i>	4
THE DISPOSAL OF PUBLIC RECORDS <i>by John Alexander McMahon</i>	8
EMPLOYEE AWARDS PROGRAM <i>by Donald B. Hayman</i>	10
NORTH CAROLINA'S NEW VEHICLE FINANCIAL RESPONSIBILITY ACT <i>by J. Robert Montgomery</i>	12
THE NORTH CAROLINA DEPARTMENT OF ADMINISTRATION <i>by John L. Sanders</i>	19
NEW INDUSTRY: WHAT TYPE DOES YOUR TOWN WANT? <i>by Ruth L. Mace</i>	22
THE ATTORNEY GENERAL RULES	<i>Inside Back Cover</i>



# THE CLEARINGHOUSE

## County Attorney School Held Here November 1 and 2

Thirty county attorneys attended the annual two-day school for county attorneys at the Institute of Government on November 1 and 2.

Tax foreclosure proceedings occupied a key spot on the agenda. Henry W. Lewis of the Institute staff led the discussion, and for purposes of illustration he used a set of forms developed through the years by attorneys with substantial experience in bringing tax foreclosure suits. As a result of the discussion, Mr. Lewis is re-studying some of the forms with a view to issuing a revised set at a later date to county and city attorneys.

A second major item was the old-age assistance lien law. Roddey M. Ligon, Jr. of the Institute staff led the discussion, and used a new edition of his study, *North Carolina Old Age Assistance Lien Law*, as the basis for discussion. Particular attention was given to the 1957 legislation authorizing payment and cancellation of the lien in certain cases, and the 1957 legislation providing for enforcement of the lien against a deceased recipient's realty where there is little or no personal property.

A third major item on the agenda was a discussion of some of the problems of county records, led by Dr. Christopher Crittenden, director of the State Department of Archives and History. He described the help available from his department to the counties of the state in reviewing their records, in advising them how better to maintain and preserve valuable records, and in destroying records no longer of use to the county or its citizens. Dr. Crittenden announced the publication of a brief booklet entitled *County Records in North Carolina: Preservation, Reproduction, Disposal*. The booklet describes methods of preserving records that have deteriorated with use, as well as photographic reproduction of records to be preserved. The booklet also contains a list of the records usually found in each county, and suggests the period of time that each type of record should be maintained. Many records must be maintained permanently, but some can be destroyed after they have reached a certain age. Copies of the booklet can be obtained



Classroom session at annual two-day county attorney school.

by writing to Dr. Crittenden, Box 1881, Raleigh.

At the final session, Alex McMahon of the Institute staff led a discussion of recent legislation and judicial development of the law affecting counties. The litigation resulting in Supreme Court approval of the issuance of bonds by Cleveland County for water and sewer lines was the chief item discussed, and attention was also given to some of the county legislation passed by the 1957 General Assembly.

## City Notes

The board of aldermen of **Rocky Mount**, in accordance with the recommendations of the Utilities Commission, has established a policy of charging \$1.00 per month for sewer connections where the owner does not use city water.

\* \* \*

The **Statesville** city council has conditionally accepted a \$227,670 federal grant for expansion of its sewage disposal plant. Councilmen voted the conditional acceptance of the grant contingent upon the approval by voters of a \$531,230 bond issue to finance the balance of a \$758,900 expansion in the sewage disposal system.

\* \* \*

**Pittsboro** has awarded the contract for its new city hall. The building will be located next to the county board of education building and will house the fire truck and street trucks as well as serve the city officials.

\* \* \*

**Charlotte** grocery stores can now legally stay open a few hours on Sun-

day thanks to action taken recently by city council. Permissible Sunday hours are 1 to 6 p.m.

\* \* \*

Federal grants totaling \$156,000 have been approved for constructing major sewage disposal plants for the towns of **Elkin** and **Jonesville**. A grant of \$119,400 has been approved for Elkin toward construction of a \$398,000 sewage treatment plant, and Jonesville will get \$36,000 in federal funds toward construction of a \$122,000 unit.

\* \* \*

The parking problem in the small county seat of Rockingham County, **Wentworth**, has been solved. Workers are completing a one-acre parking area just down the hill behind Rockingham County courthouse. The county paid for the land, work and materials, while the state furnished trucks and labor for hauling gravel.

\* \* \*

The city of **Lenoir** will discontinue answering fire alarms outside the corporate limits on January 1, 1958. Following an inspection made by the North Carolina Fire Insurance Rating Bureau, it was found that they had fire equipment sufficient for a city of 14,000, but were answering alarms in an area with a population of approximately 25,000 . . . More news from Lenoir indicates that water rates have been raised for the first time since 1939. New rates for city use are 10,000 gallons, \$5.50 minimum; next 20,000 gallons, \$.36 per 1,000; next 70,000 gallons, \$.30 per 1,000; next 200,000 gallons, \$.24 per 1,000; and over 300,000 gallons, \$.17 per 1,000.



Marshville is getting ready to build its own impounding dam and filtering plant for its water supply. This east Union County town is now purchasing filtered water from Monroe.

As of July 31 of this year, the city of **New Bern** no longer furnishes fire protection to Craven County outside the corporate limits of the city, and the fire truck owned by Craven County and used by city firemen in the past has been returned to the officials of the county.

The **Rocky Mount** Airport Authority has announced that work will begin at once on its million-dollar airport which will be located about midway between Rocky Mount and Wilson.

**Winston-Salem** is preparing to rebuild nearly five miles of overloaded, decaying sewer line in the final phase of its \$6,500,000 sewer improvement program. The project involves the complete replacement of the big Salem Creek and Brushy Fork Creek outfall sewer lines which drain a major portion of the city. The job is estimated to cost one million dollars.

The **Elkin** town board has agreed to halve the cost of three-way radio equipment for civil defense with the federal government. The system, in addition to providing civil defense, is expected to improve Elkin's police and fire protection. It will include a base radio transmitting station in the Elkin Police Department, capable of transmitting messages to and receiving them from the State Highway Patrol and the county sheriff's departments. It will also provide a hook-up of transmission and reception between the base station and Elkin police patrol cars and the fire chief's car. At present Elkin must depend on the Mount Airy Police Department for transmission of its radio calls.

Special recognition has been given to **Raleigh** by the International Association of Chiefs of Police and the National Safety Council. Five awards were presented to Mayor W. G. Enloe on behalf of traffic safety achievements made by the Raleigh Police Traffic Division during 1956. It was one of seven cities to receive the award, "Outstanding Achievement in Police Traffic."

(Continued on page 24)

## ESC Institute

Some 180 state employees from various parts of the Tarheel state attended the sixth institute for employees of the N. C. Employment Security Commission held here October 31 through November 1.

Don Hayman, assistant director of the Institute of Government, spoke to the group on "What Can Supervisors Do About Improving Supervision?" "What Can Supervisors Do About Providing Leadership?" and "What Can Supervisors Do About Communications?"

The discussion leaders in charge of the small group sessions included John Puryear of Spruce Pine; Joyce Seagle of Newton; Everett McNeilly of Shelby; H. E. Anderson of Durham; Percy Atkins of Raleigh; Anne W. Dellinger of Gastonia; Maude Sprinkle of Raleigh; Edson Bates of Raleigh; Ruth Evans of Raleigh and James Filipski of Greensboro.

The Institute was planned by a committee headed by Kathryn Queen of Waynesville. Other members of the planning committee were John R. Branham, Blanche Lancaster, John Wilson, Robert Folk, Joseph Beach, and Donald Hayman.



### BREAK TIME!

Some of the delegates to the Employment Security Commission Institute held October 31 and November 1 here at the Institute of Government are shown taking a break following an informative session conducted by Donald Hayman, assistant director of the Institute of Government.





# PUBLIC PERSONNEL

By DONALD B. HAYMAN

*Assistant Director, Institute of Government*

## Salary Increases

A review of 1957-58 budgets and newspaper articles indicates that many county and municipal employees in North Carolina received substantial salary increases this year. Although the raises varied and were not universal, they represent the largest average increase in the salaries of local employees since 1952.

A number of factors undoubtedly affected the number of governmental units giving increases and the magnitude of the increases. First, the 6.5% increase in the Bureau of Labor Statistics consumer price index in the last two years has become obvious to everyone. Second, most industrial workers in North Carolina have received salary increases in the last several years. Third, the 1957 General Assembly provided a 15% across-the-board increase for teachers and an 11% increase for most state employees. Fourth, the increased state appropriations for county extension, health, and welfare employees created a problem of providing equal treatment if commissioners were to refuse to give other county employees increases. Fifth, the 103 county compensation bills and the 47 municipal compensation bills enacted by the 1957 General Assembly increased the compensation of 34 boards of county commissioners and 42 city councils. Having proposed or having consented to increases for themselves, members of governing bodies felt compelled to increase the salaries of their employees.

### Counties Increase Salaries

Information from 26 counties reveals that at least some employees in each county will receive a salary increase this year.

**Alamance** county provided a 7.5% increase for most employees. **Bladen, Guilford, Halifax, Lenoir, Pamlico, Person,** and **Wayne** counties provided a 10% across-the-board increase. **Buncombe** provided for a 10% in-

crease on a merit basis with a maximum increase of \$25 a month. **Carteret** and **Montgomery** counties provided a 5% across-the-board increase.

Only extension, health, and welfare employees received raises in **Franklin** and **Henderson** Counties.

**Martin County** raised most employees from \$10 to \$30 a month. **Moore** raised county employees from 5 to 10%. **New Hanover** raised all employees one step in the pay plan or from \$7 to \$15 a month. In keeping with the provisions of the **Orange County** pay plan, some employees received 5% merit increases. **Pitt** granted \$10 to \$20 a month increases. **Rowan County** adopted a new classification and pay plan which increased salaries 9.2%. **Sampson** increased salaries from \$60 to \$600 a year. Other counties known to have granted salary increases to at least some of their employees include **Davie, Duplin, Gaston, Harnett, Rockingham** and **Union**.

### Municipalities Increase Salaries

**Burlington** has recently revised its classification and pay plan. The revised classification and pay plans increased salaries approximately 3%.

**Charlotte** increased the salaries of 225 policemen, detectives, and sergeants and 231 firemen and firemen drivers. Starting salaries for policemen and firemen were increased from \$282 to \$300 a month. In increasing policemen and firemen, the six months automatic increase was eliminated from the pay plan.

The **Charlotte** Park and Recreation Commission adopted a new classification and pay plan which provided \$10 and \$15 a month salary increases for all park employees.

**Clayton** granted all employees a 5% salary increase. **Dunn** also increased all employees. The **Durham** city council granted raises ranging from six cents an hour to \$800 a year. Although the starting salary for laborers was held at \$.84, all employees with three months service were in-

creased to \$.90 per hour. Firemen were increased \$180 a year, and policemen were raised \$300 a year. Salary increases averaged slightly less than 6%.

**Fayetteville, Jacksonville, Mooresville,** and **Statesville** adopted new classification and pay plans which increased salaries an average of 3.1, 2.5, 4 and 5% respectively.

Approximately 85% of all **Gastonia** employees received salary increases this year. The average increase was 4% for salaried employees. Firemen and policemen received \$10 per month more. Laborers were increased seven cents per hour to \$.81, \$.85, and \$.90 per hour.

The **High Point** city council appropriated funds to permit department heads to grant 5% merit increases to three-fourths of all municipal employees. **Greensboro** granted merit raises of 5% to approximately one-third of all city employees as provided by the city's pay plan.

**Reidsville** increased all salaries 5%. Increases granted by the **Selma** city council ranged from \$125 to \$500 a year.

The **Shelby** city council established a sliding scale of raises ranging from 5 to 8%. Employees whose earnings were below \$50 per week will receive an 8% increase. Employees earning \$70 or more per week will receive a 5% increase. In providing for the increases, the **Shelby** council discontinued the practice started two years ago of raising all employees 1% per year.

**Southport** increased the salaries of all full-time town employees 10%. Beginning July 1, all employees will work 40 hours per week. Any overtime worked may be taken as compensatory leave within 30 days of the date it was earned.

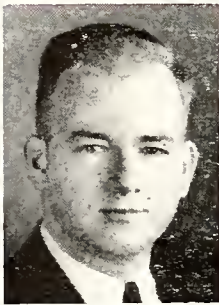
**Spencer** granted all town employees a 4% across-the-board increase. **Washington** increased the salaries of policemen and firemen \$15 a month.

*(Continued on page 7)*

# STUDY COMMISSIONS

## CREATED BY THE LEGISLATURE:

### *Their Membership and Functions*



By John L. Sanders

Assistant Director of the Institute of Government

In recent years, the General Assembly of North Carolina has shown increasing readiness to create interim study commissions to investigate and report on matters of current or potential legislative interest.

The study commission has been found to be a useful device for the investigation of complex legal and factual subjects, the weighing of policy considerations, and the formulation of recommendations for (and frequently for drafting) legislation dealing with the subjects studied.

While it might be argued that *ideally*, this kind of investigative activity should be undertaken by regular legislative committees, the pressure of other business during the biennial sessions makes this a practical impossibility, and legislative committees do not sit after *sine die* adjournment of the General Assembly. Another advantage of the interim study commission is that it permits the utilization, at nominal costs to

the state, of the services and talents of many public-spirited citizens who are not members of the General Assembly, but who possess special training or experience which can add substantially to the value of the recommendations produced by commissions on which they serve.

The General Assembly of 1957 adopted resolutions establishing ten interim study commissions. Each one is charged with the duty of investigating an assigned subject and reporting its findings and recommendations to the Governor and the 1959 session of the legislature. Subjects of inquiry range from constitutional revision to motor boat regulation. In size the commissions vary from three to twenty members. The cost of operation of all these commissions will be met from the Contingency and Emergency Fund.

Governor Hodges has now appointed the members of all ten commissions. Set out below is a list of the

members of each commission, together with a brief statement of the assignment of each group.

#### North Carolina Constitutional Commission

In his biennial message, Governor Hodges observed that the State Constitution "is old and outmoded" and "needs revision and redoing." He advocated and the General Assembly created the North Carolina Constitutional Commission of 15 members.<sup>1</sup> Directed "to make a complete and thorough study of the Constitution of North Carolina with the view of determining whether or not there should be an amendment or amendments," the commission is to report "its conclusions and recommendations for amendments or revisions of the Constitution" to the Governor and General Assembly on or after December 1, 1958.

<sup>1</sup> Sess. Laws 1957. Res. 33.



