

McCrory's budget boosts pay, resets gas tax/2



CAROLINA JOURNAL

A MONTHLY JOURNAL OF NEWS, ANALYSIS AND OPINION
FROM THE JOHN LOCKE FOUNDATION

North Carolina	2
Education	8
Local Government	10
From Page 1	14
Higher Education	17
Books & the Arts	20
Opinion	24
Parting Shot	28

April 2015 Vol. 24 No. 4

STATEWIDE EDITION

Check us out online at carolinajournal.com and johnlocke.org

Tax Preparer Exposes Rampant Refund Fraud

Hispanic preparer concerned about fake child credits

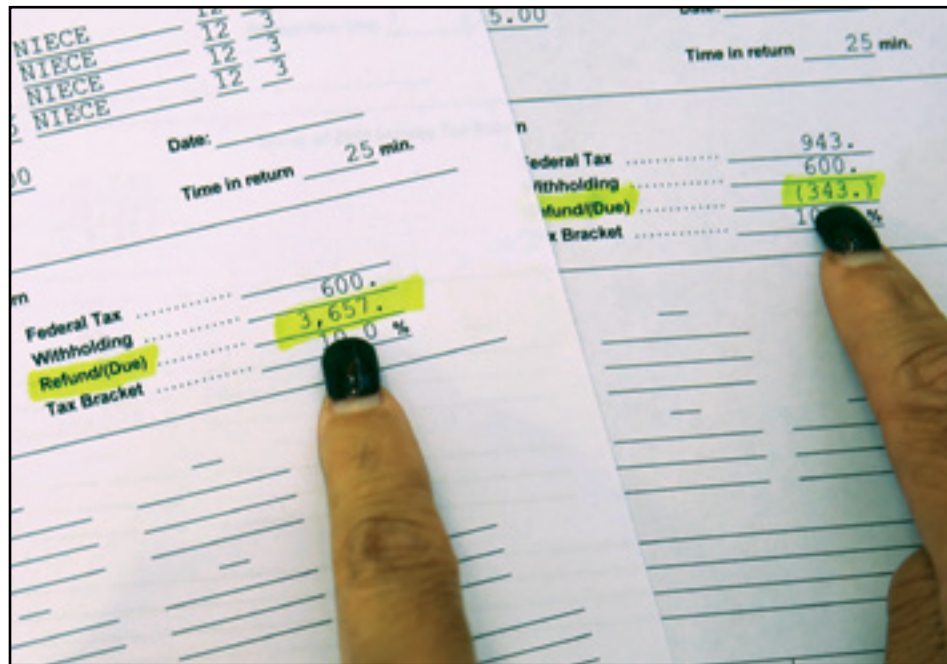
By DON CARRINGTON
Associate Editor

RALEIGH

A Charlotte-area tax preparer who contacted *Carolina Journal* last year about an illegal tax-refund scheme involving tax preparers who cater to Hispanic clients has conducted her own undercover operation to show that the scam is continuing.

The preparer, who is Hispanic, enlisted the aid of a male friend, also Hispanic, to visit 10 tax preparation offices in the greater Charlotte area and record reactions to his suggestion that fictitious children be included on his tax return.

They found that tax preparers engaged in the scheme are urging customers — typically using federal taxpayer identification numbers rather than Social Security numbers on IRS documents — to pocket fraudulent refunds by claiming on their income tax returns as dependents children who



Tax preparer "Juanita," who enlisted a friend to visit several tax preparers and claim four nonexistent children, shows that the effect on a tax refund is \$343 owed the government without the child credits, and \$3,657 refund with the credits. (CJ photo by Don Carrington)

may not exist or who live outside the United States.

The scheme is one of two illegal tax-refund ploys *CJ* has reported on over the past three years. Despite federal efforts to combat the schemes — the IRS claims it thwarts several bil-

ions of dollars in refund scams yearly — fraud continues here and around the nation.

In one scheme, taxpayers claim as dependents children who either do not live with them in the United States or may not exist at all. Each phony de-

pendent claimed on an income-tax return will result in a refund of roughly \$1,000.

The second type is stolen identity refund fraud, in which criminals use stolen or fabricated identification documents to file multiple income tax returns, sometimes claiming thousands of dollars in fraudulent refunds. Court documents show that illegal immigrants living in North Carolina have been involved in a number of these SIFR schemes.

Preparers encourage fraud

Last year, *CJ* reported on a North Carolina tax preparer of Hispanic descent who claimed several tax preparers in her region helped their clients commit federal income tax fraud by claiming false tax credits for children. The preparer, who spoke to *CJ* under the condition that her name and location not be revealed, will be referred to as Juanita.

CJ met with Juanita in February and March. She sent a friend, Francisco (not his real name), to 10 tax preparation offices in the greater Charlotte area. Because Spanish was the default

Continued as "Tax," Page 14

Spirit's Job Numbers Far Below Expectations

Tax-funded rail spur, costing \$24 million, is unused at GTP

By DON CARRINGTON
Executive Editor

RALEIGH

When Gov. Mike Easley announced in May 2008 that Wichita, Kan.-based Spirit AeroSystems would open an aircraft component manufacturing plant at the Global TransPark in Kinston, he said the company would create 1,031 jobs within six years, but as of December 2014 the company employed only 375 people.



Spirit has failed to meet its targets even though state and local officials lured the company to North Carolina with a package of financial incentives that, according to an analysis by *Triangle Business Journal*, could exceed \$240 million. *TBJ* said the Spirit deal ranked just behind the largest incentive deal in state history — \$260 million in in-

centives for the Google data center in Lenoir.

The largest component of the Spirit package was a \$100 million grant from the Golden LEAF Foundation, the nonprofit grant-making agency that handles North Carolina's tobacco settlement funds. Spirit also received Job Development Investment Grant and One North Carolina Fund awards from the state.

In addition, state officials built a six-mile-long railroad spur line connecting the Spirit plant to a main rail line, saying the \$24 million project was essential to closing the deal with Spirit. Even so, the company hasn't used the rail spur, saying it was less expensive

Continued as "Spirit," Page 15

NONPROFIT ORG.
U.S. POSTAGE
PAID
RALEIGH, NC
PERMIT NO. 1766

The John Locke Foundation
200 W. Morgan St., #200
Raleigh, NC 27601

CAROLINA JOURNAL

Rick Henderson
Managing Editor

Don Carrington
Executive Editor

Mitch Kokai, Michael Lowrey
Barry Smith, Kari Travis
Dan Way
Associate Editors

Chad Adams, Kristy Bailey
David N. Bass, Lloyd Billingsley
Kristen Blair, Roy Cordato
Becki Gray, Sam A. Hieb
Lindalyn Kakadelis, Troy Kickler
George Leef, Karen McMahan
Donna Martinez Karen Palasek
Marc Rotterman, Jesse Saffron
Terry Stoops, Andy Taylor
Michael Walden, Hal Young
John Calvin Young
Contributors

Joseph Chesser, Zak Hasanin
Catherine Konieczny, Austin Pruitt
Matt Shaeffer
Interns

Published by
The John Locke Foundation
200 W. Morgan St., # 200
Raleigh, N.C. 27601
(919) 828-3876 • Fax: 821-5117
www.JohnLocke.org

Jon Ham
Vice President & Publisher

Kory Swanson
President

John Hood
Chairman

Charles S. Carter, Charles F. Fuller
Bill Graham, John M. Hood
Assad Meymandi, Baker A. Mitchell Jr.,
David Stover, J.M Bryan Taylor
Board of Directors

Carolina Journal is
a monthly journal of news,
analysis, and commentary on
state and local government and
public policy issues in
North Carolina.



©2015 by The John Locke Foundation Inc. All opinions expressed in bylined articles are those of the authors and do not necessarily reflect the views of the editors of CJ or the staff and board of the John Locke Foundation. Material published herein may be reprinted as long as appropriate credit is given. Submissions and letters are welcome and should be directed to the editor.

CJ readers wanting more information between monthly issues can call 919-828-3876 and ask for Carolina Journal Weekly Report, delivered each weekend by e-mail, or visit CarolinaJournal.com for news, links, and exclusive content updated each weekday. Those interested in education, higher education, or local government should also ask to receive weekly e-letters covering these issues.

McCrory Budget Boosts Pay, Resets Gas Tax

BY BARRY SMITH AND DAN WAY
Associate Editors

RALEIGH

Gov. Pat McCrory announced a budget for 2015-16 totaling \$51.7 billion, with a General Fund budget of \$21.5 billion for the year, at a March 5 press briefing at the state Emergency Operations Center.

Some highlights include increasing spending on K-12 teacher salaries by more than \$111.4 million in each of the next two years to fulfill a pledge of raising starting salaries of public school teachers to \$35,000.

It adds money for projected enrollment growth and to hire more than 1,400 new teachers over the two-year budget cycle. The \$235 million in additional K-12 funding is a 2.8 percent increase over the 2014-15 budget.

Lee Roberts, McCrory's budget director, said the budget spends a half-billion dollars more on K-12 education than the previous budget, and that the 2.9 percent increase in General Fund spending is less than the state's growth in population and an allowance for inflation, the so-called Taxpayer Bill of Rights limitation.

The budget assumes the House will endorse the 35-cent-per-gallon gasoline tax that the Senate approved earlier this year. That would be an immediate cut from the current 37.5-cent-per-gallon tax, but it would leave the tax higher than it would have been if the current gas tax formula were left intact.

New spending totals \$970 million in the first year of the biennium, of which 76 percent, or \$741 million, will be allocated to education, Medicaid, and medical insurance for children. The budget establishes a new Medicaid Risk Reserve fund of \$175 million.

It includes \$10 million per year for film incentives and would restore and reform the Historic Preservation Tax Credit, which sunset at the end of 2014.

McCrory's budget allocates \$8 million to the Brody School of Medicine at East Carolina University.

Health and Human Services would receive more than \$10.8 billion over the two-year budget, which is more than 24 percent of the General Fund.

The budget doesn't include across-the-board pay raises for state employees.

"What we should do in a situation of limited availability is use the money where it can make the most difference," Roberts said. "An across-the-board pay raise probably is not the most effective way of doing that."

In addition to money for the state pension and the health plan, the budget includes \$81 million in longevity pay, Roberts said. He added that \$82 million would be targeted to compensation for hard-to-fill positions.