The Governor appointed to the Constitutional Commission Henry Brandis of Chapel Hill, Dean of the Law School of the University of North Carolina; Victor S. Bryant, Sr. of Durham, attorney; Harry B. Caldwell of Greensboro, master of the North Carolina State Grange; Senator Claude Currie of Durham, president of Security Building and Loan Association; Representative W. Ed Gavin of Asheboro, attorney; Herschel V. Johnson of Charlotte, former ambassador to Brazil; Woodrow W. Jones of Rutherfordton, attorney and former congressman from the 11th congressional district; Representative John Kerr, Jr. of Warrenton, attorney and former speaker of the House; Judge John J. Parker of Charlotte, chief judge of the United States Court of Appeals for the Fourth Circuit; Charles A. Poe of Raleigh, attorney; Judge Susie Sharp of Reidsville, special superior court judge; William D. Snider of Greensboro, associate editor of the Greensboro Daily News; W. Frank Taylor of Goldsboro, attorney and former speaker of the House; Lindsay C. Warren of Washington, former congressman and former comptroller general of the United States; and Representative Edward F. Yarborough of Louisburg, attorney. Judge Parker and Mr. Warren served on a similar constitution revision commission appointed by Governor O. Max Gardner in 1931.

The commission elected as its chairman Mr. Bryant, and as its vice-chairman Mr. Taylor.

### State Government Reorganization Commission

Acting on the recommendation of the Governor, the General Assembly authorized the appointment of the Commission on Reorganization of State Government, consisting of nine members.<sup>2</sup> This commission, like predecessor reorganization groups established in 1953 and 1955, is charged with the duty of making a thorough study of all administrative agencies of state government, "with the view of determining whether or not there shall be a consolidation, separation, change or abolition of one or more of these several agencies . . . in the interest of more efficient and economical administration." Its report is due on or before November 15, 1958.

<sup>2</sup> Sess. Laws 1957, Res. 47.

To the reorganization commission the Governor appointed Representative David Clark of Lincolnton, attorney; Representative Addison Hewlett, Jr. of Wilmington, attorney; Representative H. Cloyd Philpott of Lexington, president of the United Furniture Corporation; Representative George R. Uzzell of Salisbury, attorney; Representative W. W. Wall of Marion, owner of W. W. Wall Company, manufacturer of garments; Representative Thomas J. White of Kinston, attorney; Shearon Harris of Albemarle, attorney; Senator Richard G. Long of Roxboro, attorney; and Senator Robert F. Morgan of Shelby, businessman. Representative Clark served on the first and second reorganization commissions; Senator Morgan served on the second commission.

Mr. Clark was elected chairman of the commission, a post which he also held with the 1955-57 group. Representative Philpott was named vice chairman and Senator Long was chosen secretary.

### Tax Study Commission

To continue the work of a similar commission created in 1955, the General Assembly established the Commission for the Study of the Revenue Structure of the State, with the same powers as the 1955 group.<sup>3</sup> The commission is given the duty of studying the revenue and related laws of the state, and making recommendations to the 1959 session concerning recodification or revision of the tax laws, changes in the basic tax structure and rates of taxation, alternative sources of revenue, and long-range revenue planning.

The nine members of the commission appointed by the Governor are Dal Alford, Jr. of Rocky Mount, former president of the North Carolina Association of County Commissioners; A. K. Barrus of Kinston, former member of the State Banking Commission; Brandon P. Hodges of Canton, vice president of Champion Paper and Fiber Company; W. H. Holderness of Greensboro, tax attorney; Harold Myrick of Lincolnton, banking official; Representative Frank S. Pittman of Scotland Neck, merchant; D. W. Royster of Shelby, head of the Royster Transport Company; Alonzo C. Edwards of Hookerton; and Representative J. A. Speight of Windsor, farmer. R. Flake Shaw of Greensboro, executive vice president of the North Carolina Farm Bureau Federa-

<sup>3</sup> Sess. Laws 1957, Res. 41; See Sess. Laws 1955, Res. 49.

tion, Inc., was appointed but died shortly afterwards.

The commission chose for its chairman Mr. Hodges, who was the only holdover from the 1955 tax study commission, of which he had also been chairman.

### Public School Finance Committee

The North Carolina Committee for the Study of Public School Finance is required "to study any and all problems involved in the financing of public schools in this State, including vocational education, and to study particularly the methods of public school financing to the end that a better public school system may be developed in North Carolina."<sup>4</sup> It must submit a report, with recommendations, by November 15, 1958.

Among the nine members of the committee were required to be three with legislative experience, three with public school experience, and three with experience as members of a local government body or practical experience in business finance. All were appointed by the Governor.

Committee members with legislative experience are Representative H. Clifton Blue of Aberdeen, newspaper publisher; Watts Hill, Jr. of Durham, banker; and Senator O. Arthur Kirkman of High Point, railroad executive. Members with public school experience are Mrs. Charles Graham of Linwood, former high school teacher and now co-chairman of the North Carolina Council of Home Demonstration Clubs; H. A. Mattox of Murphy, chairman of the Murphy City School Board; and Stacy Weaver of Fayetteville, former superintendent of the Durham City Schools and now president of the new Methodist College at Fayetteville. Members with local government or business finance experience are Lloyd C. Amos of Greensboro, chairman of the Guilford County Board of Commissioners and former president of the North Carolina Association of County Commissioners; Cecil W. Gilchrist of Charlotte, businessman active in educational and civic affairs; and Faison W. McGowen of Kenansville, county auditor and tax supervisor of Duplin County.

Senator Kirkman will serve as chairman of the committee.

Acting in coordination with the Public School Finance Committee, the

<sup>4</sup> Sess. Laws 1957, Res. 45.

State Board of Education is undertaking its own examination of the public school curriculum, student needs, and ways of adapting the curriculum to those needs.

### Municipal Government Commission

The Municipal Government Study Commission of the North Carolina General Assembly consists of three senators, recommended by the president of the Senate and appointed by the Governor, and six representatives, recommended by the speaker of the House and appointed by the Governor.<sup>5</sup> It is the duty of this commission to make a thorough study of the problems of municipal government in the state, including the limitations imposed by law upon ability of municipal governments to provide for orderly urban growth, expansion, and sound development; the governmental services and functions now available and those which will be needed for orderly urban growth and development; and the capacity of municipal government to finance such services and functions. The commission's report and recommendations for changes must be filed with the Governor and members-elect of the General Assembly by November 15, 1958.

On recommendation of the president of the Senate, the Governor appointed Senator Calvin Graves of Winston-Salem, attorney; Senator Benjamin H. Sumner of Rutherfordton, official of Spindale Mills, Inc.; and Senator James W. Mason of Laurinburg, attorney. On recommendation of the speaker of the House, the Governor appointed Representative Ernest L. Hicks of Charlotte, president of Petit Motor Company; Representative Joseph M. Hunt, Jr. of Greensboro, vice president of Wimbish Insurance Agency; Representative H. P. Taylor, Jr. of Wadesboro, attorney; Representative Joe A. Watkins of Oxford, automobile dealer; Representative J. Raynor Woodard of Conway, merchant and farmer; and Representative Frank M. Wooten, Jr. of Greenville, attorney.

The officers elected by the commission include Representative Hunt, chairman; Senator Sumner, vice chairman; and Senator Mason, secretary.

### Trustee Selection Commission

The 100 elected members of the Board of Trustees of the University

of North Carolina are chosen by the General Assembly for eight-year overlapping terms. Dissatisfaction in the recent legislature with the lack of any requirement that all parts of the state be represented on the board resulted in the introduction of a bill (HB 1267) apportioning the trustees one to each county. While this bill was defeated in the House, continuing concern over the way trustees are chosen resulted in the creation of a five-member Commission on the Study of the Manner of Selection of Trustees of the Greater University of North Carolina, with instructions "to make a detailed and exhaustive study of the manner in which the trustees of the Greater University . . . are selected" and report to the 1959 session.<sup>6</sup>

As members of the commission the Governor appointed Dr. Paul Jones of Farmville, state senator from Pitt County; Robert W. Proctor of Marion, attorney; Dr. Marcus E. Hobbs of Duke University, Durham; Miss Lois Johnson of Wake Forest College, Winston-Salem; and Representative Edward H. Wilson of Blanche, teacher and farmer.

Mr. Proctor was designated as chairman of the group.

### Nursing Home Commission

The seven-member Commission on the Study of Nursing Homes and Boarding Homes was established "to make a detailed and exhaustive study of the operations of nursing homes, convalescent homes, boarding homes, and homes for the aged" and the present licensing procedures for such homes, and directed to submit to the 1959 session its recommendations on such matters as the licensing and supervision of these homes.<sup>7</sup>

There are two *ex officio* members of the commission, the commissioner of public welfare, Dr. Ellen Winston, and the chairman of the Medical Care Commission, James H. Clark of Elizabethtown. The other five members, who were appointed by the Governor, are Mrs. L. E. Barnes of Henderson, operator of the Henderson Restorium, a nursing home licensed by the Medical Care Commission; Paul Butler of Southern Pines, member of the Moore County Board of Public Welfare; Kern E. Church of Raleigh, employee of the State Department of Insurance; Willard Farrow of Charlotte, business manager of the Meth-

odist Home for the Aged, a boarding home licensed by the State Department of Public Welfare; and Frank R. Hutton of Greensboro, chairman of the Guilford County Democratic Executive Committee.

Mr. Hutton is chairman of the commission.

### Cancer Commission

Reflecting growing public concern over the threat of cancer, the General Assembly set up the Commission to Study the Cause and Control of Cancer in North Carolina.<sup>8</sup> The Governor was required to appoint half of the 20-member group within the medical profession and the other half from outside the medical profession. The commission will "study the entire problem of cancer, including matters of research, education and services furnished cancer victims," and report to the Governor and 1959 General Assembly.

Members representing the medical profession are Dr. D. H. Bridger of Bladenboro, Dr. Zack Owens of Elizabeth City, Dr. Rachel Davis of Kinston, Dr. Hubert M. Poteat, Jr. of Smithfield, Dr. Mark McD. Lindsey of Hamlet, Dr. John R. Kernodle of Burlington, Dr. J. Grady Faulk of Monroe, Dr. James F. Marshall of Winston-Salem, Dr. David L. Pressley of Statesville, and Dr. James S. Raper of Asheville. Non-medical members are Mrs. Lucille Beasley of Colerain, Mrs. John C. Murrill of Jacksonville, R. M. Kermon of Wilmington, K. A. Pittman of Snow Hill, Osmer L. Henry of Lumberton, Mrs. Alphonso Elder of Durham, H. Fields Young, Jr. of Shelby, Representative Grace Taylor Rodenbough of Walnut Cove, Tom G. Maxwell of Hickory, and Mrs. H. I. Bacon of Bryson City.

The chairman of the commission is Mr. Henry; the vice chairman is Dr. Davis.

### Uniform Map Law Commission

The Commission for the Study of a Uniform Map Law was created "to make a detailed and thorough study of mapping practices throughout the State . . . [to] identify the problems arising from the absence of minimum mapping standards, to determine if minimum mapping standards are desirable and can be enforced, and if so found to recommend to the 1959 General Assembly a bill embodying a procedure for establishing minimum mapping standards throughout the

<sup>5</sup> Sess. Laws 1957, Res. 51.

<sup>6</sup> Sess. Laws 1957, Res. 43.

<sup>7</sup> Sess. Laws 1957, Res. 50.

<sup>8</sup> Sess. Laws 1957, Res. 34.



State."<sup>9</sup> The resolution requires that the Governor appoint to this commission one member of the North Carolina Bar Association, one registered professional engineer employed by the State Highway Commission, one registered professional engineer engaged in the practice of land surveying, one registered professional engineer employed by the Department of Administration, one registered professional engineer employed by a North Carolina municipality, one registered land surveyor who is a member of the North Carolina Society of Surveyors, and one member of the North Carolina Association of County Commissioners.

The commission consists of Garland Garris of Troy, attorney and  
<sup>9</sup> Sess. Laws 1957, Res. 46.

## Public Personnel

(Continued on page 7)

### Federal Tax Exempt Subsistence Allowance For Policeman

In revising the Internal Revenue Code in 1954, Congress added Section 120 which provides that police officers might exclude from gross income any statutory subsistence allowance up to \$5 per day. Police officer was defined by the Bureau of Internal Revenue regulation as including an employee who has police duties, such as sheriff, detective, policeman, and state police trooper.

Following the lead of the Georgia State Police, a number of municipalities in 1954 considered reducing salaries paid policemen by \$5 a day and substituting a \$5.00 a day subsistence allowance. Although most city councils rejected the plan, Gastonia, Laurinburg, and Southern Pines are known to have followed such a procedure. More recently the 1957 General Assembly approved a \$40 a month subsistence allowance for N. C. State Highway Patrolmen at least partly in order to take advantage of the tax saving provided by section 120.

In *Revenue Ruling 57-46*, the Bureau of Internal Revenue recently held that a South Carolina statute did not comply with Section 120. The statute carved out a special fund from money already appropriated for Columbia policemen by providing \$5 per work-day to be designated "statutory subsistence allowance." In the first major court case interpreting section 120 the United States District Court for South Carolina in *Shira v. United States*, 38 Prentice-Hall Tax Report Bulletin No. 43-6, p. 34,560 (10-24-57), held that the commissioner

former state senator; Charles P. Vincent of Murfreesboro, engineer with the State Highway Department; Henry M. Von Oesen of Wilmington, engineer and land surveyor; Robert G. Bourne of Raleigh, engineer with the Department of Administration; James H. Findlay of Gastonia, engineer; J. Atwood Whitman of Glendon, registered land surveyor; and Roscoe L. Blue of Fayetteville, chairman of the Cumberland County Board of Commissioners.

Mr. Von Oesen was designated as chairman, Mr. Bourne as vice chairman, and Mr. Findlay as secretary of the Commission.

### Motor Boat Regulation Commission

The 1957 session enacted three bills regulating the operation of mo-

tor boats on portions of several rivers. Anticipating the possible need for uniform, state-wide legislation on the subject, the Commission to Study the Operation of Motorboats on the Waters of the State was established.<sup>10</sup> The Commission's object is to make the study indicated by its title and submit to the 1959 General Assembly proposed legislation which it considers necessary to protect the health, safety, and welfare of the people of the state.

Commission members are Vice Admiral Ralph Earle of Duke University, Durham; Representative Sidney D. Britt of Bladenboro; and Wayland Sermons of Washington. The chairman is Mr. Sermons.

<sup>10</sup> Sess. Laws 1957, Res. 38.

yet been brought under social security should be pleased to learn of the passage of Public Law No. 226. Signed by President Eisenhower on August 30, 1957, this act gives two years additional time (through 1959) for retroactive coverage to be arranged for employees of state and local governmental units. Under the 1955 amendment to the Social Security Act, coverage agreements entered into before January 1, 1958, might be made retroactive to January 1, 1956.

of internal revenue was incorrect in denying the exclusion to a city of Columbia policeman merely because the "subsistence allowance" was paid out of what formerly was salary. Prior to the South Carolina case, Gastonia policemen were billed for back taxes plus interest on subsistence payments under Section 120. Gastonia policemen are appealing this ruling of the Bureau of Internal Revenue. Although the decision in the South Carolina case was but one decision in one district court and may or may not be a correct interpretation of the law, Section 120 and the tax exempt subsistence allowance may have a very short life.

H. R. 8381, known as the Technical Amendments act of 1957 would repeal Section 120. This bill has already passed the House Committee on Ways and Means (House Report 775) and awaits action when congress returns in January. The committee report explaining and supporting the bill repealing Section 120 states that this exclusion is inequitable since there are many other individual taxpayers whose duties also require them to incur subsistence expenditures regardless of the tax effect. The report concludes that Section 120 should be repealed as it places certain police officials in a more favorable position taxwise than other individual income taxpayers who incur the same types of expense. The report estimates that if all state and local police officers were granted the \$5 per day subsistence allowance it would mean a loss of \$50 million in revenue a year.

### Social Security Act Amended

Public employees who desire social security coverage and who have not

yet been brought under social security should be pleased to learn of the passage of Public Law No. 226. Signed by President Eisenhower on August 30, 1957, this act gives two years additional time (through 1959) for retroactive coverage to be arranged for employees of state and local governmental units. Under the 1955 amendment to the Social Security Act, coverage agreements entered into before January 1, 1958, might be made retroactive to January 1, 1956.

### New Classification and Pay Plans

Fayetteville, Jacksonville, Mooresville, Rowan County, Statesville, and the May Memorial Library in Burlington have recently adopted new position classification and pay plans. All six classification plans were prepared by the N. C. Employment Security Commission. Comparable salary data and tentative pay plans were prepared with the assistance of the Institute of Government.

Earlier this year the Employment Security Commission completed a restudy of the Burlington position classification plan. The Burlington position classification survey in 1951 was the first public classification survey undertaken by the Employment Security Commission. Since the earlier Burlington survey, ESC has completed at least 28 surveys for North Carolina governmental units. Using the restudy as a guide, Burlington personnel officer James McGaughey gathered comparable salary data and prepared a revised pay plan. Both studies were used by the Burlington city council in revising the pay plan in July.

Guliford County has recently amend-

(Continued on page 23)

# THE DISPOSAL OF PUBLIC RECORDS

## Of "... no further use or value ..."



By John Alexander McMahon

Assistant Director of the Institute of Government

### The Problem

The ever-increasing volume of public records presents a growing problem to many of the counties and cities of North Carolina. Many clerks of superior court and registers of deeds find their offices practically bursting at the seams, and the problem is now extending to tax and finance offices of both counties and cities.

The problem is two-fold. First, the space taken up by old records makes more difficult the processing and shelving of current records. Second, the need for adequate storage may require costly additions to existing county and city buildings or the erection of new buildings.

Some counties and cities are finding a partial solution to the problem in the destruction of records that no longer serve a useful purpose. Other counties and cities may find record destruction will help them as well. This is a relatively inexpensive method of dealing with the problem of the growing volume of records, although the destruction process may take some time and effort on the part of officials concerned.

### Statutory Authority

G.S. 132-3 provides that "No public official may destroy, sell, loan, or otherwise dispose of any public record, except in accordance with section 121-5, without the consent of the State Department of Archives and History."

G.S. 121-5 provides in part as follows: "When the custodian of any official records of any county, city, municipality or other governmental agency certifies to the State Department of Archives and History that such records have no further use or value for official business and when

the State Department of Archives and History states that such records appear to have no further use or value for research or reference, then such records may be authorized by the governing body of said county, city, municipality or other governmental agency to be destroyed or otherwise disposed of by the agency having custody of them."

As an alternative to destruction, if the State Department of Archives and History believes that the records have "use or value for research or reference," G.S. 121-5 authorizes the county, municipal, or other public official having custody of them to turn them over to the department. After such records have been turned over to the department, copies may be made and certified by the department, and the copies shall then have the same standing as if they had been made by the original official having custody.

When records have been destroyed or turned over to the State Department of Archives and History, in accordance with the statutory authority described above, the officials involved are free from liability. G.S. 121-5 provides that "when any state, county, municipal or other governmental records shall have been destroyed or otherwise disposed of in accordance with the procedure authorized [by the section] any liability that the custodian of such records might incur for such destruction or other disposal shall cease and determine."

### Destruction Procedure

The statutory authority quoted above envisions a five-step procedure for the proper destruction or other disposal of public records:

(1) The custodian of the records

must first decide for himself that the records, which he would like to destroy or dispose of, "have no further use or value for official business." The custodian is of course the proper individual to make this determination, because he more than anyone else knows the administrative value of the records and the actual use made of them.

By observing the use made of the records, he will know of their value to public officials and citizens. And even if no use is actually made of them, he would be aware, better than anyone else, of the potential use that might be made of them. He will know, too, if they duplicate other records. And he will know if there are other sources of information that could be used if the records are destroyed.

(2) If the custodian determines that the records "have no further use or value for official business," he must certify his determination to the State Department of Archives and History. This certification should be accompanied by the title and description of each type of record, the inclusive dates of the records two samples of each type, and the approximate bulk of the records in cubic feet.

(3) If the director of the State Department of Archives and History determines that the records "appear to have no further use or value for research or reference," he is to notify the custodian of this determination. If on the other hand, the director determines the records do have research or reference value, he may require that the records be turned over to the department instead of being destroyed.

(4) Upon receipt of notification from the director, the governing



body of the county, city, or town takes such action as it deems necessary or advisable. If the State Department of Archives and History authorizes the destruction of the records, the governing body may have them destroyed. If the director requests that the records be turned over to the department, the governing body may authorize their transmission to Raleigh. Of course the governing body may require, in either case, that the records be retained.

(5) After the determination by the governing body, the custodian takes such action as has been authorized. If the governing body has authorized the destruction of the records, they may be burned or shredded. If the governing body has authorized their transmission to Raleigh, the custodian may send them to the State Department of Archives and History. Once destruction or disposal has been completed, the custodian has no further liability for the records.

#### Assistance Available

The procedure described above does not reveal the biggest problem of all: deciding what records "have no further use or value for official business." Experience has proven that custodians of records are hesitant in reaching a decision that records have no value.

Faced with this uncertainty, a number of counties and cities in the past have turned to the State Department of Archives and History for assistance. The department has been extremely helpful. It has often sent a staff member to review the records and make suggestions on those that can be destroyed or disposed of. It has been able, at such times, to discuss with the custodians of records what other governments have done, and this has often given the custodians assurance to proceed with destruction or disposal. In addition, the 1957 General Assembly authorized the department to employ an additional person, whose main job will be to visit the counties and cities interested in inventorying their records and destroying those of no further value. As this individual gains experience, he will be in an excellent position to help counties and cities in making decisions. Local governmental units interested in reviewing their records with a view to destruction or disposal may write for assistance to Mr. H. G. Jones, State Archivist, Department of Archives and History, Box 1881, Raleigh.

In order to provide additional as-

sistance, the State Department of Archives and History created an Advisory Committee on Records Disposal several years ago. The committee was composed of a number of state, county, and city officials. It set about reviewing the records in the offices of clerks of superior court and registers of deeds, and in county tax and finance offices. It was assisted in its deliberations by clerks of superior court and registers of deeds when the records in those offices were discussed. The results of the committee deliberations are lists of records usually found in clerks, registers, tax and finance offices, together with the length of time each type of record should be retained, and after which it may be destroyed or disposed of. Of course, the committee recommended that many records be retained permanently. For example, court minute dockets in the office of the clerk of superior court are recommended for permanent retention, as are all records pertaining to real property in the office of register of deeds. The committee suggests that other records be retained for various periods of time, ranging from five years to 25 or 50 years or more, depending upon the period during which the committee believed the record remained "current."

The results of the committee's deliberations have been embodied in a manual recently made available by the State Department of Archives and History. It is entitled, *County Records in North Carolina: Preservation, Reproduction, Disposal*. It contains a discussion of procedures for destroying or disposing of records, together with the recommended period of retention developed by the committee. The manual also contains sections on preservation and photographic reproduction of records. It describes the procedures available for the rehabilitation of records in a bad state of repair, such as old real property record books in the register of deeds office. And it discusses the various methods of photographic reproduction of records and the advantages and disadvantages of each.

City and town officials will also find the manual of interest. Though written primarily to describe county records, the manual contains a description and discussion of the preservation of minutes of boards of county commissioners and tax and finance records. The discussion will be directly applicable to the records of boards of aldermen and city councils, as well

as to records in the offices of city tax collectors and finance officers.

Copies of the manual may be obtained by writing to Mr. Jones at the State Department of Archives and History. (His address has been set out above).

A typical records study is that soon to be undertaken by officials of Guilford County. The first step will be an inventory of each type of record in each office and department in the county. The list for each office or department will be prepared by the office or department involved. After the lists have been prepared, county officials plan to use the manual published by the State Department of Archives and History in order to determine the recommended period for retention. At the same time, assistance will be sought from the department, to assist the officials in making the final decision of what records in each office can be destroyed or disposed of. Final decision, of course, will remain with the custodian of the records to be destroyed or disposed of, along with the approval of the board of county commissioners as required by law.

#### Summary

Many counties and cities will benefit from a review of all records and the destruction or disposal of those no longer having any "use or value for official business." The destruction of such records will free valuable space needed for newer records, and may eliminate, at least for some time, the necessity for constructing additional storage space.

Counties and cities planning a records inventory will find help from the new manual prepared by the State Department of Archives and History, entitled *County Records in North Carolina: Preservation, Reproduction, Disposal*. This manual contains a suggested period during which records should be retained in the office of record, together with a description of methods of preserving and reproducing records.

Counties and cities planning a records inventory will also find help from the personnel of the State Department of Archives and History. Members of the department's staff, with experience in advising local units on destruction or disposal, can assist in planning the procedure. Since the approval of the department is necessary before records can finally be destroyed or disposed of, it will prove advantageous to discuss plans in advance with the department.

# Employee Awards Program

By Donald B. Hayman

Assistant Director of the Institute of Government

Four of the six personnel recommendations requiring legislation which were made by the 1955-57 Commission on Reorganization of State Government were enacted into law by the 1957 General Assembly. Bills implementing the remaining recommendations were never introduced and were never actually considered by the members of the General Assembly. One of the two recommendations not considered would have established an employee awards program.

The recommendation<sup>1</sup> of the Commission on Reorganization of State Government pertaining to the employee awards program provided as follows:

- (1) The State Personnel Council should be given responsibility for establishing regulations governing a system of honorary, group, and cash awards for state employees on a two-year trial basis.
- (2) The Governor should appoint a five-member State Employees' Incentive Awards Committee which shall be responsible for approving all awards.
- (3) No cash award shall exceed 10% of the savings during the first year following the adoption of the suggestion or a maximum of \$1,000.
- (4) All cash awards shall be paid from savings resulting from the adoption of the suggestion.

## Idea Is Not New

Formal suggestion systems have been used in private industry in this country since 1917. The Navy Department in 1919 was the first public agency in this country to establish a suggestion program. During the 1920's and 30's thousands of industrial firms established some form of sug-

gestion systems. The experience of these firms has been so favorable that since World War II five states and many cities have followed their example.

During the last 30 years the names of the plans and the procedures followed have varied. The original "suggestion box" has been replaced by the "suggestion system" which in turn has given away to the "incentive award program." Regardless of the name or procedure, the purpose has remained unchanged.

## Purpose

The purpose is twofold: first, to secure the tangible benefits of savings of time, material, and money; second to secure the intangible benefits of better service, improved safety conditions, better employee relations, and improved quality of work. Better employee relations are presumably obtained (1) by providing a system whereby employees can demonstrate initiative and interest in their agency beyond the normal job requirements, and (2) by providing employees personal recognition and financial rewards.

## Governmental Units Profit from Employee Ideas

Reports from the governmental units using "incentive award programs" indicate considerable success. New York adopted a suggestion plan in 1946, being the first state to adopt such a plan. During 1956 the New York State system paid \$10,000 to employees who saved the state \$165,000. California was the second state to adopt a suggestion program. During the first year of operation a total of \$100,731 was estimated as having been saved. California's expenses included \$16,000 in awards and the salary and travel for a full-time executive secretary and the salary of a stenographer. During the spring of 1957 more usable suggestions were received by the

California system than during any comparable period. New Jersey was the third state to adopt such a plan. Both Oregon and Wisconsin inaugurated their plans in 1955.

The Tennessee Valley Authority has had considerable success with such programs for a number of years. In 1954 the federal program was revised and broadened. The U. S. Civil Service Commission reports that during the 1956-57 fiscal year 322,064 suggestions were received, 86,209 suggestions were adopted, and \$169,883,140 was estimated as having been saved during that year because of the suggestions. A total of 41,340 awards were granted during that fiscal year, and the total cost of the awards was \$9,112,063. During 1956-57, 38% of all suggestions by federal employees were adopted.

An undetermined number of municipalities have adopted suggestion and incentive award programs. Last year Dayton, Ohio, adopted suggestions estimated to have saved the city \$13,000 a year. The Dayton program was organized as a contest which continued through the first four months of the year. Awards granted totaled \$400 and 12 days off with pay. Madison, Wisconsin, paid its first large suggestion award last year, \$250 for a mechanism that warns of emergency conditions in the water system and \$125 for a change in property assessment records that has already saved the city \$3,700 and started a further search for savings in the department's record-keeping.

New York City established an employee suggestion program in 1952. One idea submitted through the program last year on how to keep maps up-to-date more economically will save the city \$100,000 a year. The municipal employee making this suggestion received a \$500 award which is the maximum cash award permitted under the New York City program.

<sup>1</sup> Two of the nine members of the Commission did not concur in this recommendation.



## Administering An Awards Program

### Organization

State incentive award programs are usually under the general supervision of a three to seven member committee appointed by the Governor. The personnel department, the finance department or budget bureau, and the state employee association are usually represented. Other members, if any, are usually assistant department heads. California requires that a supervisor and a non-supervisory employee be appointed to its board.

In California, New Jersey, and in the federal government, departmental committees are responsible for the program within their departments. In some jurisdictions the program is handled by the one state-wide committee with the assistance of a staff. The state-wide committee and staff are attached to the department of finance in California and to the personnel department or civil service agency in New Jersey, New York, and in the federal government.

A number of municipalities which have established incentive award programs have delegated responsibility for the program to a three or five member board appointed by the mayor. Board members usually include responsible administrative officials, representatives of employee associations, and at least one member who holds no other public office.