Roberts said the budget includes \$16 million over the next two years to help pay for changes in the state's court system requested by N.C. Supreme Court Chief Justice Mark Martin. (Martin had requested an additional \$30 million.) Money would address costs associated with jurors, witnesses, interpreters, expert witnesses for prosecutors, equipment maintenance, hardware, and software. Roberts also said the court system could share in the proceeds of a proposed bond package that McCrory is seeking to revitalize state buildings and build new infrastructure.

The governor's office plans to submit a \$1.2 billion to \$1.4 billion general obligation bond proposal to revitalize state buildings in disrepair and build other new facilities. General obligation bonds require voter approval.

McCrory also plans to ask for a separate \$1.2 billion to

\$1.4 billion revenue bond, not requiring voter approval, for transportation.

Aside from gas taxes, the budget includes no tax increases. It allocates \$47 million to the state's rainy day fund, bringing the total to \$698 million. It also provides \$47 million for repairs and renovations.

Health and Human Services

The budget recommends allocating \$5.3 billion for the Department of Health and Human Services in 2015-16, and \$5.5 billion in 2016-17. That is up from \$5.1 billion in the current year.

The \$10.8 billion two-year appropriation represents nearly one-quarter of the entire budget. Of that amount, \$7.8 billion, or 18 percent of the General Fund budget, is dedicated to Medicaid. There are 1.8 million residents, roughly 18 percent of the state population, on the Medicaid rolls.

Medicaid is projected to grow by \$287 million in the first year of the biennium, and \$460.6 million in year two due to higher enrollment, higher utilization of services, and anticipated costs per participant.

Democrats and liberal advocacy groups have demanded further expansion of Medicaid, but McCrory did not include

funding to expand the government insurance program for the poor and disabled.

"With all of the uncertainty surrounding the future of the Affordable Care Act — including the U.S. Supreme Court case over health care subsidies that won't be resolved until June — it just makes sense to wait before making any decisions about expanding Medicaid, which is a major component of the Affordable Care Act's implementation," said Katherine Restrepo, JLF health and human services policy analyst.

"We recognize the Supreme Court case could have major ramifications on everything related to health care, including Medicaid," McCrory said.

The DHHS budget also includes nearly \$82 million over the biennium in new funding for mental health and substance abuse services, including \$16.6 million to open the new Broughton Hospital.

Economic incentives

In economic development, a variety of controversial incentives are included in the proposal. Those include \$99 million the first year and \$107 million the second year to reimburse costs of commitments previously made under Department of Commerce programs to recruit and retain quality jobs and large-scale capital investment.

A Jobs Preservation Tax Credit is budgeted at slightly more than \$75 million, and there is a renewable energy credit program budgeted at \$7 million for sources other than solar energy.

An appropriation of \$10 million each year would be included for filmmaking incentives, and the governor would revive the expired Historic Preservation Tax Credit with \$1.7 million the first year and \$10.5 million the second.

The budget recommends \$5 million for the One North Carolina Small Business Program to fund small, high-growth, high-tech businesses.

"The administration's been clear that nobody likes incentives. In an abstract world, we'd all prefer not to have them," Roberts said. "We don't live in an abstract world. We live in a competitive world, and to not have them would be tying both of our hands behind our backs."

CJ



Senate Plan Would Cut Corporate Taxes and Cap Tax Incentives

BY DAN WAY
Associate Editor

Senate Republicans are pushing bills to reduce the state corporate income tax rate from 5 percent this year to 3 percent in 2017 and restructure the manner in which corporate taxes are calculated. The intent behind the legislation is to make the state more business-friendly and better able to compete with its neighbors in job recruitment.

Senate leader Phil Berger, R-Rockingham, with several leading Senate Republicans at his side, discussed a pair of proposals at a March 18 afternoon press conference.

'Less costly' plan

Berger said the Senate is proposing an alternative and less costly economic development package than the NC Competes plan advanced by Gov. Pat McCrory and passed by the House as House Bill 117.

Senate Bill 338, sponsored by Berger, Senate Majority Leader Harry Brown, R-Onslow, and Majority Whip Jerry Tillman, R-Randolph, lowers the corporate tax rate to 4 percent in 2016 and 3 percent in 2017.

Tax reform legislation passed in 2013 required state revenue targets to be met before triggering corporate tax reductions to ensure there was sufficient money to pay for government costs. Berger said those triggers would be removed under his bill.

"As you know, the tax revenues on a year-over-year basis are growing by a half a billion dollars, \$500 million or more. So it is my belief, and it is the belief of many of us, that there will be adequate revenues" available to allow the tax cuts, Berger said.

The Senate plan overhauls the corporate tax structure with a "single sales" factor mechanism already in place or being phased in by 26 states, including Virginia, South Carolina, and Georgia.

"The folks around us are all going to it, and it creates a real problem

for us. That's a problem we can solve that doesn't pick a particular winner or loser," Berger said. "It basically applies evenly across the spectrum of C corporations."

States traditionally have apportioned corporate taxes based on a mix of property, payroll, and sales taxes. A single sales factor focuses tax calculations on sales revenue, excluding property and payroll taxes.

The Senate bill would eliminate the jet fuel tax break American Airlines receives at Charlotte Douglas International Airport that amounts to about \$15 million a year. It is scheduled to expire at the end of the year. The House legislation would extend it four years.

"We will have to make a decision as to where we go with that," Berger said.

Extends JDIG

The Senate bill extends the Job Development Investment Grant incentive grant program for two years, at \$15 million per year, after which it would expire. Whatever portion of the \$15 million is not used in a fiscal year would be returned to the state treasury, not rolled over to the next year.

The bill shifts a much larger percentage of JDIG money to smaller counties that traditionally have been cut out of the bulk of the incentive funds. It also includes a major JDIG-style incentive provision aimed at luring a major industrial employer such as an auto manufacturer.

Sen. Rick Gunn, R-Alamance, introduced a complementary bill, Senate Bill 326, replenishing the JDIG account for the current fiscal year with a \$5 million infusion.

That is a bow to McCrory and Commerce Secretary John Skvarla, who say they need immediate incentive funds to offer to prospective corporations whose location decisions are

imminent.

Deals said pending

Gunn said Skvarla argued there are several pending deals that require immediate incentive funding, and S.B. 326 would provide that money even if the chamber's larger tax proposals do not advance.

McCrory denounced the Senate moves.

"It breaks the bank. It breaks the promises of last year's tax reform," McCrory was quoted as saying during a presentation to members of the North Carolina League of Municipalities. "I also

think it divides North Carolina, which is the last thing we want to do."

"I'm trying to comprehend how the governor wants to spend \$1 billion on new incentives, but considers it 'breaking the bank' to allow North Carolina taxpayers and job creators to keep about \$500 million of their own money," Berger said. "The math does not add up."

According to Berger's office, the latest estimates show the change to a single sales factor would cost about \$75 million, and the reductions in the corporate income tax rate would cost about \$500 million when fully implemented in 2017-18.

'Accept responsibility'

"The governor needs to accept responsibility for rapidly draining his jobs incentive fund and directing close to 90 percent of the state's incentive money to its richest three counties, including his own," Brown said.

"These counties already receive a disproportionate share of sales tax and transportation funds, and it's time for the 97 other counties in this state to be treated with respect. In fact, Mecklenburg County receives more in sales tax revenue than 50 of our least prosperous counties combined," Brown said.

Berger said there has been an imbalance in how JDIG funds are distributed, creating tension among smaller counties. Over the past two years more than 80 percent of the JDIG grants were awarded to Wake, Durham, and Mecklenburg counties, where median income is \$56,796. The other 97 counties, with a median income of \$40,475, split the other 20 percent.

His bill would limit the total awards to Wake, Mecklenburg, and Durham counties. JDIG grants awarded in Tier 1 counties (low population and/or high poverty rate) would rebate companies as much as 80 percent of the state income taxes withheld from new hires, Tier 2 counties would get a 70 percent rebate, and Tier 3 counties (high population/low poverty rate) would get 60 percent. They would cover up to 50 percent of withholding taxes in Wake, Mecklenburg, and Durham counties.

2,500-job eligibility

With speculation that a yet-to-be-identified automobile manufacturing plant might be considering North Carolina, the bill provides that any company investing \$1 billion in new capital investment in North Carolina and creating at least 2,500 jobs would be eligible for a JDIG grant of up to 100 percent of the state-level taxes, Berger said.

Donald Bryson, state director of Americans for Prosperity, said the Senate plan is "much better than what the House has put forth as far as economic development."

With a single sales factor and lower corporate tax rates, "we've sort of changed the game" in how to make North Carolina more attractive without having to rely on the tax-fueled incentives bidding wars with other states, Bryson said.

The Senate plan "gives us two years to wean the state of North Carolina off the drug that is corporate welfare," Bryson said. "Hopefully, we'll get past that in two years." CJ



FIRST IN FREEDOM

Transforming Ideas into Consequences for North Carolina

In *First in Freedom* the John Locke Foundation's president and research staff apply the timeless ideas of 20th-century conservative thinkers to such 21st-century challenges as economic stagnation, tax and regulatory burdens, and educational mediocrity. To get your copy, go to JohnLockeStore.com. Cost: \$10.

The John Locke Foundation, 200 W. Morgan St. Suite 200, Raleigh, NC, 27601
919-828-3876 • JohnLocke.org • CarolinaJournal.com • info@johnlocke.org



State Briefs

Removing outdated legal barriers to consumer health care choices could help corral rising Medicaid costs in North Carolina, reform advocates say.

"With the special interests that consistently lobby to keep these laws in place, the certificate-of-need laws in North Carolina are approaching a state and regulatory capture, which is very dangerous," said Donald Bryson, North Carolina state director of Americans for Prosperity.

"Legislators as well as the general public should view CON reform as an integral supplement to Medicaid reform," Bryson said.

Bryson spoke at a March 11 press conference supporting House Bill 200. Rep. Marilyn Avila, R-Wake, the primary sponsor, acknowledged the controversial nature of the legislation, which would begin to strip away protections granted to hospitals, allowing them to charge significantly higher prices than costs at smaller doctor-led clinics, proponents of the measure say.

The legislation would exempt diagnostic centers, ambulatory surgical facilities, gastrointestinal endoscopy rooms, and psychiatric hospitals from certificate-of-need review. A CON is basically a permission slip a provider must receive from the state in a regulatory approval process that is dominated by hospitals that currently provide the services.