### Definition of a Suggestion

Suggestion is uniformly defined as "a constructive idea to improve methods, equipment, or procedures which will reduce time or cost of operations or which will make work conditions better or safer." Evaluating committees usually require that the suggestion be (1) constructive, (2) adopted, (3) not a normal part of the employee's duties, and (4) applicable to more than his own unit if he is a supervisor.

### Procedure for Receiving Suggestions

Suggestions are submitted in three ways: (1) in suggestion boxes, (2) through supervisory channels, and (3) directly to incentive awards committees.

In some suggestion plans the identity of the suggestor remains anonymous as he keeps a stub from his suggestion blank. In New York State a semi-anonymous system is followed. Suggestions are sent directly to the central agency which knows the suggestor's name but retypes the suggestion and substitutes a number for the name before sending the suggestion to the

appropriate department or departments. Under other plans the name of the suggestor is known throughout.

### Investigation and Evaluation

When suggestions are sent to a central agency, they are acknowledged immediately. If a delay occurs in evaluation, the employee is also notified. The central committee usually refers the suggestion to the appropriate individual or individuals. Some private firms have special investigators to follow up on suggestions. California has two such employees.

Line operating officials make all decisions concerning the adoption or rejection of the suggestions. The decision of the line official with reasons is frequently forwarded through the department head to the department committee and back to the central incentive award committee.

In the federal government, departmental committees make awards. In most of the state plans, the departmental committees recommend and the state committee decides who should receive an award and how much the award should be. If a suggestion is not adopted, a letter is written stating why and delivered personally to the employee by his immediate supervisor.

### Awards

Awards are usually of two types—cash or recognition. The Tennessee Valley Authority has been the only public agency to have had considerable success with a suggestion program which did not provide any cash awards. Most of the recent incentive plans have provided substantial monetary remuneration. California follows a policy of recommending 10% of the first year's savings. The award committee gives a maximum of \$100 and the difference between \$100 and the total award must be appropriated by the legislature.

New Jersey in 1955 raised the maximum award payable from \$500 to \$1,000. The federal government awards range from \$10 to \$25,000. All savings up to \$200 may merit \$10. All savings up to \$1,000 may merit \$50. Savings of \$55,000 may result in a \$500 award. Some jurisdictions provide that cash awards can only be paid from savings made possible by the adoption of the suggestion. The average award in both private industry and the federal government last year was \$30.

### Present Awards Programs

An awards program similar to those described above has not yet been

adopted by a governmental unit in North Carolina. Several municipalities during or immediately after World War II authorized "suggestion boxes." Wilmington's personnel rules encourage employees to submit suggestions for improving municipal service. None of the North Carolina plans are known to have provided monetary recognition of employees submitting suggestions. Although some valuable suggestions were received, these plans tended to become forgotten by both municipal officials and employees.

Several governmental units now cooperate with private foundations or organizations which provide funds for cash awards to "outstanding" employees. Such supplements have been much more common in academic circles than in state, county, and municipal employment. For example, salary supplements to "distinguished" professors of the state's colleges and universities have been made possible by grants of alumni for many years. The will of the late Governor O. Max Gardner provided for an annual cash award to the member of the faculty of the Consolidated University who made the greatest contribution to the welfare of the human race. Annually between 1947 and 1956 relatives of the late D. B. McCrary granted an award for outstanding and meritorious service to an employee of the State Highway and Public Works Commission. Similarly on a municipal level, in Lenoir a "policeman of the year" is selected and honored at an annual banquet sponsored jointly by the Lenoir Police Department and the local post of the American Legion. The Lenoir award includes a certificate and \$100 in cash provided by the American Legion.

Non-monetary awards are granted public employees in several cities and towns. Mayor Jim Smith of Charlotte in September presented the city's first "outstanding service award" to an officer of the local police department. The Winston-Salem Jaycees grant a "Fireman of the Year Award" to one member of Winston-Salem's fire department and one member of the Forsyth County volunteer firemen's association at a banquet ending the Jaycees' annual fire prevention activities.

Following the lead of industrial firms in the state, the State Highway and Public Works Commission and several municipalities have adopted programs honoring employees with

*(Continued on page 24)*



# North Carolina's New Vehicle

In 1898, an erratic machine known as an automobile, one of 200 produced that year, was purchased by a doctor of Buffalo, New York. The cautious physician, aware of the frequency of gas tank explosions and other mishaps attendant upon the operation of the noisy contrivances, made application for a policy of insurance which would protect him from liability for damages that might be caused to the person or property of others by the unpredictable machine. By responding to the application with a policy of "teams' form" liability insurance (previously used to protect owners of horse-drawn vehicles), the insurance carrier of the New York doctor escorted him into a new field of insurance underwriting — a field which has expanded in parallel fashion with the tremendous growth in production and use of automobiles. It is unlikely that these pioneers realized in 1898 that they were cutting a pattern which would be followed 60 years later by virtually every motor vehicle owner and insurance carrier in North Carolina.

Whether or not the Buffalo policyholder survived the hazards of the open road and his archaic automobile is not known. One thing is certain: the insurance carrier by which the historic policy was written is still doing business and is likely to do a lot more of it in North Carolina as a result of 1957 legislative action in the form of the Vehicle Financial Responsibility Act.

## Where The Law Is Found

The new act, frequently referred to as the "compulsory insurance law" because for most motor vehicle owners the only feasible method of complying with its provisions involves "automobile" liability insurance, is Article 13, Chapter 20 of the General Statutes of North Carolina (*G.S. 20-309 through G.S. 20-319*). It specifically incorporates portions of the Motor Vehicle Safety and Financial Responsibility Act of 1953 (*G.S. 20-279.1 et seq.*), making examination of the 1953 Act necessary for a clear understanding of the 1957 Act. The Department of Motor Vehicles has issued an informative booklet entitled *Insurance Handbook for Insurance Companies, Representatives and Agents* which clarifies some of the technical aspects of the law with respect to the insurance industry. Inasmuch as the Act has special significance for motor vehicle dealers, the Commissioner of Motor Vehicles has formulated and issued, pursuant to authority extended by the Act, certain regulations concerning requirements for automobile dealers.

## What The Act Means

Broadly stated, the significance of the Vehicle Financial Responsibility Act of 1957 is this: In order to obtain registration and license plates in North Carolina for a self-propelled motor vehicle on or after January 1, 1958, the owner must present, at the time of registration and in a manner

prescribed by law, evidence of his financial responsibility for damages he may inflict upon the person or property of others by the negligent operation of his vehicle. It should be noted that the 1957 Act concerns only *owners* of motor vehicles and, furthermore, that it has no direct effect on drivers' licenses. Placed in the proper context, it simply provides an additional requirement to be met in obtaining the registration of a vehicle. This statement of the new law, while very general, will serve at least as a base for consideration of specific areas of the Act. Each area is explored briefly by this article and, in view of its summary nature, statutory references are provided for those inclined to more elaborate study.

## Vehicle Owners Affected By The Act

Of crucial importance to an examination of the new law is the matter of determining what vehicle owners are subject to its provisions. A sound general rule in this connection may be stated as follows: The owner of any self-propelled motor vehicle registered in North Carolina must meet the requirements of the Vehicle Financial Responsibility Act of 1957. However, since a general rule is usually defined by its exceptions, consideration must be given to a classification of certain types of vehicle owners who are exempt from the provisions of the Act. The par-



# Financial Responsibility Act



By J. Robert Montgomery  
Assistant Director of the  
Institute of Government

ticular exemption may exist because of the nature of the vehicle itself or by virtue of the particular person or entity holding title to the vehicle.

**A. Trailers.** Since trailers are not self-propelled, though technically defined as "motor vehicles" by other provisions of the Motor Vehicle Law, they may be registered by their owners without regard to the provisions of the Act. (*G.S. 20-309*).

**B. Non-residents.** With some exceptions, bona fide non-resident vehicle owners are not required to obtain registration of their vehicles in North Carolina (*G.S. 20-51 (a)*; *G.S. 20-83*). Recognition that the requirement of the new law is simply another condition of registration indicates that non-residents who are not required to register their vehicles in North Carolina are exempt from its provisions.

**C. Vehicles exempt from registration law.** A situation similar to that of non-residents exists in the case of North Carolina residents who are owners of vehicles expressly exempt from the registration laws. Owners of farm tractors, certain road machinery and other vehicles which are operated on the highway for purposes incidental to the primary function of the vehicle are exempt from the Act to the same extent that the particular vehicles are exempt from the requirement of registration. (*G.S. 20-51*).

**D. Governmental ownership.** The new law expressly exempts from its

provisions vehicles owned by the United States, the State of North Carolina and political subdivisions of the State, such as counties, cities and towns. (*G.S. 20-318*).

**E. Regulated commercial vehicles.** Common and contract carriers certificated by the Interstate Commerce Commission or operating under a certificate of convenience and necessity or permit issued by the North Carolina Utilities Commission, or both, are granted an express exemption from the new law so long as they are required to furnish evidence of financial responsibility to either or both of the regulatory bodies. (General: *G.S. 20-317*. Interstate property carriers: *G.S. 62-121.23*; *Rule 20, Truck Act of 1947*. Intrastate passenger carriers: *G.S. 62-161.61*; *Rules 5 and 6, Bus Act of 1949*. Interstate carriers: *49 U.S.C. sec. 315*; *Ex parte No. MC5, Rule 175.1 (a)*).

## Proof of Financial Responsibility Defined

For owners who seek and do not find among the exceptions to the Act a classification applicable to them, consideration of how "proof of financial responsibility" is established is essential. The Act specifies four distinct methods by which proof may be established and makes compliance with any one method sufficient. Particular attention should be given to the nature

of the documents constituting evidence of financial responsibility under each method, for the evidence is the elemental item for purposes of registration.

**A. Certificate of insurance.** Officially designated "Form FS-1," a certificate of insurance is the written statement of an insurance carrier, duly authorized to do business in North Carolina, to the effect that there is in effect a policy of motor vehicle liability insurance for the benefit of the person required to show proof of financial responsibility (*G.S. 20-279.19*). Certain statutory requirements must be met with regard to the insurance contract itself, such as minimum limits of "\$5,000/\$10,000 and \$5,000," inclusion of an "omnibus" clause and an appropriate designation of the insured. In addition, several statutory clauses become a part of the insurance contract when certification is effected (*G.S. 20-279.21*). It should be noted that the act requires liability insurance coverages. Other types of coverages, such as collision and upset, fire, theft and the like, however desirable they may be, will not alone enable a policyholder to acquire from his insurance company an FS-1, which is a certification of liability insurance coverages.

**B. Certificate of financial security bond.** Another type of certificate, termed "Form FS-3," and similar in most respects to Form FS-1, is a written statement of the Commissioner

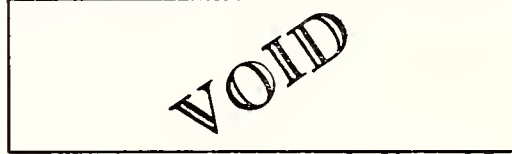
of Motor Vehicles to the effect that the person required to show proof of financial responsibility has complied with the provisions of the Act in some manner other than that involving insurance. In order to acquire an FS-3 as certification of a financial security bond, an owner must file with the Commissioner the bond of a surety company, duly authorized to do business in North Carolina, or a personal bond with at least two individual sureties who must execute a first lien on real property owned by them in which their equity is equal in value to at least twice the amount of the bond. The bond must be conditioned for payments in amounts and under the same circumstances as would be required in the case of a motor vehicle liability insurance policy. In the case of the bond secured by lien on real estate, foreclosure procedures are provided. (G.S. 20-279.24).

**C. Certificate of financial security deposit.** Proof of a financial security deposit is also certified by utilizing the FS-3. Requirements conditioning the issuance of an FS-3 in this case, though difficult for most persons to meet from a monetary standpoint, are relatively simple as far as procedure is concerned. The applicant must obtain a certificate from the State Treasurer to the effect that the applicant has deposited with the Treasurer \$11,000 in cash, or certain types of "conservative" securities of a market value of at least \$11,000. The applicant must further provide evidence to the Commissioner of Motor Vehicles that there are no unsatisfied judgments of any character against the applicant in the county of his residence. (G.S. 20-279.25).

**D. Qualification as a self-insurer.** Here again, the Commissioner of Motor Vehicles uses Form FS-3 to denote compliance with the new act by the person or firm required to show proof of financial responsibility. Proof by this method is not available to most vehicle owners since one prerequisite is ownership by the applicant of more than twenty-five vehicles (G.S. 20-279.33(a)). However, the pertinent statutory provisions seem to permit the inclusion of trailers, even though not covered by the 1957 Act, in the computation of the number of motor vehicles owned for this purpose (G.S. 20-279.1(4)). The prospective self-insurer must satisfy the Commissioner of Motor Vehicles that as a self-insurer the applicant is possessed and will continue to be pos-

**FS-1 NORTH CAROLINA CERTIFICATE OF INSURANCE**  
**Use Only If The Insurance Policy Is In Effect**

a qualified North Carolina insurer certifies that it has issued a policy complying with the Vehicle Financial Responsibility Act of 1957 applying to the vehicle described herein to:



Policy Number .....  
 Policy Effective Date .....  
 Date Certificate Prepared .....

YEAR MAKE IDENTIFICATION NUMBER  
 Description of Vehicle Replaced if Certificate is Filed for Such Reason:

YEAR MAKE IDENTIFICATION NUMBER Signature of Authorized Representative  
 (INSTRUCTIONS ON THE REVERSE SIDE)

**The FS-1 form will be the most common method of proving financial responsibility. It will be furnished to the insured by his insurance company.**

sessed of ability to pay judgments which may be obtained against him. (G.S. 29-279.33(b)). The Commissioner, if satisfied that the applicant has shown the requisite evidence of financial responsibility, will issue necessary Forms FS-3.

**Presenting the Evidence of Financial Responsibility**

It may be argued that a bird in the hand is worth two in the bush, but it is certain that an FS-1 or an FS-3 cannot serve its purpose unless it is presented to the Department of Motor Vehicles in acceptable form. Three matters must be considered in this regard:

**A. Acceptability.** A specific FS-1 or FS-3 will contain detailed information relating to name, address, and vehicle identification number. In order to make certain that the vehicle and owner described on the FS-1 or FS-3 are the same as the vehicle and owner indicated by the registration record of the vehicle, the Department of Motor Vehicles must of necessity require that the respective data be in substantial agreement. To this end, the Department requires that all FS-1s be imprinted on their reverse sides with a series of instructions concerning standards of acceptability. It is important that every recipient of an FS-1 ascertain by following the instructions printed for his benefit that his particular FS-1 meets the required standards. This may enable him to avoid rejection of his certificate at the time of registration.