Relaxing certificate-of-need laws "actually doesn't make or break a hospital system," Avila said. Since the federal government abolished its mandate on states to have a CON system in 1987, 24 states have exempted ambulatory surgery centers from their CON laws.

"We want to bring down the cost of medical care and health care in the state, and the way to do it is to put it on a competitive basis. CONs simply just knock out that competitive basis," said Rep. Mickey Michaux, D-Durham, a co-sponsor of the bill.

Some areas of the state don't have a nearby hospital, he said, and the restrictive CON laws prevent ambulatory surgery centers from opening, forcing residents to drive long distances for care.

Cody Hand, a spokesman for the North Carolina Hospital Association, said the bill is dead on arrival in the association's mind. He said the association sees nothing in the bill as even a starting point for discussion.

At press time, the bill was awaiting its first committee review. *CJ*

— DAN WAY

Measure to Curb Bureaucracy Feared Causing More

By DAN WAY
Associate Editor

RALEIGH

A U.S. Supreme Court decision that many opponents of restrictive occupational licensing rules saw as a victory for small-scale entrepreneurs may wind up being a setback as some lawmakers want to add bureaucracy to administer the new rules.

The General Assembly's Program Evaluation Division wants to create an Occupational Licensing Commission to supervise occupational licensing agencies and consolidate some of those boards.

Chuck Hefren of the Program Evaluation Division on March 16 urged creation of the new commission — staffed by state employees and housed in the Department of Commerce — and gave other recommendations to members of the Joint Legislative Program Evaluation Oversight Committee.

The report stems from a 2012 legislative directive to study the issue, and its presentation comes on the heels of the February decision by the U.S. Supreme Court saying the North Carolina Board of Dental Examiners violated federal antitrust laws by ordering nondentists to stop providing teeth whitening services.

At issue in the Supreme Court case is whether occupational licensing boards are state agencies that enjoy immunity from antitrust laws, and under what circumstances they lose that protection. Many free-market advocates hailed the ruling, but some advocates of separation of powers cautioned that the decision erodes federalism and extends federal government power.

A number of the state's professional licensure boards sent representatives to the March 16 meeting urging lawmakers not to overreact to the Supreme Court decision. They advised taking steps to avoid a recurrence of the situation that faced the Dental Board by having other licensing boards follow existing procedures and statutes more closely.

Others sent delegates to argue against consolidating boards. And some agencies urged committee members to create new licensure boards to regulate additional professions.

Hefren said the state's current oversight regime does not report and monitor the agencies adequately, notify complainants of outcomes, and maintain records of information in complaints.

An umbrella Occupational Licensing Commission would provide more direct supervision of the agencies, which could address the Supreme Court's concerns in the Dental Board case, he said. It also could facilitate disputes without involving the legislature, evaluate whether the agencies are protecting the public's safety, health, and welfare effectively, and require and catalog records of complaints and

their resolution.

Commission members' salaries would be funded from licensing application and renewal fees.

"We estimate the funding would be less than 1 percent of their receipts," Hefren said, and there would be "more reduction in costs than the annual charge."

Hefren cited a similar model in Texas, which he said more than made up for its costs through sharing information technology, training, and other services.

Hefren's report also recommended reviewing 12 occupational licensure agencies to see if they are still needed and consolidating 10 agencies with other licensing entities in their field.

"It's not feasible or efficient ... to add another layer" of regulations onto licensure boards, said John Fountain, representing two contracting licensure boards.

"We can do that without more bureaucracy." He submitted language for draft legislation offering criteria to establish licensing agencies, spelling out enforcement powers, and suggesting payments to board members.

Karen Cochrane Brown, Legislative Research Division staff attorney, gave the committee an analysis of the Supreme Court decision in the Dental Board case. The court did not say that the Dental Board would be subject to antitrust violations in performing "its clear statutory duties of issuing licenses and disciplining licensees," or that the Dental Board "is powerless to take any

actions against nondentists," she said.

Bobby White, chief operations officer of the Dental Board, said the Supreme Court order does not prevent the board from investigating complaints about teeth whitening, but in the future the board will use the courts to pursue complaints, a more costly route than the cease-and-desist letters it previously used.

He noted that Dental Board members were "not alone in our belief" that the board was immune from antitrust laws. Attorneys general from 23 states, the National Governors Association,

the National Conference of State Legislators, Council of State Governments, and 16 other groups signed onto the lawsuit.

The Federal Trade Commission told the Dental Board, "You've got to consent to the jurisdiction of

the federal government in this matter," White said. Believing the board was acting appropriately as a bona fide state agency in safeguarding the public's health and meeting its charge as a licensure board, it refused, "and that's when the fireworks started."

Mark Merritt, vice president of the North Carolina State Bar and an antitrust lawyer whose firm signed onto the Dental Board's lawsuit, said, "Our viewpoint is the Supreme Court got it wrong," and that teeth whitening by definition is the practice of dentistry over which the Dental Board has jurisdiction.

However, he said, "We have to deal with this new decision." *CJ*

Licensing board heads urge legislators not to overreact to the court ruling

Follow
CAROLINA JOURNAL
on

LinkedIn

<http://www.linkedin.com/company/75320>

JLF Only State-Based Think Tank Targeted in Senate Climate Probe

By DAN WAY
Associate Editor

RALEIGH

U.S. Sen. James Inhofe, R-Okla., chairman of the Senate Committee on Environment and Public Works, in late February accused committee Democrats of an “attempt to silence” the John Locke Foundation — and 106 other organizations that have expressed skepticism over apocalyptic claims of the role of human activity regarding climate change — by demanding the groups surrender 10 years of detailed funding source data.

Inhofe and the other 10 Republicans called the Democrats’ letter “a wholly inappropriate effort” to limit climate science research. In response, the Republicans sent a letter to the nearly nine dozen universities, private companies, trade groups, and nonprofit organizations that received the earlier letter. The GOP letter supported “scientific inquiry and discovery.”

JLF was the only research organization focusing on policy in a single state that was targeted by the Democratic senators.

“We ask you to not be afraid of political repercussions or public attacks regardless of how you respond” to the Democrats’ letter, the Republican response said, urging the groups to “protect academic freedom despite efforts to chill free speech.”

“What it’s meant to do is chill debate on the subject and to quell the other side, rather than refute any positions. They’re trying to shut people up with letters like this,” said Roy Cordato, JLF vice president for research and resident scholar. “We’ve been skeptical of the standard sort of alarmist line, and we’re being targeted for that by people who are trying to McCarthyite us.”

Democratic Sens. Edward Markey of Massachusetts, Barbara Boxer of California, and Sheldon Whitehouse of Rhode Island sent the Feb. 25 “demand” letter on official committee letterhead. One was sent to JLF President and CEO Kory Swanson.

“We write to request information about payments made by the John Locke Foundation in support of scientific research and scientists, as well as support for other efforts related to climate change,



The letter from Senate Democrats was sent to 107 organizations that have expressed skepticism about human-caused climate change.

if such payments have been made,” their letter said. An April 3 deadline was issued for the material.

The Democrats wrote that they are “interested in understanding how your organization has undertaken such efforts and the degree to which these efforts have been publicly disclosed, particularly in light of recent articles about funding Dr. Willie Soon received from corporations and foundations in support of his work that he failed to disclose when publishing his results.”

Soon is a widely respected astrophysicist and global warming skeptic employed by the Smithsonian Institution.

His supporters say he is a victim of a witch hunt by environmental groups and media liberals for not disclosing that \$1.2 million in research funding supporting his work came from companies with ties to fossil fuels.

As a result, Markey, Boxer, and Whitehouse told JLF and the other 106 organizations to supply names of recipients, institutional

affiliations, payment amounts and duration of research, reasons for payment, copies of grants and/or contracts “including any terms containing restrictions related to the disclosure of the source of the payments,” and publications or written materials that resulted from the research.

The request included turning over 10 years of funding data for “grants, fellowships, scholarships, consulting contracts, contracts, honoraria, and speaking events” related to “climate, climate change, global warming, environmental issues, air quality, atmospheric or oceanic topics, greenhouse gas emissions, carbon dioxide, methane, aerosols, solar radiation, vulnerable animal species or ecosystems, geology, paleoclimatology, meteorology, astrophysics, or heliophysics.”

“Senator Burr is looking into the committee’s request,” a spokeswoman for U.S. Sen. Richard Burr, R-N.C., said.

“All of the majority members of the committee are aware [of the Democrats’ letter]. This was done by the minority, by the Democrats, and obviously not in consultation or coordination with Republicans,” another senior Senate aide said.

In the response letter to the 107 targeted groups, Inhofe and the other Republicans wrote: “Rather than empower scientists and researchers to expand the public discourse on climate science and other environmental topics the [Democrats’] letter could be viewed as an attempt to silence legitimate intellectual and scientific inquiry.”

The Republicans said the credibility of scientific findings and research should be based on compliance with the scientific method, principles of sound science, and ability to stand on their own merits. “The scientific method is a process marked by skepticism and testing, rather than dogma,” they wrote.

“Federal government-sponsored research is good and necessary, but such funding has limits. The federal government does not have a monopoly on funding high-quality scientific research, and many of the nation’s environmental laws require decisions be based on the best scientific information available — not just federally funded research,” the Republican senators wrote.

“At the core of American ingenuity are those researchers who challenge the status quo whether in matters of climate, economics, medicine, or any field of study,” they wrote.

“Institutions of higher learning and nongovernmental funding are vital to facilitating such research and scientific inquiry. Limiting research and science to only those who receive federal government resources would undermine and slow American education, economic prosperity, and technological advancement.”

Curiously, Markey was among the most vocal critics of Ken Cuccinelli, Virginia’s former Republican attorney general, when he launched an investigation in 2010 of Penn State University climate scientist Michael Mann, whose widely criticized “hockey stick” global temperature graph and the research associated with it erupted into what was called “climategate.”

At the time, Markey rebuked Cuccinelli for using “intimidation tactics” that were “a threat to academic freedom and open scientific inquiry.”

Mann was no less kind to Markey, saying the Democrats’ Feb. 25 letter was “heavy handed and overly aggressive.” Markey’s office did not respond to requests for comment. CJ

New House Rule Could Minimize Last-Minute Surprises

BY BARRY SMITH
Associate Editor

RALEIGH
A new rule adopted by the state House could mean that representatives would face fewer surprises at committee meetings, and members of the public with interest in specific legislation also could be better informed. If honored by House members, the rule could bring more openness to the General Assembly.

"We're really just trying to increase transparency," said Rep. David Lewis, R-Harnett, who chairs the House Rules Committee.

The new rule says that updated versions of legislation to be considered in committee — in legislative jargon known as a proposed committee substitute, or PCS — must be transmitted to committee members and the bill's sponsor by 9 p.m. the night before a committee meeting. Lewis said the PCS also would be available electronically to members of the public.

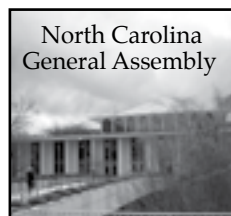
A PCS can vary from minor technical or grammatical changes in legislation to a complete rewrite of a bill.

Sometimes, a lawmaker will use a PCS to strip the language of a bill entirely and replace it with a new version covering different subject material.

"It's hard for people to walk into a room and try to understand a 40-page document you've never seen before," Lewis said.

The N.C. Coalition for Lobbying and Government Reform has endorsed the change. Jane Pinsky, director of the group, said she recalls attending a legislative committee meeting years ago and seeing a "well-written PCS" being distributed during the last 15 minutes of the meeting. The document was dramatically different than the previous version, she said.

"It was clear that many of the committee members hadn't seen it," Pinsky said. "They didn't know what to do with it."



North Carolina General Assembly

Lewis said that the House committee chairs have embraced the new rule. "They want folks to know what's going on, too, to be fully able to participate in committee," Lewis said.

He said the rule would help committee members seeking to amend or modify a bill. If they can get the rewrite earlier, there will be more time to make sure that amendments are technically correct and cite the appropriate page and line numbers.

Pinsky said the rule would aid members of the public who have an interest in specific legislation or topics.

"If I'm a citizen and I'm interested in the bill ... I could see the PCS the night before and let my legislator know what I think," Pinsky said. "If I'm a citizen and [the PCS] comes up in the middle of a committee meeting, I would have no way of knowing about it until the committee has already taken action."

Lewis hopes that having the bill rewrites available early will allow committees to be more thorough. If the details of legislative proposals are worked out in committee, broader policy debates can take place when a bill reaches the House floor.

"It'll hopefully cut down on the less-significant debate on the floor if they've been able to participate in committee," Lewis said.

Lewis gives former Rep. Melanie Goodwin, D-Richmond, credit for the idea of making proposed committee substitutes available the night before a committee meeting.

Before the GOP gained a majority in the House, Goodwin co-chaired the House Election Laws and Campaign Finance Reform Committee. "She always to the best of her ability made sure the PCS was available the night before," Lewis said.

When Republicans won House control in 2010, Lewis chaired the House Elections Committee and said he tried to continue Goodwin's practice in that committee. *CJ*

Effort to Kill Map Act Passes First Legislative Hurdle

BY BARRY SMITH
Associate Editor

RALEIGH
As landowners wait to see if the N.C. Supreme Court will hear an appeal of a recent appellate court decision enhancing property rights along highway corridors, lawmakers in Raleigh are moving a bill that would eliminate the state's Map Act altogether.

Rep. Rayne Brown, R-Davidson, introduced House Bill 183, a measure repealing the Map Act. It was approved March 24 by voice vote in the House Transportation Committee and moved to the House Finance Committee, where it was at press time.

North Carolina is one of only 13 states with Map Act statutes, which allow states to block building on or subdividing parcels of private property that are designated for highway construction. The Tar Heel State's restrictions are the toughest in the nation, letting the N.C. Department of Transportation block owners from using property within highway corridors for three years.

Other states with comparable statutes offer property owners two choices: the option of demanding immediate acquisition of their property or release from an official map; or shorter limits on the length of time an official corridor map can block building and subdivision applicants, ranging from 80 to 365 days.

On Feb. 17, the N.C. Court of Appeals ruled unanimously that the

Map Act amounted to the taking of property. Judge Linda McGee, writing for the court, said the Map Act empowers the DOT to exercise the state's power of eminent domain. That power, when exercised, "requires the payment of just compensation," she wrote.

During the March 24 transportation committee meeting, a DOT official announced the agency has asked the Supreme Court to overturn the Court of Appeals' decision.

The case stemmed from the DOT's use of the Map Act in a proposed highway corridor in Forsyth County. The Map Act also has been used in other places, and the ruling could affect up to 1,500 property owners in Guilford, Wake, Cleveland, Cumberland, and Pender counties.

Matthew Bryant, attorney for the plaintiffs in the Forsyth County case, said that the suit, if upheld, could result in payments of hundreds of millions of dollars to affected property owners.

Brown said she got involved in the Map Act issue after learning of a proposed N.C. 109 corridor in Davidson County. She later toured the Forsyth County neighborhoods involved in the Map Act litigation.

"It's a nightmare," Brown said. "And this has gone on for decades." She said she was surprised at the "subjective" nature of DOT decisions to buy property quickly in some hardship cases but not in others.

Jon Guze, director of legal studies at the John Locke Foundation, said

Brown's repeal bill is "very welcome. The Court of Appeals has held that transportation corridor maps that encumber property for long or indefinite periods constitute takings for which compensation must be paid," he said. "This isn't just a matter of fairness; it's a constitutional requirement."

DOT officials did not respond to requests for comment on Brown's proposal. Previously, a DOT official said that lowering the permit hold period

from three years to 60 or 90 days would be meaningless, saying it takes longer than that for DOT to acquire property.

Meantime, Sen. Bill Rabon, R-Brunswick, has filed Senate Bill 364, a measure that would reduce DOT's holding period from three years to two and require construction on any highway corridor covered by the Map Act to commence within 10 years. At press time, no committee action had been taken on the bill. *CJ*

Visit
Carolina Journal Online



<http://carolinajournal.com>

Meadows Backs End to Pro Sports Leagues' Tax Exemption

BY DAN WAY
Associate Editor

RALEIGH

U.S. Rep. Mark Meadows, R-11th District, wants to sack the National Football League's tax-exempt status because, he said, it's unfair for a multibillion-dollar sports enterprise to enjoy special tax treatment usually reserved for churches, educational entities, and charitable organizations.

"Even though I'm an avid NFL and football fan, it's hard for me to say they should get a free pass and not have to pay taxes, but hard-working moms and dads should," Meadows said in explaining why he will co-sponsor a bill by Rep. Jason Chaffetz, R-Utah, to rescind the NFL's 501(c)6 nonprofit designation as a trade or industry association.

Chaffetz is chairman of the House Oversight and Government Reform Committee. Meadows and Republican



Rep. Mark Meadows, R-NC

Mark Walker, who represents North Carolina's 6th District, are on that committee. Walker did not respond to requests for comment.

H.R. 547, the Properly Reducing Overexemptions (PRO) for Sports Act, targets sports associations with annual revenues exceeding \$10 million. The NFL generates about \$10 billion annually.

While the NFL may be the best-known entity H.R. 547 would address, Meadows said, "there are dozens of professional sports organizations that enjoy nonprofit status," including the NHL, PGA, and PGA.

Major League Baseball forfeited its tax-exempt status in 2007, and the NBA never received the nonprofit perk.

Some proponents of eliminating the NFL tax-exempt status point to the lucrative salary league owners pay commissioner Roger Goodell.

"Certainly, if they can afford a \$44 million salary for the commissioner, I would think that they could

afford to pay the taxes on any potential earnings that they might have," Meadows said. And there are many millions of dollars more being paid to NFL administrative personnel, attorneys, and the like.

"I'm a business guy, so anybody making a high salary is not as much an issue for me as it is if they're using other hard-working American taxpayers' dollars to pay that," he said.

Meadows does not foresee "a direct impact" on individual sports franchises if the legislation passes because they already operate as for-profit businesses at the team level.

Representatives from the NFL, NHL, Carolina Hurricanes hockey team, and Carolina Panthers football team did not respond to requests for comment.

The congressional Joint Committee on Taxation said in 2013 that repealing the tax exemption on the NFL and NHL alone would raise about \$109 million in revenue over a decade.

"The main point would be that it isn't really going to do anything" in raising significant tax revenue, said Alan Cole, an economist with the Tax Foundation, a nonpartisan tax research group.

In terms of the NFL, "you're talking about removing the tax exemption from an office that essentially runs the league, but it doesn't have any owners, the money doesn't flow back to shareholders, there aren't profits to be taken. Where the profits go is generally to the teams themselves," Cole said.

"When people propose revoking the tax-exempt status, it's more of a symbolic gesture than anything else, and the places where all of the money actually goes, the IRS has been collecting millions of dollars for years," Cole said.

"The big picture is if you're from Carolina, the tax revenue there comes from Jerry Richardson's individual tax forms. Right there on his 1040 he'll have the income from the Carolina Panthers," Cole said.

"You'll see the team send forms to the IRS reporting the income for all of the players, and all of the coaches, and that really does get taxed" for all 32 teams, he said.

Cole said each of the pro sports associations have "specific grandfathered tax and legal status because of their very weird and unique organizations," and changing their tax structure may be warranted, though he has no strong opinion about it.

Some congressional members believe all guilds should be taxed, Cole said. Others have submitted bills to rescind the NFL's tax-exempt status because it allows the Washington Redskins franchise to retain its name despite protests from political activists and some American Indian groups.

While he is not as familiar with the NHL, Cole said most U.S.-based hockey teams other than the New York Rangers frequently lose money, "so I would wonder whether there is any taxable income there at all." Individual franchise owners are "almost certainly taxed correctly" for wages and sales in the same way NFL teams are.

"It's not a matter of tax revenue and the dollar amount as much as it is in the spirit of just trying to be fair and equitable" to working Americans, Meadows said. "The logical conclusion" is that if MLB and the NBA are deemed for-profit associations, the NFL should be as well.

"We see this more as a policy issue" to ensure nonprofit status is conferred only on those truly deserving of it, he said.

Nor does he worry this legislation could be expanded to target other nonprofit organizations that may be out of favor with a political party or a presidential administration.

"If the IRS gets overzealous like they are with targeting conservative groups, that's something that we've been passionate about on the Oversight and Government Reform Committee," and lawmakers would fight back against any unintended consequences, Meadows said.

The bill currently is in the Ways and Means Committee chaired by U.S. Rep. Paul Ryan, R-Wis. Meadows said Ryan has made tax reform his "highest priority" as the committee's chairman and will push much bigger issues.