**B. Method of Presentation.** Since the matter of showing proof of finan-

cial responsibility is an additional requirement to be met by an owner in registering his vehicle, it follows that the evidence of financial responsibility (FS-1 or FS-3) must accompany the application and fee for the registration of the vehicle. This means that either an FS-1 or an FS-3 must be produced for each vehicle registered.

**C. Time of Presentation.** For purposes of registration, the new Act becomes effective January 1, 1958. Therefore, in order to obtain registration and license plates for a vehicle during 1958 the owner must produce an acceptable FS-1 or FS-3. Of course, a vehicle may be lawfully operated until February 16 of a calendar year under the authority of the registration and license plates applicable to the preceding year. (G.S. 20-65). Proof must be presented with each registration, which includes initial registration (first registration of the vehicle in North Carolina), renewal registration (annual "relicensing") or transfer of registration (sale or other transfer of a previously registered vehicle).

With regard to registration for 1959 and succeeding years, the Attorney General of North Carolina has ruled, by opinion dated August 5, 1957, that proof of financial responsibility for subsequent registration years must be made in the same manner as required for the year 1958; that is, proof must be presented on an annual basis.

**Maintaining Proof of Financial Responsibility**

Assuming that the owner of a vehicle successfully negotiates the reg-



istration of his vehicle, duly showing proof of financial responsibility by means of either an FS-1 or an FS-3, this question arises: "What additional responsibility will the owner have during the registration period in connection with the new law?" The answer, surprising to many, is very little aside from paying insurance premiums currently, in the case of proof by Form FS-1, in order to maintain his insurance policy in force. By doing this, the owner will be maintaining his proof continuously throughout the registration period as the new Act requires. (G.S. 20-309).

The form of the FS-1 approved by the Commissioner of Motor Vehicles implies on its face that the certification of coverages continues in the absence of notice to the contrary or until recertification is required by law (new registration year). With respect to duration of coverages, the FS-1 discloses only a beginning date; called the "Policy Effective Date." No ending date is specified by the certificate. If it were otherwise insurance companies, representatives and agents would have a tendency to write all policies of automobile liability insurance so as to make the policy period (duration of coverage) coincide with the motor vehicle registration year, in order to avoid the inconvenience of issuing certificates on each renewal of a policy. In view of this situation, the following conclusions may be drawn:

**A. Policy Renewals.** The simple renewal of a policy during the registration year, on July 15 for example, where there is no change of vehicle does not require a "recertification," since the original FS-1 continues in effect.

**B. Change of insurance carrier.** If, during the registration year, an owner effects a transfer of his insurance coverages from one insurance carrier to another, he must arrange for the succeeding carrier to file an FS-1 with the Department of Motor Vehicles. This is necessary in order to counteract the effect of a notice of termination filed by the previous carrier which would have the effect of leaving the particular owner without current certification.

**C. Change of name.** If, during the registration year, an owner undergoes a change of name, certification by an FS-1 showing the correct name must be arranged. This situation could come about by reasons of mar-

riage, court order, or correction of spelling.

All of the above circumstances are considered on the assumption that the owner of the certified vehicle desires and is able to maintain insurance coverages on the vehicle. In the event an owner allows his coverages to terminate, by cancellation or failure to renew, and fails to maintain proof of financial responsibility otherwise, the registration of the vehicle becomes subject to revocation. (G.S. 20-311). However, a procedure is available in this case by which the owner may surrender the registration card and license plates of the vehicle to the Department of Motor Vehicles, thereby avoiding a revocation (G.S. 20-309). The owner may make the "voluntary surrender" of registration by presenting the registration card and license plates applicable to his vehicle to the Department of Motor Vehicles, to any of its representatives or to a license branch office (Motor Club). The official recipient will issue to the owner a "Notice of Voluntary Surrender" on Form FS-6, which the owner may use to relicense his vehicle during the current license year without fee, when he is in a position to present proof of financial responsibility by means of an FS-1 or FS-3. It should be noted that this procedure is neither necessary nor appropriate when an owner disposes of his vehicle. In that case he is no longer the owner of the vehicle. In North Carolina the registration and plates of a vehicle are transferred with the vehicle to a new owner. (G.S. 20-72).

### Duties of the Insurance Carrier

The constellation of problems and duties resting upon the insurance industry in North Carolina as a result of the 1957 Act deserves more detailed treatment than space will permit here; however, attention must be directed to several items of a pivotal nature.

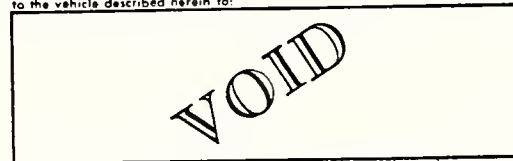
**A. Production of FS-1 Forms.** Insurance carriers must prepare and issue to each of their insureds an FS-1 applicable to each motor vehicle sought to be registered by an insured. The FS-1 must contain the name of the carrier, the name and address of the insured, a description of the vehicle on which coverages are certified, the effective date of the policy certified and the date on which the FS-1 was prepared. (G.S. 20-279.19). An FS-1 is not valid unless signed by an authorized representative of the carrier. While the signature may be a facsimile, it must not be preprinted.

The production of an FS-1 is reasonably simple matter in the ordinary case. There are, however, special uses of an FS-1; uses devised to cover situations where certification in the usual manner would not be practical from the standpoint of the insured, the carrier or the Department of Motor Vehicles. These "problem" situations and the method of handling them are as follows:

(1) **Motor vehicle fleets and fleet automatic coverage.** As the term implies, a fleet is a group of vehicles employed in the same service. (5 or

### FS-4 NORTH CAROLINA NOTICE OF TERMINATION

hereby gives notice that the insurance certified by the company in its NORTH CAROLINA CERTIFICATE OF INSURANCE heretofore issued applying to the vehicle described herein to:



terminates effective ..... of 12:01 A.M.

DATE FS-4 PREPARED .....

YEAR MAKE IDENTIFICATION NUMBER

Signature of authorized representative

To be filed with the Department of Motor Vehicles, Financial Security Section, Raleigh, North Carolina

The FS-4 will be used by insurance companies to notify the Department of Motor Vehicles of termination.

more for purposes of insurance). A further characteristic of a fleet is the transient nature of vehicles comprising the fleet. In some cases, a fleet owner acquires and disposes of numerous vehicles during a registration year. Hence, it is impractical for purposes of insurance to tie insurance coverage to specific vehicles. The solution is to provide fleet automatic coverages which extend to all vehicles owned by the insured. Inasmuch as this leaves the carrier without a record of specific descriptions ordinarily called for by the FS-1 (year, make and identification number), the Commissioner of Motor Vehicles has authorized use of the phrase "all vehicles registered" as the vehicle description on FS-1s produced pursuant to fleet automatic coverage. The phrase suffices as an appropriate reference to vehicles covered (*G.S. 20-279.19*) and facilitates production of certificates for use by fleet owners. It is important to note, however, that the fleet owner must provide an FS-1 for *each vehicle* he registers and, while in the case of an ordinary FS-1 some allowance is made for slight discrepancies in spelling or in the manner of showing first name or initial, the name of the insured as it appears on the "fleet" FS-1 must be *identical* to the name of the fleet owner as it appears on his registration application.

(2) **Motor vehicle dealers and manufacturers:** Because of the transient nature of vehicle ownership by dealers and manufacturers in the course of business, insurance underwriting practice in their case has virtually all the characteristics found in the practice relating to fleet automatic coverage. Coverage is extended in the form of a Garage Liability Policy.

(a) Regulations formulated by the Commissioner of Motor Vehicles require that dealers and manufacturers present proof of the existence of a Garage Liability Policy before they are allowed to obtain special dealer plates under the provisions of *G.S. 20-79*, and this requirement is met by the presentation of an FS-1 showing, as the description of vehicles covered, the following phrase: "all vehicles covered under Division 1 of Garage Liability Policy."

(b) With respect to vehicles which dealers or manufacturers desire to register in their own names under ordinary registration procedure, the Commissioner has authorized the use

of FS-1s carrying the descriptive phrase "all vehicles registered except tank trucks and haulaways." Thus, individual certifications can be effected by a dealer under his Garage Liability Policy.

(c) Tank trucks and haulaway vehicles are excluded from the standard garage liability policy; therefore, in order to operate vehicles of that type lawfully, even in cases where dealer's plates are utilized, FS-1s specifically describing such vehicles by year, make and identification number must be presented by the applicant.

**B. Terminations—duty to insured.** Generally, there are two methods by which insurance coverages may be terminated: failure to renew and cancellation. If termination by either of these methods is attempted by a *carrier*, the carrier is obligated to mail a notice of termination to the named insured, at the address shown on the insurance policy, at least 15 days prior to the termination. This requirement is in the nature of a condition precedent to termination and, therefore, an attempted termination is probably ineffective until at least 15 days after notice is mailed pursuant to the requirement. All notices of termination sent to the insured must include on their face a statement to the effect that proof of financial responsibility is required to be maintained continuously throughout the registration period and that operation of a motor vehicle without maintaining such proof is a misdemeanor. (*G.S. 20-310*).

**C. Terminations—Duty to Department of Motor Vehicles.** A further obligation of a carrier in cases of termination consists of notification to the Department of Motor Vehicles. This notice must be given in all cases of termination, regardless of whether or not the termination is at the instance of the *carrier or the insured*. The authorized form for this purpose is "Form FS-4," similar in format to the FS-1. The FS-4 must be mailed by the carrier to the Commissioner of Motor Vehicles not later than 15 days following the effective date of termination as shown on the Form FS-4. (*G.S. 20-310*). Since the statute contemplates that this notice will follow the effective date of termination, it is unlikely that the notice is a condition precedent to the termination of a policy. It is important to remember, however, that notice to the Department is very broad in its philosophy and probably applies in

any situation where coverages are removed from a specified vehicle. Take, for instance, the case of an insured who acquires a replacement vehicle. The standard North Carolina policy form would not "terminate" but would immediately extend coverages to the replacement vehicle (even without notice to the carrier in the case of liability coverages). However, the policy would no longer apply to the *replaced* vehicle. Notice is required in this situation but is given, not by an "FS-4" but by what is known as a "superceding" FS-1. Examination of an FS-1 form will disclose a line provided for the description of a replaced vehicle for which coverages no longer exist. Thus the carrier is enabled to certify coverages on the replacement vehicle and terminate coverages on the replaced vehicle by a single form.

## Unusual Situations

The provisions of the Vehicle Financial Responsibility Act, when considered in connection with other statutory provisions relating to registration and financial responsibility, create unusual situations with respect to certain types of vehicle owners.

**A. Permanent registrations.** Certain vehicle owners may obtain registration of their vehicles in North Carolina on a permanent basis. In addition to vehicles owned by the State of North Carolina and its political subdivisions, which are exempt from the terms of the 1957 Act, church-owned buses, certain types of "motorized wheel chairs," and vehicles owned by orphanages, emergency rescue squads, rural fire departments, the civil air patrol and mobile X-ray units of the North Carolina Tuberculosis Association, Inc., may be registered on a permanent basis, thus eliminating the necessity of annual renewal of registration (*G.S. 20-37.1; G.S. 20-84*). Although owners of vehicles of the type described will not be required to change their mode of registration as a result of the new act, they must present proof of financial responsibility by means of an FS-1 or an FS-3 to the Department of Motor Vehicles not later than February 15, 1958, in order to avoid the commission of a misdemeanor in the operation of their vehicles after the critical date (*G.S. 20-313*). Of course, this does not apply to vehicles exempt from the Act, even though they are registered on a permanent basis.



**B. Leased vehicles.** Except for vehicles leased to a common carrier of passengers or property (such a lease would create an exempt status for the vehicle), registration of vehicles in North Carolina must be in the name of the owner of the vehicle not the lessee (*G.S. 20-50*). Therefore an FS-1 or an FS-3 submitted as proof of financial responsibility applicable to a leased vehicle must include the name of the owner as one of the persons certificated.

**C. Taxicabs and U-Drive-It vehicles.** Heretofore, owners of taxicabs and U-Drive-It vehicles have been required to file proof of financial responsibility as a condition precedent to doing business in North Carolina. Operators of taxicabs submit proof to either the governing board of a municipality or to a board of county commissioners, according to the location of the taxicab business (*G.S. 20-280*). Owners of U-Drive-It vehicles file the required proof, in the form of a "WC-3201," with the Commissioner of Motor Vehicles (*G.S. 20-281 et seq.*). Regardless of existing requirements, which appear to continue (*G.S. 20-317*), owners of taxicabs and U-Drive-It vehicles will have to present valid FS-1s or FS-3s in order to secure registration of their respective vehicles. In the case of proof by insurance coverages, a single policy will suffice for all requirements if written so as to comply with each. In the case of taxicab operators, it appears that after January 1, 1958, two certifications for each vehicle will be necessary: one for registration purposes and another for the appropriate municipal or county governing board. With respect to U-Drive-It vehicles, the Department of Motor Vehicles has ruled that Form WC-3201 will not be necessary, *except as to trailers*, when the new law goes into effect, since certification for purposes of registration will serve as compliance with existing requirements.

**D.** Although the process of certification of vehicles owned by dealers has been considered previously, there remains the additional question of requirements applicable to dealers when they sell vehicles in the course of business.

**1. Sale: vehicles currently registered.** A dealer who sells a vehicle currently registered in North Carolina with license plates attached has no duty to ascertain that the purchaser is possessed of the financial

responsibility required by the new act. Of course, it is incumbent upon the purchaser to arrange immediately for a transfer of registration and to present proof of financial responsibility in that connection. Operation of the vehicle by the purchaser without having in effect the appropriate financial responsibility constitutes a violation of the Act.

**2. Sale: use of dealer plates.** Upon the sale of a vehicle, new or used, not currently registered, a dealer is authorized by statute to affix dealer's plates to the vehicle and to permit operation by the purchaser with such plates for a period not exceeding ten days. During this period the purchaser makes application for registration of the vehicle by the Department of Motor Vehicles (*G.S. 20-79*). The Department does not consider that the use of dealer's plates in this situation constitutes a registration; therefore, a dealer using the procedure has no obligation to ascertain whether or not the purchaser is covered by some authorized form of financial responsibility. But here again, the purchaser would be operating the vehicle in violation of the law if he did not have the requisite financial responsibility applicable to the vehicle. Furthermore, in the absence of the necessary form of financial responsibility, the purchaser would be unable to obtain an FS-1 or an FS-3, essential to the transfer of registration.