"What I think you will see within the first six months of this year is a real concerted effort to make the tax code simpler, fairer, and certainly less burdensome on the American people," Meadows said.

"With that said, it is a herculean task that [Ryan] faces, and if we don't see real progress in the first six to seven months of this Congress, I don't think we'll see it happening over the next two or three years," Meadows said. *CJ*



The move to eliminate the NFL's non-profit status has moved onto the internet, with several online petition campaigns working to end the exemption.

www.JohnLocke.org

YOUR HOME ON THE WEB FOR NORTH CAROLINA PUBLIC POLICY

Creating your own personal **Key Account** at *www.JohnLocke.org* is a great starting place for tracking the critical public policy issues facing North Carolina.

Each day, your **Key Account** searches a comprehensive database of JLF reports, briefing papers, news articles, press releases, and events notices to display timely information about the issues of your choice. It's an excellent tool for those drafting legislation, researching policy issues, preparing news stories, planning political or lobbying campaigns, or seeking information with which to be an informed voter and citizen.

Visit *www.JohnLocke.org* and create your personalized **Key Account** today!

COMMENTARY

Paying Lip Service To Career Readiness

For today's students — tomorrow's earners — communication skills are money in the job bank. Communication skills now outrank reading, math, teamwork, and even science proficiency as work force must-haves. So says Pew Research Center's American Trends Panel of 3,000-plus adults: Surveyed recently about which skills they deemed "most important for children to get ahead in the world today," adults gave communication top honors.

Turns out, this trend panel is right on target.

Recruiters for the world's most successful companies say they want new hires who are masterful communicators. On the latest Corporate Recruiters Survey from the Graduate Management Admission Council, owner of the GMAT, recruiters for some 600 companies — including 36 Fortune 100 firms — listed proficiency in oral communication as the most-desired skill in a job candidate.

Should this marketplace reality affect classrooms? K-12 educators today talk incessantly about ensuring students are career-ready. If good communication is the secret to workplace success, are we, literally, putting our money where our mouth is?

New research suggests the balance sheet might come up short. Immersion in digital media may have a hidden cost: undermining children's "EQ," or emotional intelligence quotient — a critical component of effective communication skills. Arguably trickier to teach and measure than algorithms or algebra, such interpersonal "soft skills" get their boost from in-person, not screen-based, interactions.

Published recently in the journal *Computers in Human Behavior*, this research from UCLA scientists linked digital media use with a diminished ability to identify human emotions. Researchers evaluated 105 California sixth-graders who were similar in their daily use of smartphones, computers, television, and video games. All students were assessed in their baseline ability to recognize emotion in facial expressions and nonverbal interactions. Half were sent for five days to nature camp with no access to technology; the other half attended school and maintained normal me-

dia habits. At the experiment's end, tech-free preteens demonstrated significantly more improvement in their ability to read emotions than students remaining in a digital, media-rich environment.

Senior author and UCLA psychology professor Patricia Greenfield hopes these findings spark more balanced discussions about technology's impact on interpersonal skills, especially as schools embrace digital immersion. "Many

people are looking at the benefits of digital media in education, and not many are looking at the costs. Decreased sensitivity to emotional cues — losing the ability to understand the emotions of other people — is one of the costs," she noted in a press release.

Should we swipe less and speak more? Yes. But digital media also offer compelling

opportunities for enhancing and customizing education. Plus, the ability to leverage information and communication technologies and platforms effectively is a non-negotiable component of work force communication today.

It's time, though, for a thoughtful, holistic examination of how best to use digital media for readiness, whether in school, career, or life. Ironically, in viewing children primarily as human capital (and digital immersion as one of the best investments), we may be depriving them of the skills they need most for success in work and life.

We also should acknowledge that there is much we don't know about screen saturation's effects on children. Parents and educators would be wise to set and model healthy limits, allocating abundant screen-free time for talking and listening. Human relationships and face-to-face interactions, not screens, teach us how to understand one another, and thus, how to communicate well.

Paying lip service to career readiness is not enough. Developing soft skills is hard work, face to face. But training children to be empathic, powerful communicators yields huge dividends — in and out of the marketplace. CJ

Kristen Blair is a Chapel Hill-based education writer.



**KRISTEN
BLAIR**

State Board Wants to Close Charter School for Disabled

By BARRY SMITH
Associate Editor

RALEIGH

Dozens of Triangle-area middle- and high-schoolers and their parents could be looking for another school next year if the State Board of Education closes the Dynamic Community Charter School — a school intended to fill a void for disabled children who have not fit in at traditional public schools.

The school, in its first year of operation, serves 70 students. Its Web page says it enrolls students with a wide range of disabilities, including autism, Sotos syndrome, intellectual delays, dyspraxia, fetal alcohol syndrome, congenital genetic disorders, and anxiety issues.

At its March meeting, the state board initiated steps to close the Raleigh-based charter school. The school has appealed, and a three-member appeal panel appointed by the state board's chairman

Bill Cobey will hear the appeal March 30 before making a recommendation to the full board.

"They were going to have a significant financial deficit at the end of the year," Joel Medley, director of the Office of Charter Schools, cited as a reason the charter revocation process was started. "According to the Exceptional Children's Division, they are not serving the children in accordance with the IEPs." IEPs are individualized education programs established for teaching children with disabilities.

Parents and faculty members are hoping to convince the panel, and eventually the state board, to allow Dynamic to continue operations.

"My son has progressed exponentially this year because his self-confidence has progressed," said Sara Brady, president of the parents association at Dynamic. She said that before attending Dynamic, her son had discussed dropping out of high school. But now, he not only wants a high school diploma but also wants to become a teacher.

Parents have written to the state's Charter School Advisory Board and the State Board of Education urging the state not to close the school. Parents describe how their children were bullied at traditional public schools because of their disabilities.

One couple wrote of their son's troubles in a traditional middle school, saying he is thriving at Dynamic. They

said the reality of going to a larger school and the "social complexities" of going to middle school had proved too much for their son, who was hospitalized for anxiety and thoughts of suicide twice since starting middle school.

"Now that he is home and attending DCCS, his anxiety levels have improved and he is much happier and able to focus on school," they wrote. He's making friends and loves going to school every day, they wrote, adding, "He continues to grow and thrive."

Medley said the school's woes can't be overlooked. "They were going to have a significant financial deficit at the end of the year," he said. Plus, Medley said, the school is not meeting its IEP obligations.

Among the concerns expressed by state Department of Public Instruction staff were lack of structure in the classroom, a lack of using evidence-based practices shown to be effective in teaching students with

autism, and the lack of an opportunity for students at the school to interact with "typically developing peers."

Brady said some of the problems cited are found in traditional public schools.

"I think that we're challenging the way that special education is taught in North Carolina," Brady said. "It seems that they are targeting us for things that are not ordinarily an issue in traditional public schools."

Brady also said the school is expected to close the school year without a budget deficit, in part because it recently received an \$80,000 grant designed for schools enrolling a significant number of home-schooled students. Brady said about one-third of Dynamic's students came from home schools.

Medley isn't as optimistic. "The deficit has been projected to be in excess of \$200,000," he said.

Cobey said the state board could make a final decision as early as this month.

If the state board continues the process of revoking Dynamic's charter, the school can appeal to the Administrative Office of the Courts, and eventually to Superior Court, Cobey said.

Cobey said that whatever the state board decides, the school and parents have raised awareness that a school like Dynamic fills a need. "I'm in support of this type of school as an alternative for parents of children that have a disability," Cobey said. CJ



New Student Data Mining System Raises Privacy Concerns

By DAN WAY
Associate Editor

North Carolina public schools are developing a multimillion-dollar student data mining system intended to compile and analyze reams of information to improve educational outcomes. But critics say it poses a “creepy” potential to engineer the work force and easily could fall prey to a variety of “malicious” abuses.

Known as the P-20W system, the program captures student data from pre-K through graduate school and follows individuals into their work years.

The Department of Public Instruction is collaborating with the UNC system, North Carolina Community Colleges System, North Carolina Independent Colleges and Universities, the state Department of Health and Human Services, and the Department of Commerce to gather, manage, and analyze the information.

“We’re hoping that through this system we can have a better understanding of the outcomes that come from kids going to different schools in North Carolina, and what happens to them after they graduate,” said Lou Fabrizio, DPI director of data, research, and federal policy.

“We are required to report certain things to the U.S. Department of Education, all in aggregate form, in terms of things like how many kids ... graduate from high school and enroll in a community college or a university within 16 or 18 months after their high school graduation, and how many kids actually complete one year of higher ed or community college within two years of graduating,” Fabrizio said.

The system still is being developed as part of an initial \$3.4 million

grant, and the state expects to seek a one-year extension from the U.S. Department of Education in the coming weeks. No full-time employee is assigned to the program, but about 10 employees do some amount of work on it.

“The children don’t fill out any information. This is all information that we’re collecting from the parents,” Fabrizio said.

Much of the data was being collected prior to the P-20W initiative through the Power School Student Information Management System. At the end of each year, information collected in that system transfers to the Common Education Data Analysis and Reporting System, a longitudinal database that would become part of the P-20 system when it becomes operational.

The General Assembly in the last session passed Senate Bill 815, “which has to do with student data privacy, and every fall the superintendents are supposed to send notifications home to the parents telling them that we do have safeguards in place for any data,” Fabrizio said.

The system will be housed in the Office of State Information Technology

Services with built-in safeguards protecting the confidentiality of student and family information, Fabrizio said. Officials in that office referred questions back to DPI.

“If you like privacy, and you have concerns about how people

might abuse collective data, then it’s creepy. And I think people who find it creepy have legitimate concerns,” said Neal McCluskey, associate director of the Washington, D.C.-based Cato Institute’s Center for Educational Freedom.

“You do have a prob-

lem of hubris among researchers who think that because they have been able to statistically control for various factors that they can reach universal conclusions about how that can be used to educate people,” McCluskey said.

That makes it easier for politicians to cherry-pick data in developing public policy for work force outcomes, “and then the biggest danger is that people, politicians or experts, try to use this to engineer society,” McCluskey said.

The P-20W system is another concern layered atop the National Education Data Model established by the federal government to collect more than 400 data points.

“You can see how this could be seriously abused and dangerously used to say potentially we encourage people not to [practice] a particular religion, or will start saying how children should be raised by their parents, legislating it and saying not to do what the research suggests would be criminal abuse or something like that,” McCluskey said.

And with recent reports of data breaches hitting everything from Target stores to the national health care exchanges, privacy security is a constant concern.

“These inventive hackers or people who steal data are malicious people who seem to find a way to get data that people think is secure,” McCluskey said.

“I would say probably that most North Carolinians have no idea the extent to which these databases are being brought together by P-20W,” and most parents don’t know they can opt out of the data collection, said Terry Stoops, director of research and education

studies at the John Locke Foundation. He is a member of the Longitudinal Data System Committee overseeing development of P-20W.

“Some of it’s definitely benign,” such as test scores and attendance records, Stoops said. And he can envision ways in which the information can be analyzed for beneficial and legitimate purposes to enhance the delivery of education and its outcomes.

“But from the K-12 perspective, there’s data being collected on behavioral issues, [the] number of times a student’s been suspended or put into detention, and that sort of thing I think parents would object to,” he said.

Medical records such as vaccinations, primary care physicians, and medications taken “are areas ... where most parents would draw the line, saying the school doesn’t have any right to maintain any data about what kind of medications a student is taking,” Stoops said.

The state has received an Early Learning Challenge Grant that will be used to collect information on K-3 students that eventually will be incorporated into P-20W.

“This is going to be a much more problematic set of data because it’s going to include social and emotional skills, and teachers will have to assess whether a student can function well in a group, is aware of their own emotional state, etc.,” Stoops said. “We’re talking about very young children.”

With a growing database of family, medical, educational, law enforcement involvement, and other information comes the risk that “bad people who are looking for information on someone to use against them for whatever reason” could leak the records from inside, or hack into it from outside, Stoops said.

Like McCluskey, he worries how far officials may go in demanding public policy to comport with interpretations of the research.

“I think the expectation is that [the main users will be] university-based researchers, doctoral students writing dissertations, individuals, professors and researchers from universities, as well as administrators from the departments that may be looking for ways to improve their services,” Stoops said.

While they are not supposed to have access to the databases, “What would prevent a private business, or the state, or federal government from accessing the data to use for various purposes, whether it be to market goods or target voters?” Stoops said.

Since the federal government provides so much of the funding, he asked, “Will you have a point where the federal government says, ‘Because we pay for it, we are then entitled to it?’”

NC P-20W Partners

- NC Department of Public Instruction (NCDPI)
- University of North Carolina General Administration (UNCGA)
- NC Community College System (NCCCS)
- NC Independent Colleges and Universities (NCICU)
- Labor and Economic Analysis Division (LEAD) of NC Department of Commerce
- NC Department of Health and Human Services (NC DHHS)

Public Schools of North Carolina

This slide, from a presentation by the N.C. Department of Public Instruction titled “North Carolina: Leading the Way in P-20W Data Systems,” shows the agencies that will receive data from the P-20W data collection.

If you know high school students considering college . . .



then “College Bound? Make the Right Choices” is for you!

Should they go?

How will they pay?

What will they study—or will they party?

The John William POPE CENTER
FOR HIGHER EDUCATION POLICY

To receive a free copy, call 919.828.1400 or email shaw@popecenter.org

Visit the Pope Center online at popecenter.org for additional reports and studies

Town and County

W-S airport de-annexation

A Forsyth County commissioner has suggested that Winston-Salem de-annex its airport. The move is intended to make the facility more competitive, reports the *Winston-Salem Journal*.

The Triad currently has two commercial airports, Winston-Salem's Smith Reynolds Airport and Piedmont Triad International Airport, which is located near but not actually in Greensboro. As a result of that placement, planes and other assets based at PTI pay property taxes only to Guilford County, while aircraft based across the Triad at Smith Reynolds pay property taxes to both Forsyth County and the city of Winston-Salem. Winston-Salem collects about \$282,000 a year from private property at the county-owned airport.

Commissioner Ted Kaplan asked the Forsyth County Commission to recommend that the General Assembly remove Smith Reynolds from the city's tax rolls. An exemption from city property taxes would attract more planes to the airport, Kaplan argued. His proposal was supported by the Airport Commission of Forsyth County, which oversees the facility.

Buncombe horse rules

Buncombe County has rescinded rules requiring owners of horses to provide social interaction and shelter. The move came after intense criticism from horse owners to the Buncombe County commission's 4-3 vote enacting the rules, reports the *Asheville Citizen-Times*.

The ordinance, adopted in January, stated that dogs, horses, mules, ponies, and other equines "require shade in the summer and protection from wind and cold in the winter."

"The bottom line is we want to do the best thing for horses and people," said Commissioner Ellen Frost, the main proponent of the rules.

"We're not trying to hurt anybody," Frost said. "We're after people who are neglectful."

The North Carolina Horse Council, however, found the rules unnecessary, noting that horses have the ability to develop adequate insulation and survive outdoors in far colder climates than North Carolina. Horses also don't necessarily like dark, enclosed areas.

The council voted unanimously to change rules affecting equines. CJ

Several Bills Would Alter Local Governing Boards

By SAM A. HIEB
Contributor

GREENSBORO

Several bills altering the makeup of local governments are working their way through the current General Assembly session, raising charges by liberal advocates and pundits that the GOP-led legislature is maneuvering to give Republicans a foothold in local governments that now are under Democratic control.

While one bill would reduce the size of the Rockingham County Board of Education, and another would reduce the size of the Trinity City Council, the measures generating the most controversy are bills that would affect two of the state's larger cities, Raleigh and Greensboro.

Wake County commissioners now represent seven geographic districts, but voters countywide elect each commissioner.

Senate Bill 181, sponsored by Sen. Chad Barefoot, R-Wake, would increase the size of the Wake County Board of Commissioners to nine members and realign the districts to coincide with those of the county's Board of Education.

Seven of the nine school board members represent geographic districts and are elected by voters living in their districts. The two other districts divide the county in half. (One district basically covers the city of Raleigh. The other comprises the rest of the county.) Voters choose one school board candidate from their geographic district and a second from the "at large" district in which they live.

Arguing for his bill on the Senate floor, Barefoot said his proposal would provide better representation for Wake County citizens. Representation is too concentrated in Raleigh with the districts drawn as they are now, he claimed.

"Seventy-five percent of towns in Wake County don't have any representation on the county commission," Barefoot said. "This bill gives my constituents and all Wake County residents a much-needed voice within their county government."

Opponents claim Barefoot's bill is merely a Republican power grab.

At the very least, any attempt to restructure local government should be decided by local citizens by referendum, argued Sen. Josh Stein, D-Wake. "The local communities ought to decide the policy decisions that affect their lives," Stein argued.

The Senate passed Barefoot's bill by a 31-16 margin. By a similar 33-15 margin, the chamber also passed Senate Bill 36, sponsored by Sen. Trudy Wade, a former Greensboro City Council member.

Wade's bill would restructure the Greensboro council by reducing its members from nine to seven. All members would be elected from redrawn districts, with only the mayor elected at large. The mayor also would no longer vote, except to break a tie or when voting to hire or fire the city manager and the city attorney.

Wade did not respond to a request for an interview but has said publicly that her bill would provide Greensboro residents — especially minorities — with better representation, a notion disputed by some council members.

"You're going from having five people representing you to one person representing you," council member Mari-kay Abuzuaiter said during the council's March 17 meeting.

The vast majority of incumbent council members, some of whom would lose their seats should the bill become law, have expressed vocal opposition to Wade's bill.

For its part, the *Greensboro News & Record* aggressively opposes the measure, hammering away almost daily with editorials and blog posts.

That stance has moved past the editorial page, as metro columnist Susan Ladd has used her space in the paper to rally opponents.

"Sadly, politics has become an irony-free zone," Ladd wrote in her March 9 column. "How else could Wade decry the overreach of government, then use her power as state senator to deny the city its power of self-governance?"

Under the headline "A great example of rotten politics," Ladd also criticized a perceived lack of adequate notice before Wade's bill was taken up by committee. Opponents of Barefoot's bill leveled similar complaints.

At its March 17 meeting, the Greensboro council took the only legal step available to fight Wade's bill, passing an ordinance extending the terms of members of the City Council from two years to four years, and a resolution to hold a binding referendum on the four-year terms.

Mayor Nancy Vaughan pointed out that ordinance would preserve the current council structure with five members elected from districts, three elected at-large, and a mayor with veto power, which has been in place for more than 30 years.

"We were faced with a dilemma," Vaughan told *Carolina Journal*. "We wanted to preserve the 5-3-1, but how could we tweak it to make the change? So it would be to either go from two years to four years or change the year of the election. Those were the two options we could pursue to preserve the current structure."

In a *CJ* phone interview, Greensboro City Attorney Tom Carruthers confirmed Vaughan's statement that the ordinance change preserves the 5-3-1 system.

"The mayor's comment is correct — the ordinance as adopted does not alter the 5-3-1 system — it reaffirms it," Carruthers said. The ordinance change and the referendum "are not symbolic. They're adopted pursuant to law," he added.

However, during the March 17 meeting, council member Tony Wilkins — the lone supporter of the seven-district system — characterized the votes as a "legal ploy which I am not privy to."

In other words, the ordinance change and scheduled referendum — passed while Wade's bill was still working its way through the legislature — would serve as the basis for a court challenge should Wade's bill become law.

In a later phone interview, Wilkins described the votes as a "legal maneuver," adding "I don't see how it preserves the 5-3-1 system."

Wilkins also disputed the notion that Wade's bill would result in watered-down representation for Greensboro residents.

"What services are [opponents] talking about that they say would not be addressed?" Wilkins asked. "I can't imagine a council member not responding to a constituent."

As of this writing, both S.B. 181 and S.B. 36 were working their way through the House of Representatives. Both are expected to pass, and since they are local bills, they do not require Gov. Pat McCrory's signature to become law.

Carruthers says it's unclear how Greensboro would respond if S.B. 36 become law, effectively making its ordinance and referendum votes moot.

"To the degree that there's an ambiguity, council would have to decide the appropriate course to resolve that," he said. CJ



Durham Promises More Public Input in Cell Tower Location

By MICHAEL LOWREY
Associate Editor

RALEIGH

The siting of cell phone towers continues to be controversial, with Durham the latest locality to address the issue. After two years of debate, a new rules package for the towers is ready for consideration by the city council and county commission, says the *Raleigh News & Observer*.