**3. Sale: use of temporary markers.** A new procedure, established by the 1957 General Assembly to supplement the provisions of the law concerning the use of dealer's plates in connection with the sale of vehicles, permits a dealer to attach to a vehicle temporary markers which serve in lieu of license plates. The purchaser may operate the vehicle with the temporary markers attached pending completion of orthodox registration. The maximum period of operation under the authority of the temporary markers is twenty days; and the procedure can be used only in the case of a vehicle not currently registered (*G.S. 20-79.1*). This procedure is tantamount to registration; consequently, a dealer who makes use of it must procure from the purchaser of the vehicle either an FS-1 or an FS-3, for transmittal to the Department of Motor Vehicles along with other registration material, before he may legitimately allow the purchaser to operate the vehicle with the temporary markers attached.

## Penalties Under the Act

Since the Department of Motor Vehicles must refuse to register or furnish license plates for a vehicle until the owner has presented evidence of compliance with the Vehicle Financial Responsibility Act, the penalties prescribed for violations of the Act will be invoked in most cases as the result of the failure of owners to *maintain* with the Department proper certifications of financial responsibility.

**A. Operation of a vehicle without financial responsibility in force.** The Act declares that an owner who operates his vehicle, or permits someone else to operate it, on and after February 16, 1958, without having in full force and effect the financial responsibility required by the Act is guilty of a misdemeanor. The significance of the date mentioned by this penalty provision has been emphasized previously. It is important that two elementary concepts of this penalty provision be recognized at this point. It applies only to *owners* of vehicles and does not in any way affect operators except insofar as the operator of a particular vehicle happens to be the owner of it. The penalty relates to the existence of financial responsibility as required by the Act, which is to be distinguished from *proof* of financial responsibility. For example, an owner could be guilty of a violation of the Act if he operated his vehicle at a time when his particular form of financial responsibility was not in fact in force, even though the records of the Department of Motor Vehicles indicated that certification was in order. On the other hand, there would be no violation of this particular provision in the case of an owner who in fact had an appropriate form of financial responsibility in force, even though official records indicated otherwise.

**B. Revocation of registration.** In the event the owner of a vehicle to which the new act is applicable fails to maintain proof of financial responsibility by insurance coverages, cash deposit, bond or certification as a self-insurer, the Department of Motor Vehicles will receive in due course notice to the effect that the particular type of financial responsibility has terminated. Generally, notice will be in the form of an FS-4, indicating termination of insurance coverages. When notice is received by the Department, the regis-

tration of the owner in question becomes subject to revocation (*G.S. 20-311*). At this point, three courses are open to the owner affected. The Department will notify the owner of the fact of termination, the action on his part necessary to avoid revocation and the time period during which action must be taken. If the owner effects a *recertification* of financial responsibility promptly, no further action directed toward revocation is taken. If the owner is unable to effect the necessary recertification, but promptly *surrenders his registration card and license plates* in the manner previously indicated, the penalty of revocation will not be imposed. However, if the owner takes neither of the first two courses, the registration of his vehicle is revoked and cancelled (*G.S. 20-311; G.S. 20-110 (j)*). In this case it becomes necessary for the owner, in order to register the vehicle again, not only to provide proof of financial responsibility, but to pay the appropriate license fee applicable to the vehicle for the remainder of the registration year.

**C. Failure to deliver certification of registration and plates after revocation.** An owner who receives from the Department of Motor Vehicles a notice of revocation for failure to maintain proof of financial responsibility and fails to deliver the registration certificate and license plates of his vehicle to the Department within the time specified by the notice is guilty of a misdemeanor, according to a provision of the Act (*G.S. 20-312*).

**D. Giving false information; forgery.** Particularly severe penalties are provided by the Act in the case of owners, or other persons who knowingly give false information in connection with matters required by the new Act; or who forge or sign without authority any evidence of financial responsibility; or who knowingly present such evidence for filing (*G.S. 20-316*).

### Related Laws

However brief, an examination of the Vehicle Financial Responsibility Act would be incomplete without the recognition of several statutes which bear a significant relationship to the Act.

**A. Motor Vehicle Safety and Financial Responsibility Act of 1953.** The

new act, in addition to borrowing heavily by incorporation from the Motor Vehicle Safety and Financial Responsibility Act of 1953, expressly asserts that the portions of the 1953 Act relating to proof of financial responsibility required of owners and operators of vehicles involved in accidents and to non-payment of judgments are to continue in full force and effect (*G.S. 20-314*). It also leaves unaffected the requirements relating to proof of financial responsibility by operators convicted of certain criminal offenses (*G.S. 20-317*). It is well to recall at this point the earlier conclusion that the new act affects only owners of vehicles and has no effect of a direct nature on operators' licenses. The significance of "saving" the 1953 Act now becomes apparent. In addition to covering cases of accidents where financial responsibility is absent (that is, where a vehicle involved in an accident is being operated in violation of the new act), the 1953 Act continues in its application to *non-owners* and *non-residents*, asserting itself by its rather strong sanctions relating to operators' licenses.

**B. Assigned Risk Plan.** One of the important features of the 1953 Act incorporated by the new act is that of the assigned risk plan. A system of equitable apportionment among insurance carriers of applicants for motor vehicle liability insurance policies who are unable to secure coverages through ordinary methods, the existing assigned risk plan is being expanded in order to accommodate additional applicants and is being equipped with new procedures in order to provide for the additional requirements of the new act.

**C. Insurance premium rating matters.** Of great importance to all North Carolina motorists who seek to show proof of financial responsibility by insurance coverages are the provisions of the Vehicle Financial Responsibility Act relating to motor vehicle liability insurance rates. The Act instructs the Commissioner of Insurance to establish rates which distinguish among classes of drivers according to their respective driving records in connection with accidents (*G.S. 58-248.8*). On November 19, 1957, pursuant to the legislative instruction, the Commissioner approved the "Preferred Risk Rating Plan."

The plan, effective January 1, 1958, is based on an insured's driving record during an experience period eighteen months in length, beginning two years prior to the effective date of the particular insurance policy. Three classes of risks are established. Class A includes drivers who have not been involved in an accident, or in only one accident involving property damage only, during the experience period. Present manual rates apply to drivers in the Class A group. Class B risks are subject to a ten per cent increase in rates. Included are drivers involved in one accident causing bodily injury or two accidents causing property damage only. Grouped in Class C are drivers with a record of several accidents and not falling within Classes A or B. A twenty per cent increase in rates is sustained by Class C risks. Of course, only accidents resulting in the rendition of a judgment of a loss on his behalf, affect his status under the Preferred Risk Rating Plan.

### Conclusion

The concepts of the Vehicle Financial Responsibility Act of 1957 are controversial. The stated purpose of the legislation—" . . . to encourage and promote financial responsibility of owners of motor vehicles."—seems to be accomplished by its provisions. In view of the steady volume of uncompensated losses in terms of personal injury and property damage resulting from the occurrence of traffic accidents, the purpose of the Act as an end is probably justified. The real controversy, however, concerns the means by which the law seeks to accomplish the stated purpose. Arguments in opposition to the Act range from philosophical anguish ("it's socialistic") to practical objection ("it's too much bother for what it's worth").

Controversy notwithstanding, the Act is ours to live with until the 1959 session of the General Assembly at least. Only time and experience will disclose whether or not the pattern initiated in 1898 by the physician of Buffalo, New York and followed by North Carolina motorists in 1958 as the result of legislative edict is here to stay.



# The North Carolina Department of Administration

By John L. Sanders

Assistant Director of the Institute of Government

The proper coordination of increasingly complex state fiscal activities has been a matter of growing concern to state governments in recent years. About one-third of the states have sought to achieve such coordination by creating state departments of finance or administration. While variously titled, such departments usually combine under a single administrator state budget preparation and control, the pre-audit of state expenditures, and state purchasing. Such was the course recommended by the Commission on Reorganization of State Government and adopted by the General Assembly of 1957, which created a Department of Administration for North Carolina.<sup>1</sup>

### Purpose

The Reorganization Commission found that uniting the pre-audit, budget preparation and administration, purchasing, and real property control functions in a single department, headed by a director appointed by and responsible to the Governor, would have several advantages. It would:

(1) Assist the Governor in his role as chief executive by freeing him of many details of administration and supervision of fiscal agencies;

(2) Allow better coordination of the staff activities involved by bringing together under a single administrator all state fiscal activities and information except such as relate to state revenue; and

(3) Provide a basic framework for the proposed expansion of related staff activities to include long-range plan-

ning, management analysis, and real property control.

### Statutory Framework

The new Department of Administration is headed by the Director of Administration. The director is appointed by the Governor, serves at the Governor's pleasure, and is directly responsible to the Governor for the proper performance of the functions of the department. Within the department there are two basic divisions, the budget division and the purchase and contract division. (The Budget Bureau and independent Division of Purchase and Contract were abolished, and their powers and duties transferred to the new department.) Acting with the Governor's approval, the director may establish such additional divisions as he considers necessary to carry out the work of his department.<sup>2</sup> All division heads are appointed by the director and approved by the Governor. Considerable administrative flexibility is derived from the authority granted the director to assign the duties of the department among its various divisions as he thinks advisable. It should be noted that the Governor

<sup>2</sup> The Department of Administration Act authorizes (but does not require) the activation of divisions of architecture and engineering, property control and disposition, administrative analysis, and long-range planning, and such other divisions as are found necessary. The act also authorizes the Governor and Council of State to incorporate the independent General Services Division (created in 1957) into the Department of Administration whenever they deem it advisable to do so.

retains his full powers as Director of the Budget.

### Office of The Director

As the first Director of Administration, Governor Luther H. Hodges appointed Paul A. Johnston, a lawyer who had served for over two years as the Governor's administrative assistant. Johnston in turn designated as assistant director of administration David S. Coltrane, who had served for eight years as assistant director of the budget. In organizing the department, the director elected not to activate separate divisions (authorized by statute) to carry on the work of management analysis and long-range planning. An arrangement is being worked out whereby the Institute for Research in Social Science of the University of North Carolina will provide the department with data on such matters as population trends and economic trends, essential to intelligent long-range planning of state programs. Management analysis activities will be carried on as a function of the office of the director, at least until it appears that a separate division for this purpose is justified.

To initiate the work of management analysis, an industrial engineer has been added to the Director's staff. His task will be to advise and assist state agencies in improving their organization and working methods and procedures in the interest of greater efficiency and economy. For instance, there is now under study the feasibility of a centralized business machine operation for the use of the State Highway Department and perhaps other Raleigh agencies.

In addition to exercising general

<sup>1</sup> Sess. Laws 1957, C. 269; G. S. 143-344 *et seq.*

supervision of the department, current activities of the office of the director include (1) assisting the Prison Department in working out plans whereby the Prison Department will furnish timber cutting and forestry services to other state agencies and institutions which have land holdings justifying the use of such services; (2) cooperating with the Board of Higher Education in the preparation of a long-range capital improvements program for the state institutions of higher learning; and (3) developing an improved method of preparing and presenting budget requests and of administering the state budget after appropriations have been made.

### Budget Division

The Budget division is administered by the state budget officer. This division consists of four sections, with the following duties:

(1) *Administration Section*: Supervises the division; assembles and analyzes reports and surveys of state operations; prescribes procedures for the preparation and processing of budget estimates; assists the director of the Budget and Advisory Budget Commission in the preparation of the state budget; administers the quarterly allotment system; approves requested transfers between budget items; and advises with spending agencies on the efficient use of funds.

(2) *Budget Analysts Section*: Advises and assists the state budget officer in evaluating proposed appropriations, quarterly allotments, and transfers between budget items, requested by agencies in the areas in which the budget analysts are specially trained; and aids the administrative section and the personnel and payrolls section.

(3) *Personnel and Payrolls Section*: Processes all state personnel changes and salary changes, and checks and certifies all state payrolls.

(4) *State Disbursing Office Section*: Draws warrants on the state treasurer for the disbursement of all state funds, and pre-audits warrants drawn against the treasurer and verifies the availability of funds to meet proposed expenditures.

In addition to its routine functions, the budget division in its first quarter of operation processed funds in excess of \$28,000 to pay legislative salary increases; established and approved schedules to provide for gross salaries of state personnel receiving perquisites at certain institutions; helped to set up the Central Motor Pool in Raleigh; and assisted the State High-

way Department in installing improved accounting procedures.

### Purchase and Contract Division

The state purchasing officer is in charge of this division, which is organized into three sections, with the following duties:

(1) *Purchasing Section*: Procures equipment, supplies, and materials for state agencies and institutions, and carries on a field inspection program and a specifications program.

(2) *Federal Property Disposition Section*: Obtains federal surplus property and disposes of it to eligible agencies and institutions.

(3) *State Property Disposition Section*: Disposes of surplus state property.

A continuing objective of the division is finding new ways to save money on state purchases which it handles and which now exceed \$60,000,000 a year. For instance, the magazine and periodical requirements of 86 school units have recently been consolidated into a single bid. This resulted in a discount of 33.5%, in contrast to a 15% maximum discount allowed on individual school unit orders. Greater emphasis is now being placed on field inspections, to insure that materials actually delivered to the using agencies are comparable to the samples submitted.

### Property Control and Construction Division

The work of the division of property control and construction, under the supervision of the state property officer, is divided between two sections, as follows:

(1) *Architecture and Engineering Section*: Does advanced planning of physical plant improvements at state institutions; estimates costs prior to construction; reviews plans and specifications for construction projects; receives bids and awards contracts for state building jobs; and has primary responsibility for developing a long-range state building program.

(2) *Property Control Section*: Is responsible for preparing and maintaining an inventory of all state-owned land and buildings; handles all real estate transactions on behalf of the State and its agencies and institutions, including purchases, sales, leases, and transfers between agencies; allocates land, buildings, and office space among state agencies; and advises the Governor and Council of State with respect to real estate transactions requiring their approval.

A significant new undertaking of the division is the development of a

long-range building program for the state. Working closely with the operating agencies involved, the division is attempting to evaluate the state's construction programs for the past few years, determine present and predictable future needs, and formulate a state building program for the next 15 years. This long-range program will be subject to biennial review and adjustment in the light of appropriations available and revised estimates of need.

Preparation of a long-needed inventory of the state's real property holdings is being carried on by the property control section. State agencies and institutions which own or control state lands are being asked to provide information on the source of title, current use, value, etc., of all property under their control. The North Carolina Bar Association will assist the Department of Administration in locating all state-owned lands, the whereabouts and boundaries of which are now unknown. Plans call for a thorough combing of the state, county by county, to locate all "unknown" state property, most of which lies in the swamps of eastern North Carolina.

### Location

Within a short time, the whole Department of Administration will be housed in the Revenue Building Annex. This move is expected to facilitate more effective supervision and coordination of the work of the various divisions.