The issue of size, location, and conditions under which cell phone towers — technically known as “wire-

less communication facilities” — can be positioned became an issue in late 2012, when the city-county planning department approved a 120-foot tower without prior notice to nearby residents. Protests ensued, and in response, Mayor Bill Bell requested that the planning department review local rules.

“This subject matter, wireless communication facilities, is one of the most legislated and litigated issues of land use, bar none,” said Pat Young, the planning department’s assistant director.

Under draft regulations approved in March by the planning department, cell phone towers in most residential areas would require a special-use permit. Property owners must be given advance notice and an opportunity to object to the proposed tower at a public hearing. In addition, a balloon test would be required, in which a balloon would be floated to the height of the proposed tower, allowing residents to see whether it would obstruct views or cause other aesthetic concerns. Cell towers would be restricted to 20 feet above the allowable height limits under the zoning code for an area, and additional setback restrictions would apply.

ER overcrowding

Wake County Emergency Medical Services ambulances don’t always take a patient to the hospital. Sometimes, as part of a pilot program, the destination is a psychiatric facility or a substance abuse clinic, reports *The News & Observer*.

The Wake pilot program prevented 764 emergency room admissions over the past two years, saving Medicaid \$500,000 annually.

“People call 911 because they don’t know what else to do,” said Wake County EMS director Brent My-

ers. “They don’t need a medical doctor. They end up in a hospital and stay there until they can go where they should have been taken in the first place.”

And that place often is a psychiatric facility, though it may take hours or even days before they are transferred there.

“It’s better care; it’s less expensive; it’s the right answer,” said Dave Richard, deputy secretary for behavioral health and developmental disabilities at the N.C. Department of

Health and Human Services, of the Wake County model. “We’d like to see it replicated in places where it makes sense.”

Such replication outside Wake County would take a

change to Medicaid and Medicare rules. The Wake County initiative is one of a number of pilot programs underway nationally to test whether such diversion programs are safe and effective. The state could, however, request a waiver from the federal government if it sought to expand the program.

Google Fiber challenges

In January, Charlotte and the Raleigh-Durham area were selected to receive Google Fiber high-speed Internet service. Even so, local officials have much to do before rolling out the service, writes *The Charlotte Observer*.

Google Fiber offers speeds as much as 100 times faster than conventional broadband at rates comparable to the top tier of cable Internet options while providing lower rates for slower speeds.

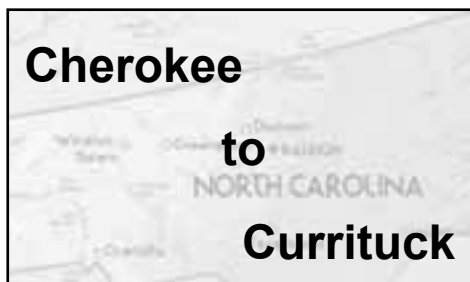
State law doesn’t require telecommunications companies to provide comparable service to all areas the company serves. Indeed, Google has been selective about where it expands, offering service in areas only after getting a commitment from enough local residents to make the investment in infrastructure profitable.

That has led to concerns in low-income areas.

“It was just very, very challenging,” said Julie Porter, president of the Charlotte-Mecklenburg Housing Partnership, who previously worked to sign up low-income residents in Kansas City.

“I wanted to make sure that Charlotte didn’t have the same experience.”

A 2012 survey showed that 85 percent of adults in Mecklenburg County had used the Internet in the previous three months and most of the users had access at home. CJ



COMMENTARY

Beginning of the End For the Map Act?

In most states, when the department of transportation or a local government needs land for a highway, it obtains it the old fashioned way — by buying it. It uses the state’s power of eminent domain to condemn the property, and it compensates the property’s owners at a level commensurate with the market value at the time of the taking.

Under North Carolina’s Map Act, however, the N.C. Department of Transportation has been able to take a different approach. The act empowers the DOT (and other

agencies) to create “transportation corridors” within which “no building permits shall be issued for any building or structure or part thereof ... nor shall approval of a subdivision ... be granted.” There is no time limit to how long land may be subjected to such a moratorium on development, and as a result the DOT has been able to control large tracts of land for years without condemning them and without paying compensation to their owners.

Land within a transportation corridor loses value and becomes difficult to sell, which is precisely the point. At the time of passage, the General Assembly was surprisingly candid about its intentions for the Map Act, which it described as, “An act to control the cost of acquiring rights-of-way for the state’s highway system.”

A recent decision by the N.C. Court of Appeals, *Kirby v. NCDOT*, puts the state on the defensive, where it belongs. Among the transportation corridors created by the DOT are two in Forsyth County that tie up land for a future beltway around Winston-Salem. Ever since the corridors were created, the owners of the affected property have lived in a state of limbo. The western corridor was created in 1997!

Eventually, some of these Forsyth County property owners sued the DOT. They alleged, among other things, that the indefinite moratorium constituted a taking for which they had a constitutional right to be compensated.

The DOT denied this allegation, asserting instead that the Map Act moratorium was simply an ordinary exercise of the state’s power to regulate the use of land for which no compensation was required. The trial court agreed with the DOT. The property owners appealed. And won.

The Court of Appeals concluded that the Map Act is “a cost-controlling mechanism” under which development moratoria are imposed “with a mind toward property acquisition. ... The Map Act empowers NCDOT with the

right to exercise the state’s power of eminent domain ... which power, when exercised, requires the payment of just compensation.”

The court remanded the case to the trial court to consider “the extent of the damage suffered by each plaintiff as a result of the respective takings” and “the amount of compensation due to each plaintiff for such takings.”

This is a stunning victory, not only for the long-suffering property owners in Forsyth County who brought the lawsuit, but also for all the property owners across the state whose lives have been blighted by the Map Act. It is also a stunning victory for constitutional government in North Carolina.

For years, the John Locke Foundation has urged the General Assembly to repeal the Map Act in its entirety. A group of House members, led by Rep. Rayne Brown, R-Davidson, have

sponsored House Bill 183, doing exactly that. It repeals the various sections of the General Statutes that pertain to the Map Act, and it gives the DOT six months to “study the development of a process for acquiring land for future highway construction that is in accordance with ... *Kirby v. NCDOT*.”

Thirty-seven states manage to build highways without abusing property owners in this way. North Carolina can, too. CJ

Jon Guze is director of legal studies for the John Locke Foundation.



JON
GUZE

It’s about time
NCDOT quit
abusing property
owners with
the Map Act

Alamance School Records Case Heads to Appeals Court

BY DAN WAY
Associate Editor

RALEIGH

A three-judge panel of the state Court of Appeals has scheduled oral arguments for April 6 in a high-profile case pitting the public's access to official records against local government attempts to suppress information from public view.

The outcome could have major implications for the public's right to know in North Carolina.

The *Times-News* newspaper of Burlington sued the Alamance-Burlington Board of Education for copies of closed meeting minutes at which a report was released about questionable activities by then-Superintendent Lillie Cox in preparation for a vote to fire her. Cox subsequently resigned when the board went into open session.

A measure of the importance of this case is the powerful interests filing friends-of-the-court briefs. The North Carolina Association of Broadcasters and the North Carolina Press Association lined up behind the *Times-News*. The North Carolina School Boards Association supports the defendant school board.

"In the lore of North Carolina appeals rulings on open government law, this is potentially a very big case. The battle lines are drawn," said John Bussian, a media attorney representing the *Times-News*, which already obtained a first-of-its-kind Supreme Court order directing the Appeals Court to expedite the case as required under public records law.

"When you have a combination of the North Carolina Association of Broadcasters — essentially every radio and television outlet in the state — allied with the Press Association — which is most of the major print publications and website publications in the state — arguing in favor of access, that tells you something," Bussian said.

The decision rendered by the three-judge panel — Chief Judge Linda McGee, Judge Robert N. Hunter, and Judge Richard Dietz — will decide whether public records laws and court precedents trump state personnel confidentiality exemptions.

Much of the lawsuit's framework is built around the landmark *News & Observer v. Poole Commission* case. The two parties interpret the outcome and intent of that Supreme Court decision very differently.

The Supreme Court ruled unanimously in 1992 that an investigatory report compiled about misbehavior in the N.C. State University basket-

Times-News TheTimesNews.com

The case began as an effort by The Times-News of Burlington to access copies of a closed meeting of the Alamance-Burlington Board of Education prior to a vote to fire its superintendent.

ball program under coach Jim Valvano was a public record that should be disclosed even though it was a personnel matter discussed at a closed session.

The justices ruled that exceptions to public disclosure are no longer valid once the need for secrecy has elapsed.

Bussian argues the circumstances of the *Times-News* case mirror those in the *Poole* case. In both instances, an investigative report was compiled, it was discussed at closed meetings, and a decision was made. Once the vote occurred, there was no longer a need for secrecy.

The defendants argue the cases are not analogous.

Writing for the North Carolina School Boards Association, staff attorney Christine Scheef said, "Despite Dr. Cox's status as a former employee, her personnel information, including the issues discussed during the May 30, 2014, closed session, remained confidential. The personnel statutes do not address 'the need for secrecy'; instead, they compel the local board of education, except under limited circumstances not present here, to maintain the confidentiality of the closed session discussion."

"All of the cases that have addressed the part of the open meetings law that requires a school board and every other government agency to produce minutes of closed session secret discussions say that there is a fuse on the length of time those minutes can be kept secret from the public, and there is no case that says that the fuse doesn't exist when it comes to school board personnel," Bussian said.

"The fuse exists for everybody," he said.

"There are some parallels," between the *Poole* and the *Times-News* cases, said Hugh Stevens, a Raleigh-based attorney who argued the *Poole* case for *The News & Observer* before the Supreme Court.

"The *Poole Commission* case is always helpful because that's where one of the big principles laid down ... by the courts was that unless there is a very specific and explicit exception or exemption to the public records law,

then the law's supposed to be read so as to enhance public access," Stevens said.

"I think in this [*Times-News*] case, that proper reading would make these public records," Stevens said. "I think the school board should lose on that, and I hope they do."

Bussian said the *Times-News* case offers important lessons in the value of robust public records laws.

"It's important on a real micro-level because in Alamance County they spent \$300,000 or thereabouts of public money to get rid of a superintendent whose contract had only been renewed two months before, and then they wouldn't tell the public why they did it," he said.

"It just doesn't add up. All it does is just create suspicion when you don't

come clean with the records, and you don't come clean with the public about why that level of government action is taken, and why you spent that kind of tax money to do it," Bussian said.