### Personnel

All employees of the former Budget Bureau and independent Division of Purchase and Contract were transferred to the Department of Administration on July 1. To this number have been added seven new employees to date bringing the Departmental personnel to a total of 60. An additional six employees have been authorized but not hired.

The administrative and supervisory positions in the Department have been filled almost entirely with people who held similar jobs in the old Budget Bureau or Division of Purchase and Contract. The chief exceptions are the director's post (which had no equivalent under the pre-1957 arrangement) and that of the state purchasing officer (the former director of purchase and contract having resigned prior to July 1). The resulting continuity of experienced personnel has facilitated transfer from the old system to the new.



**Finances**

The General Assembly appropriated \$390,930 from the General Fund to carry on the operations of the Budget Bureau and the independent Division of Purchase and Contract during the fiscal year 1957-58. The Department of Administration Act transferred these appropriations to the Department of Administration, and provided that any additional costs of the Department during the 1957-59 biennium should be paid from the Contingency and Emergency Fund. This has resulted in the allocation of \$52,431 to the department from the C. and E. Fund for this fiscal year. A part of this sum will go to meet the expenses of the office of the director, but the greater portion will be used to finance the entirely new activities which the General Assembly directed the department to undertake, such as the real property inventory, management analysis activities, the long-range capital improvements program, and others. A part of the initial cost of getting the department under way is attributable to non-recurring equip-

ment expenditures. It was the expectation of the Reorganization Commission and of the General Assembly that, despite increased direct outlay by the state for the operation of the new department, the net result of the work of the department will be savings to the state substantially larger than the increase in operational costs.

**Role of The Director**

While the duties of the director as the administrator of the Department of Administration are important, he is given a potentially larger role in state affairs.

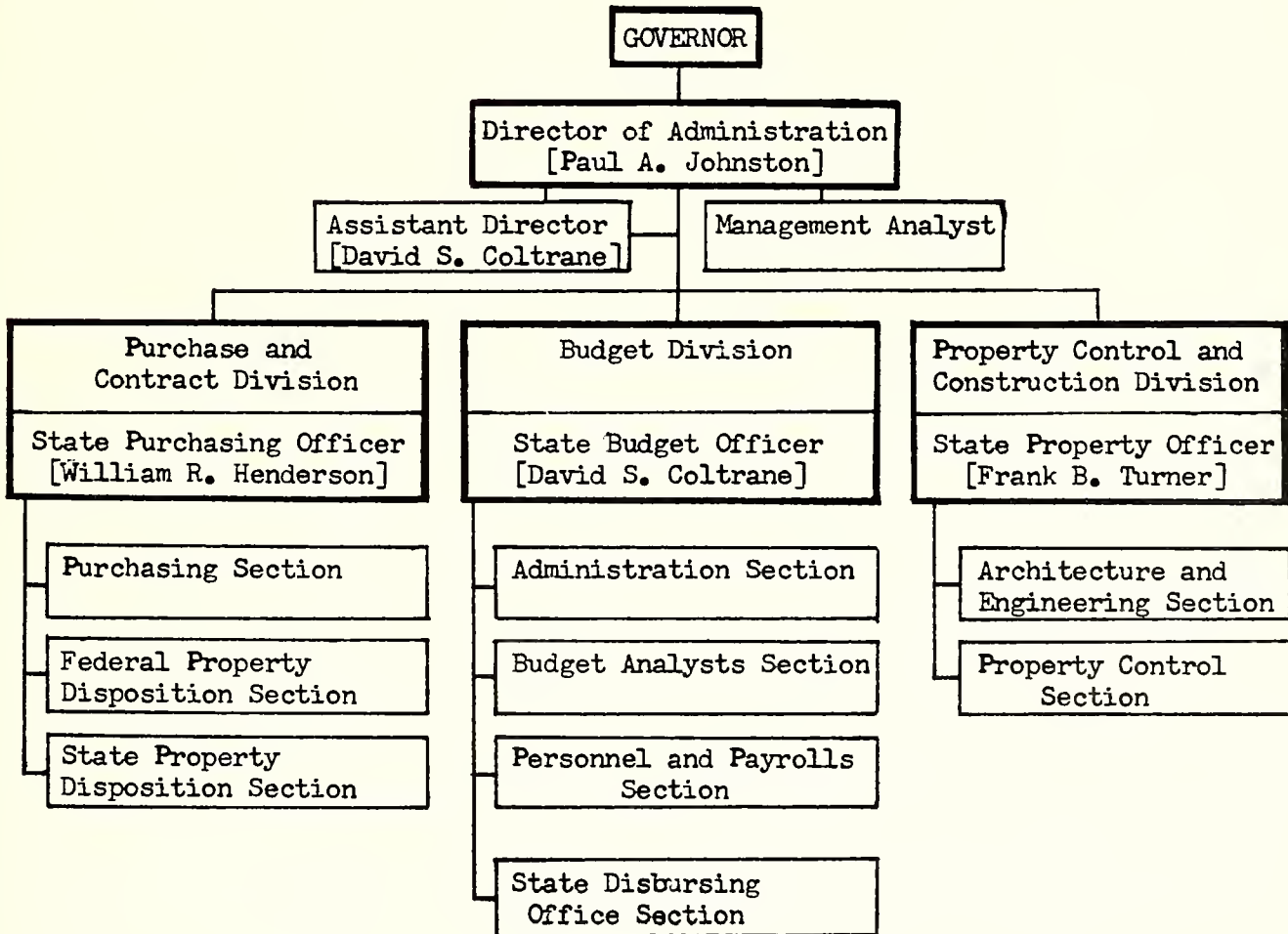
The director possesses a unique opportunity for seeing and effecting improvements and economies in the operation of state government. He has at his immediate command all information and all the means of obtaining information that the budget preparation and control process affords. Yet his time is not consumed by the burden of paper work which day-to-day budget administration entails.

He has the authority—partly in his own right and partly as the fiscal

agent of the Governor; partly through budgetary controls and partly through persuasion—to effect beneficial changes in the ways and means of effectuating state policy as established by the General Assembly and the Governor. The range of the director's proper concern, like that of the Governor, is as wide as state government itself. In fact, the role of the Director of Administration is somewhat akin to that originally conceived for the Governor as director of the budget, but which has seldom been performed to the fullest extent by any Governor because of other pressing demands on his time and energies. Yet the director does not carry the Governor's heavy responsibilities as chief executive, policy maker, political leader, and public relations man extraordinary.

It is in this role as the well-informed, working administrator of state fiscal affairs that the director finds his greatest opportunity for accomplishment in the cause of more efficient and economical government in North Carolina.

THE DEPARTMENT OF ADMINISTRATION



# NEW INDUSTRY:

## What Type Does Your Town Want?



By Ruth L. Mace

Staff Member of the Institute of Government

In the all-out drive to attract new industries to North Carolina's cities and counties, there is the danger of forgetting or ignoring the fact that not all new industry is desirable. Industry may be a destructive element to invite into the community. The fly-by-night industry that lights temporarily and then moves on leaves hardship in its wake. The nuisance industry may blight a town for years to come. The low salaried or financially unsound plant may destroy the character of a community or sicken its economy. Just two years ago now, in December 1955, POPULAR GOVERNMENT ran an article called "What Kind of New Industry Does Your Town Want?" To help you decide whether a proposed new industry will be an asset or liability to your town, it may be well to repeat some of the main points that were made in that article.

Assume for a moment that an industrial prospect is considering setting up shop in your town—and that you, as a city official, are in a position to encourage or discourage this new development. These are some of the factors you should consider.

1. Is the market for the product of the proposed industry stable, or is the demand for this product likely to fall off with minor downswings in the economy?

2. Is the industry seasonal? If so, will its seasonal slack counter-balance or exaggerate the seasonal unemploy-

ment of already established industries?

3. Does it show promise of growth? Growing industries are likely to result in expanding employment opportunities in the community. At the same time, they are likely to draw new workers to your community. Will these new workers be the kind of citizens you want?

4. Is the management of the proposed enterprise sufficiently experienced and capable to give some assurance of business survival and continuity of operations? The sum of all the elements of a business, no matter how favorable, cannot substitute for skilled and responsible management.

5. Is the level of salaries and wages paid per employee high enough to maintain or to elevate the existing level of community income? Although the number of jobs provided is also significant, it is obvious that a given number of highly paid jobs is more of a community asset than the same number of lower paid jobs. In this matter also it is well to keep in mind that only rarely will all employees of a new plant be composed of present community residents. Almost certainly some will be drawn from other areas and added to the population of your community. In this way a new industry paying low wages and salaries can depress rather than elevate per capita income.

6. If the enterprise is based upon

a local natural resource or raw material, is the supply great enough to carry the industry over a substantial period of time or is it likely to be an in-and-out extractive operation which will leave the community flattened and with an unemployed and depressed group of people. If it appears likely that auxiliary industries would develop, this question is given added importance because such development may result in a business growth that has lost its supporting base.

7. Will the probable demand for expansion of city and county services arising from the new industry be fully balanced by added revenue directly or indirectly obtained from the new enterprise and its employees?

8. If local government revenues are not increased, can the existing community facilities for education, water, electricity, gas, sewage, paving, and transport adequately serve the new people brought in? Is there sufficient housing of the appropriate kind and quality, or can such housing be built in a reasonable length of time?

Corporations considering the establishment of branch plants look sharply at these factors which are so important to personnel satisfaction and stability.

9. Will the new enterprise injure existing attractions of the community? Will it pollute streams or lakes with its waste discharges, or the air



with foul smells or sooty smoke? If so, will what is gained balance what is lost to the whole community?

10. Can your community, in fact, provide the transportation, labor, power, and water supply or other specific requirements of the particular industry in question? All businessmen are not equally experienced and skilled in choosing a plant location. It is quite possible for a community to "oversell" its advantages to a businessman to the subsequent economic injury of both.

It is obvious that each of these questions demands considerable study.

Factor 3 (above), the question of whether or not an industry may be classified as "growing," has recently been the subject of investigation by the Office of Area Development of the U. S. Department of Commerce. Their findings, which are summarized below, should be useful in your consideration of this factor. Assuming that a proposed industry meets the other criteria which have been set forth, there is little question that a "growth" industry should be a prime asset to your community.

What are the "growth" industries? The Office of Area Development supplies one answer to this question by analyzing the growth in numbers of employees in various industry cate-

gories during the 1947-1954 period. Noted below are the top 39 industries, those whose employment increased by 50% or more during the 1947-1954 period. For complete details, including the relative ratings of other industry categories, we suggest that you secure a copy of the complete report<sup>1</sup> from the Department of Commerce.

TABLE 1

Manufacturing Industries Showing an Increase of 50% or More in Total Employment from 1947 to 1954.

Industry Title	Percent Increase
Aircraft equipment	1,095
Ordnance and accessories	700
Fresh and frozen packaged seafood	300
Aircraft engines	232
Aircraft	212
Explosives	212
Electronic tubes	156
Industrial inorganic chemicals	146
Scientific instruments	146

<sup>1</sup> U. S. Department of Commerce. Office of Area Development. *Growth Industries in Manufacturing*: Washington, D. C., 1957. (Industry Trend Series—No.1) For sale by the U. S. Department of Commerce, Washington 25, D. C., and its Field Offices. Price 10 cents.

Fabricated metal products	137
Primary aluminum	131
Aircraft propellers	123
Primary non-ferrous metals	122
Cut stone and stone products	118
Poultry dressing	114
Children's outerwear	107
Industrial patterns and molds	106
Women's outerwear	104
Book printing	89
Metal doors, sash, and trim	86
Flour mixes	79
Dehydrated fruits and vegetables	76
Curtains and draperies	75
Non-metallic mineral products	74
Machine shops	66
Pulp goods, pressed and molded	65
Radios and related products (TV)	65
Carpets and rugs	63
Apparel	61
Insecticides and fungicides	50
Plastic products	58
Electrical measuring instruments	58
Paving mixtures and blocks	57
Metal foil	57
Frozen fruits and vegetables	55
Dolls	54
Metal house furniture	51
Paper bags	50
Waterproof outer garments	50

## Public Personnel

(Continued from page 7)

ed its classification and pay plan. Based upon the work of county accountant Hugh Ross, the board of county commissioners established eight new positions, reclassified one position, and increased all salary ranges 10%.

## Outside Employment

Mecklenburg County personnel rules were amended during September to add the following provision pertaining to outside employment:

"No employee may engage in part-time employment that will not enable him to at all time permit Mecklenburg County a prior claim to his services. This prior claim will include any services occurring during regular working hours and further any occasion he may be called upon to perform work, as directed, after regular working hours. Further, if the part-time employment of any employee is found to be in conflict with the best interests of Mecklenburg County, it shall be terminated after formal notification by his immediate superiors."

## Local Law Enforcement Officers May Vote

Local law enforcement officers belonging to the Law Enforcement Officers' Benefit and Retirement Fund who are not covered by Social Security will be given an opportunity to vote in a referendum scheduled for May 15, 1958. The governing board of each political subdivision, whose general employees are already covered by social security, may provide for participation of its officers in the referendum by acting as follows: (1) adopt a resolution providing for the referendum and file a certified copy with the Public Employees' Social Security Agency in Raleigh, (2) notify all officer-employees of the referendum not less than 90 days prior to the referendum and send a copy of the notice to the Public Employees' Social Security Agency.

Law enforcement officers and governing boards desiring information relative to this referendum should consult the November 7, 1957, memorandum which Nathan H. Yelton, director of the Public Employees' Social Security Agency, has recently distributed to the officials of all cities, towns,

counties, and ABC boards participating in the social security program.

## Five Day Work Week

The board of county commissioners of Franklin County in August voted to close all county offices on Saturday for a 90-day trial period. The change has lengthened the working week for some county employees. County offices had been open from 9:00 a.m. to 5:00 p.m., Monday through Friday, and 9:00 a.m. to 12:00 noon on Saturday for a total of 43 hours per week. The new schedule calls for offices to open at 8:00 a.m. and close at 5:00 p.m., Monday through Friday, for a total of 45 hours.

The board of county commissioners acted to close county offices after receiving a resolution from the county bar association and a petition from the various county departments proposing the change.

The city council of Washington in June adopted a provision that all city employees will go on a five-day work week beginning July 1. However, city offices will be open on Saturday as usual. Employees working on Saturday will receive compensatory time off during the week.

## Employee Awards

*(Continued from page 11)*

long periods of service. Raleigh and Winston-Salem recognize service after 10, 20, 30, and 35 years by awarding "service pins" and citations. In Raleigh the pins are awarded at brief ceremonies during meetings of the city council. On at least one occasion in Winston-Salem the pins and certificates were awarded at a banquet for retired employees. Edenton firemen are awarded 25 year service buttons.

### Conclusion

Very few governmental units in North Carolina have attempted "special programs" to reward or encourage public employees. Although employee recognition and reward are considered appropriate methods of motivating private employees, elected governing bodies have been hesitant to adopt such methods for motivating public employees. If suggestion and award programs will unleash the vast potential of ingenuity and resourcefulness that exists in our public employees, such plans should be established in this state. State legislators and local governing bodies may want to re-examine the experience of governmental units using incentive awards programs as they consider ways and means of improving employee performance, morale, and administrative efficiency.

## Clearinghouse

*(Continued from page 2)*

### A-Z Notes

**William A. Wachenfeld**, associate justice of the New Jersey Supreme Court, has been elected president of the New York University Law Center Foundation, succeeding his late colleague, Chief Justice Arthur T. Vanderbilt, who also was dean emeritus of the NYU School of Law.

The strings of minor elective administrative officers in cities are steadily getting shorter. Since 1937 the Municipal Year Book has been keeping track of the elective departmental officers—the treasurers, city clerks, assessors, auditors, attorneys, controllers, police chiefs, and public works directors. In 1937, 70 per cent of the cities elected one or more of those offices. The tables in the years between show steady reduction and now comes the current edition re-

porting that in 1956 only 52 per cent of 2,495 cities over 5,000 population reporting elected any. There were, for instance, 240 elective police chiefs in 1937; the number now, in about 50 per cent more cities, is down to 101.

*National Municipal Review*

Criminal Court Judge E. G. Newell sentenced resigned Mayor Rex Knoth of **Riviera Beach, Florida**, to 30 days in jail and a \$500 fine for using his official position to fix a friend's traffic ticket.

The judge said that he was "reluctant" to pass such sentence because of Knoth's good civic work, but that "this is the type of case I think deserves punishment." Knoth resigned last month and pleaded guilty to the charge.

*New York State Municipal Bulletin*

For the third time in the history of **Virginia** local government, a merger of primary political subdivisions will occur when the cities of Newport News and Warwick consolidate on July 1, 1958.

The **Iowa** General Assembly has created a buffer zone of all unincorporated areas within three miles of the present or future boundaries of all cities having a population of 15,000 or more. Within this zone incorporation of another municipality would be prohibited.

A specialized evening program in public administration for government employees was inaugurated this fall at five centers of **Rutgers University**. The course will last three years and will lead to a certificate in public administration for men and women employed by federal, state, and municipal governments.

An act abolishing the justice of the peace system in **Ohio** and substituting a system of county courts supplemented by extension of jurisdiction of some municipal courts was passed by the Ohio legislature on the last day of the session.

The psychology of personality is included in the in-service training curriculum for the **Aiken, South Carolina**, police department. The purpose of this type of training is to raise police work from sole preoccupation with enforcement factors to include consideration of social forces, human motivation and crime prevention. The course is designed to give police-

men a working vocabulary in psychology of personality and a better understanding of behavior problems. Topics discussed by the group include growth and development of personality, mental diseases, drug addiction, and family conflicts.

*—Public Management.*

**New York City** has begun a four-year tuition-free college program leading to the degree of bachelor of business administration in police science. The program will be offered under the auspices of City College of New York and will include liberal arts training supplemented by police oriented courses in administration, supervision, human relations, traffic law enforcement, and juvenile delinquency. About 1,000 policemen and policewomen have taken a previous two-year program, and approximately 375 are now enrolled in the four-year program.

*—Public Management.*

A certain town's dog catcher won't be able to miss the radio call number assigned to his new pickup wagon. It's K-9.

*—The Municipal South.*

A monthly newsletter for municipal employees is now issued by **Hollywood, Florida**. The newsletter, combining humor with important factual information, covers briefly such items as newcomers to the municipal family, promotions, transfers and even lists articles employees want to sell. The newsletter also conveys a public relations and safety message and manages to touch on matters where employees have asked for clarification, such as the status of the city's pension plan and the rules of the credit union.

*—The Municipal South.*

## Personnel Notes

**Chief J. A. West** of Wilmington was elected president of the North Carolina Fire Chiefs Conference at its recent convention at Carolina Beach. The conference is a department of the North Carolina Firemen's Association. Other new officers are **Chief R. C. Fortune** of Burlington, vice president; **Chief Ralph Marbury** of Baden, treasurer; and **Chief J. C. Summerville** of Mount Olive, secretary.

**Chief I. Miller Warren** of Plymouth has recently been elected president of the North Carolina Firemen's As-



sociation. The vice-presidency went to **Jack B. Keeter** of Raleigh. **Ed A. Johnson** of Kannapolis was re-elected treasurer and **Albert W. Brinson** of New Bern was re-elected statistician.

\* \* \*

**Police Chief Willie Newell Carter** of Norlina died on August 1 of a heart attack. He had been chief of police for 34 years.

\* \* \*

**J. I. Nichols** of Rocky Mount was elected president of the North Carolina Police Executives Association at its annual convention held in Win-

ston-Salem on August 1 and 2. Other new officers are **Tom Davis** of Raleigh, **W. A. McCall** of Charlotte, and **Otley Leary** of Tarboro, vice-presidents.

\* \* \*

**Mayor Marshall Kurfees** of Winston-Salem has been appointed to the 1957 highway committee of the American Municipal Association. He is the first North Carolinian ever named to this national post.

\* \* \*

The incorporated town of Danbury now has a full slate of officials. **May-**

**or J. B. Joyce** and **Commissioners V. C. Blevins, Mrs. E. M. Taylor** and **Miss Ellen K. Pepper** took the oath of office recently. The officials were appointed by the legislature following the enactment of the special bill to incorporate this county seat of Stokes County.

\* \* \*

**M. N. Folger**, for more than 17 years town clerk of Pembroke, has left this post. He was replaced by **Miss Bessie Oxendine Ransome**. Mr. Folger plans to remain in Pembroke after his retirement.

# THE ATTORNEY GENERAL RULES . . .

## STATE GOVERNMENT

**Board of Water Commissioners—approval of dam construction.** Does the construction of a power dam on the Catawba River require the approval of the North Carolina Board of Water Commissioners?

To: Howell R. Peele

(A. G.) No. The statutes creating the Board of Water Commissioners (G. S. 143-317 to 328) give the Board neither duty nor power as to the situation in question. I know of no state agency, the approval of which is necessary before constructing a power dam.

**Governor's civil defense powers—rationing and price controls.** Does the Governor have the authority, in grave emergencies, to freeze rents and commodity prices and set up a rationing system to serve until a federal price control and rationing system becomes effective?

To: Edward F. Griffin

(A. G.) No. The North Carolina Civil Defense Act of 1951, G. S. 166-1 *et seq.* confers no such powers upon the Governor.

**Grants and entries of state land.** Is the procedure for disposition of state lands by entry and grant under G.S. 146-1 *et seq.* affected by S.L. 1957, C. 269 and 584?

To: Thad Eure, Secretary of State

(A.G.) No. The 1957 acts referred to grant to the Department of Administration authority to make all

purchases and sales of real estate on behalf of the State and its agencies. There appears to be a distinction, however, between the "sales" referred to in those acts and the entry and grant of vacant lands by citizens of this State. *Bowser v. Wescott*, 145 N.C. 56, 59. In the issuance of grants, you will proceed under the laws applicable to the issuance of grants as you have in the past and prior to the enactment of the 1957 laws referred to.

## COUNTIES

**Liability for hospital bill of jail prisoner.** A woman has been arraigned on an arson charge and committed to jail to await trial. She gave birth to a child the day after she was jailed, and the jailor took the woman and the baby to the hospital. Is the county responsible for the hospital bill?

To: J. S. Jordan

(A.G.) The mere fact that the baby was born while the woman was in jail would not of itself place any responsibility on the county for hospital and doctor expenses. If able to pay, the woman in question or her husband would be responsible. If the family is indigent, then the county should treat this case in the same manner that it would the hospitalization of any other indigent citizen of the county.

**Reimbursement of county for hospital expenses of indigents.** G. S. 153-

152 authorizes the board of county commissioners to provide for the poor of the county. G. S. 153-156 makes it the duty of the board to sell any property owned by a person who receives support from the county in order to reimburse the county for the support. May a county require an applicant for hospitalization to sign a lien similar to that required of applicants for old age assistance, in order to enable the county to collect from any real property owned by the indigent patient?

To: H. C. Dockery

(A.G.) The old age assistance lien law, G. S. 108-30. 1, applies to "the real property then owned or thereafter acquired" by a recipient. There is no statutory authority for the procedure you suggest, but in view of the provisions of G. S. 153-156, the county may properly and reasonably require an applicant for hospitalization to execute an instrument such as you contemplate.

There may be some doubt as to the effectiveness of such an instrument in creating an encumbrance upon real property which is not identified. In *Winborne v. Guy*, 222 N.C. 128, the court indicated that in order to create an equitable lien, there should be an intention sufficiently indicated "to make some particular property, real or personal, or fund, therein described or identified, a security for a debt or other obligation."

# Publications for Sale

The following Institute of Government publications are currently available for sale to interested citizens, libraries, and others. Orders should be mailed to the Institute of Government, Box 990, Chapel Hill.

## Bulletins

County finance bulletins:

#4 An explanation of budgetary and accounting procedures prescribed by the new County Fiscal Control Act. 1955. \$0.50.

#6 Accounting for welfare funds. 1956. \$0.50.

A directory of planning and zoning officials in North Carolina. 1955. \$0.25.

Municipal finance bulletin:

#1 An explanation of budgetary and accounting procedures prescribed by the new Municipal Control Act. 1955. \$0.50.

#2 How can law enforcement officers be brought under social security? 1957. \$0.50.

1951 legislation affecting property and dog tax administration. 1951. \$0.50.

Property tax bulletins:

#1 1951 county tax rates. 1952. \$0.50.

#4 How does your county stand? 1953. \$0.50.

#5 1953 legislation affecting property tax administration. 1953. \$0.50.

#6 Property tax assessment notes from other states. 1953. \$0.50.

#7 Amendments to the listing and assessing provisions of the Machinery Act of 1954. \$0.50.

#8 Allowing discounts for the prepayment of property taxes. 1954. \$0.50.

#9 Amendments to the tax collection provisions of the Machinery Act of 1939. 1954. \$0.50.

#10 Collecting property taxes from persons and property in North Carolina outside the taxing unit. 1955. \$0.50.

#12 How does your county stand? Second report. 1955. \$0.50.

#13 The reduction, release, compromise, and refund of county and city property tax claims—revised. 1955. \$0.50.

#14 Property tax changes to be proposed in 1957. 1956. \$0.50.

#15 Tax Study Commission treatment of property tax. 1956. \$0.50.

#16 Property tax statistics. 1957. \$0.50.

#17 1957 legislation affecting property tax administration. 1957. \$0.50.

Purchasing bulletins for local government, monthly: #1, October 1955—. \$1.25 a year; \$0.25 single copy.

## Guidebooks

Administrative procedure: occupational licensing boards, by Paul A. Johnston. 1953. \$2.00.

Cooperative agricultural extension work in North Carolina, by John Alexander McMahon. 1955. \$0.50.

County commissioner responsibility in budget making and administration, by John Alexander McMahon. 1954. (A companion study of County finance bulletin #4). \$1.50.

The foreclosure of city and county property taxes and special assessments in North Carolina, by Peyton B. Abbott. 1944. \$2.50.

Guidebook for accounting in cities, by John Alexander McMahon. 1952. \$2.00.

Guidebook for accounting in small towns, by John Alexander McMahon. 1952. \$1.50.

Guidebook for county accountants, by John Alexander McMahon. 1951. \$2.00.

Guidebook for county and precinct election officials, by Henry W. Lewis. 1956. \$0.50; \$1.00 out-of-state.

Guidebook for wildlife protectors, by Willis Clifton Bumgarner. 1955. \$2.00.

Guidebook on the jurisdiction of the State Highway Patrol, by Ernest W. Machen, Jr. 1951. \$0.50.

Investigation of arson and other unlawful burnings, by Richard A. Myren. 1956. \$1.50.

Law enforcement in forest fire protection, by Richard A. Myren. 1956. \$1.00.

Municipal budget making and administration, by John A. McMahon. 1952. (A companion study of Municipal finance bulletin #1). \$1.50.

Notary public guidebook, by Royal G. Shannonhouse and W. C. Bumgarner. 1956. \$2.00.

Preparation for revaluation, by Henry W. Lewis. 1956. \$5.00.

Public school budget law in North Carolina, by John Alexander McMahon. 1956. \$1.50.

Public welfare programs in North Carolina, by John A. McMahon. 1954. \$1.50.

Sources of county revenue, by John Alexander McMahon. 1954. \$1.00.

Sources of municipal revenue, by John Alexander McMahon. 1953. \$1.00.

Traffic control and accident investigation, by the Federal Bureau of Investigation. 1947. \$1.00.

## LAW AND GOVERNMENT

(Succeeding Law and Administration)

The General Assembly of North Carolina—organization and procedure, by Henry W. Lewis. 1952. \$1.50.

The law of arrest, by Ernest W. Machen, Jr. 1950. \$1.50. Supplement. 1955. Free.

Legislative committees in North Carolina, by Henry W. Lewis. 1952. \$1.50.

The school segregation decision, by James C. N. Paul. 1954. \$2.00.

Social security and state and local retirement in North Carolina, by Donald B. Hayman. 1953. \$2.00.

Zoning in North Carolina, by Philip P. Green, Jr. 1952. \$3.50.

## Special Studies

County privilege license taxes in North Carolina . . . , by George H. Esser and John Webb. 1956. \$0.75.

Harbor Island study [Annexation or Incorporation? A report to the people of Harbor Island], by Warren J. Wicker. 1956. \$0.50.

North Carolina old age assistance lien law, by Roddey M. Ligon, Jr. 1955. \$0.75.

Problems involved in separating the Prison System from the State Highway and Public Works Commission, by V. L. Bounds. 1953. \$0.50.

A report to the Forsyth Board of County Commissioners and the Winston-Salem Board of Aldermen concerning county-city financial relationships, by John Alexander McMahon and George H. Esser, Jr. 1955. (A companion study of A Study of Seven Large Counties and Seven Large Cities.) \$2.50.

Salaries, working hours, vacation, and sick leave of county employees in North Carolina, by Donald B. Hayman. 1956. \$1.00.

Statutory limits on city license taxes in North Carolina, by George H. Esser, Jr. and John Webb. 1956. \$2.00.

A study of seven large counties and seven large cities, by John Alexander McMahon. 1955. (A companion study of A Report to the Forsyth Board of County Commissioners and the Winston-Salem Board of Aldermen Concerning County-City Financial Relationships.) \$2.50.