"On a macro-level ... access to government is what makes our system different and better than any other government system in the world," Bussian said. "There's a long tradition of the public having the right to know in this country, and it starts with access to local government, and even school board meetings and records."

Stevens said North Carolina presents "a mixed bag" of government transparency and compliance with open meetings and public records laws. That varies from city to town to county, usually depending on the attitudes of professional staff and elected officials.

The State Treasurer's Office, Department of Insurance, and "a couple of the other departments" are generally compliant with the law, he said. "There's a lot of complaining about foot-dragging, or slow responses on the part of people ranging from the university to the governor's office to particularly the Department of Health and Human Services." CJ

The case has been joined by powerful media groups concerned with open government

Stay in the know with the JLF blogs

Visit our family of weblogs for immediate analysis and commentary on issues great and small

The Locker Room

The Locker Room is the blog on the main JLF Web site. All JLF employees and many friends of the foundation post on this site every day: <http://www.johnlocke.org/lockerroom/>

The Meck Deck

Comment and analysis on all things Charlotte

The Meck Deck is the JLF's blog in Charlotte. Jeff Taylor blogs on this site and has made it a must-read for anyone interested in issues in the Queen City: <http://charlotte.johnlocke.org/blog/>

Piedmont Publius

JLF Piedmont Triad Blog

Piedmont Publius is the JLF's blog in the Triad. Greensboro blogger and writer Sam A. Hieb mans the controls to keeps citizens updated on issues in the Triad: <http://triad.johnlocke.org/blog/>

THE WILD WEST

The Wild West is the JLF's blog in Western North Carolina. Asheville's Leslee Kulba blogs in this site, designed to keep track of issues in the mountains of N.C.: <http://western.johnlocke.org/blog/>

Supreme Court Ruling on Pot Highlights Partisan Divide

BY MICHAEL LOWREY
Associate Editor

RALEIGH

The issue of warrantless search and seizures by police was again before the N.C. Supreme Court in a case underscoring the divergent judicial philosophies of the high court's Republican and Democratic members.

On May 5, 2011, the Johnston County Sheriff's Office received an anonymous tip that Jerry Grice Jr. was growing marijuana. Two detectives were sent to Grice's house to talk to him about the claim. Grice's front door was unusable, as it was covered by plastic and blocked by furniture. The officers noticed a side door that appeared to serve as the building's main entrance.

No one responded to a knock at the door despite the presence of a car in the driveway. While standing in the driveway, an officer saw three containers with marijuana plants about 15 yards away. The detectives seized the plants to prevent their destruction. A search warrant was obtained later, and the house and yard were searched the next day. Grice admitted that the plants seized the previous day were his.

Grice eventually was convicted of manufacturing a controlled substance and was sentenced to a suspended term of six to eight months in prison with supervised probation.

The N.C. Court of Appeals overturned Grice's conviction, holding that the detective's warrantless seizure of the plants violated his Fourth Amendment rights. The state then sought review before the Supreme Court.

The Fourth Amendment states "[t]he right of the people to be secure in their persons, houses, papers, and

effects, against unreasonable searches and seizures." U.S. Supreme Court precedent recognizes that the Fourth Amendment extends to a house's "curtilage," the area "immediately surrounding and associated with the home."

The N.C. Supreme Court reinstated Grice's conviction.

"Defendant chose to grow marijuana in his yard, plainly visible to any visitors to his home. The law enforcement officers who visited defendant's home carefully limited the scope of their intrusion, and their seizure was justified under the plain view doctrine and supported by exigent circumstances," wrote Chief Justice Mark Martin for the majority.

In reaching this conclusion, Martin held that the site where Grice's marijuana plants were located, 15 yards from his house, in an unfenced area, and not behind a fence, does not qualify for protection under the Fourth Amendment. Even if it did, the plants still would have been easily visible from a portion of the property — the driveway — that by custom

and tradition does not enjoy Fourth Amendment protection.

The majority also determined that the seizure without a warrant of the plants was justified by "exigent circumstances."

"Reviewing the record, it is objectively reasonable to conclude that

someone may have been home, that the individual would have been aware of the officers' presence, and that the individual could easily have moved or destroyed the plants if they were left

on the property," wrote Martin.

Though nominally nonpartisan, campaigns for the court are generally de facto partisan affairs. Martin, as well as the three justices that joined in his opinion — Robert Edmunds, Paul Newby, and Barbara Jackson — are Republicans.

Justices Robin Hudson and

Cheri Beasley, both Democrats, dissented from the majority holding.

"The state argues, and the majority agrees, that because the marijuana plants in defendant's backyard were in 'plain view,' their seizure was justified under the 'plain view' doctrine," wrote

Hudson.

"Because I conclude that this determination is based upon a mistaken assumption about how the doctrine applies when the view and seizure occur from outside a constitutionally protected area, a 'pre-intrusion' scenario, I respectfully dissent."

Hudson argued that the case fell under a different line of court precedents. In her view, the officers simply had no right to enter Grice's yard without either a warrant or probable cause and exigent circumstances. She did not believe that exigent circumstances existed in this case, and the detectives should have obtained a warrant before seizing the plants.

"Usually, the suspect and the contraband are in one location, and the officers are in a different location — as in, the officers are outside the house and the suspect is inside with the contraband, contemplating potential destruction of it. Here, on the other hand, it is the officers and the contraband that are together, and the suspect is nowhere to be seen. If these circumstances support a finding of exigent circumstances, it is difficult to imagine when a simple sighting of portable contraband would not."

In Hudson's view, Grice's Fourth Amendment rights were violated, and he should receive a new trial without reference to the marijuana plants — which she concluded were seized improperly.

The court's seventh justice is Sam Ervin IV, a Democrat who joined the court in January. The case was argued in November 2013, more than a year before he joined the court.

The case is *State v. Grice*, (501PA12). CJ



The court split 4-2 on the case, the four being Republican, the two Democrat

Help us keep our presses rolling



Publishing a newspaper is an expensive proposition. Just ask the many daily newspapers that are having trouble making ends meet these days.

It takes a large team of editors, reporters, photographers and copy editors to bring you the aggressive investigative reporting you have become accustomed to seeing in Carolina Journal each month.

Putting their work on newsprint and then delivering it to more than 100,000 readers each month puts a sizeable dent in the John Locke Foundation's budget.

That's why we're asking you to help defray those costs with a donation. Just send a check to: Carolina Journal Fund, John Locke Foundation, 200 W. Morgan St., Suite 200, Raleigh, NC 27601.

We thank you for your support.

John Locke Foundation | 200 W. Morgan St., Raleigh, NC 27601 | 919-828-3876

Keep Up With State Government

Be sure to visit **CarolinaJournal.com** often for the latest on what's going on in state government. CJ writers are posting several news stories daily. And for real-time coverage of breaking events, be sure to follow us on Twitter (addresses below).

CAROLINA JOURNAL: <http://www.twitter.com/CarolinaJournal>

JOHN LOCKE FOUNDATION: <http://www.twitter.com/JohnLockeNC>

Tax Preparer Uses Undercover Plan to Expose Rampant Tax Fraud

Continued from Page 1

language used at each location, all the tax preparers appeared to be owned by Hispanics and seemed to cater primarily to Hispanic clients.

Francisco arrived at each office with a fake W-2 wage and tax statement as well as fake individual taxpayer identification numbers for four fictitious children who, he claimed to the tax preparer, lived in Mexico.

Francisco also carried an audio recording device, which was concealed from the preparers. He asked each tax preparer to calculate the return with and without the children. Each preparer informed Francisco that if he wanted to obtain a refund from the federal government, he would have to say the children live with him. Each phony child was worth about \$1,000 in refunds. In every instance, Francisco qualified for a \$3,657 refund if he claimed the nonexistent children lived with him, but would owe the IRS \$343 if the children lived in Mexico.

In one of the recordings, Francisco asked the preparer, "Am I going to be in trouble?" The preparer responded, "If you get audited, the most that could happen is that you will be asked to return the money, but the chances of being audited are slim."

Juanita says she refuses to include phony children on tax returns, even though some potential clients have asked her to do so. One potential customer came with 12 government-issued ITINs and said he wanted to use only four. She refused to prepare his return.

She said she hopes the IRS will crack down on this type of fraud. "I realize now that it is going to be a huge fight to try to stop this," Juanita told *CJ*.

She also said that it appears the unscrupulous tax preparers do not charge extra for preparing returns using phony children.

Stolen identity refund fraud

The extent of tax refund fraud has caught the attention of the federal government at high levels.

"The high potential for financial gain and low physical risk have made stolen identity refund fraud the new choice for drug dealers and gangs," Acting Assistant Attorney General Caroline Ciralo said March 12 in testimony to the U.S. Senate Committee on Finance.

"Combating the illegal use of Social Security numbers and other personal information to file false returns seeking fraudulent refunds is a top priority of both the Tax Division and the U.S. Attorneys' Offices across the country," she said.

Ciralo explained the schemes included filing returns containing inflated and false deductions, false W-2 income statements, and preparing returns and failing to remit the refund to the taxpayer. She said that the more



Honduras native Mario Iberra Raiz and girlfriend Miriam Alvarado-Barahona, who lived at the Alta Mobile Home Park in Clayton, perpetrated more than \$1 million in stolen identity refund fraud before their arrests in January 2014. (*CJ* photo by Don Carrington)

aggressive SIRF schemes have spread across the country at an alarming rate.

"The plan is frighteningly simple — steal Social Security numbers, file tax returns showing a false refund claim, and then have the refunds electronically deposited or sent to an address where the offender can access the refund checks," she said.

The schemes often are implemented in early January before honest taxpayers file their returns. The goal is to take advantage of the IRS' effort to pay refunds quickly. A taxpayer whose Social Security number has been stolen and used for a fraudulent return will face problems when he files his return with the IRS. "The economic and personal consequences can be severe and often long-term," said Ciralo.

"The prosecution of SIRF crimes is a national priority," she said. "And, together with our law enforcement partners, we will continue to look for the most effective ways to bring this conduct to an end and to punish these wrongdoers. Indeed, enforcement efforts are critical, but the goal is to stop fraudulent refunds at the door."

Ciralo did not discuss the extent of the involvement of illegal immigrants in SIRF, nor of the extent of phony-children fraud schemes.

N.C./Tennessee scheme

One of the more spectacular hauls by illegal immigrants using these tax fraud methods involved a couple living in North Carolina.

Honduras native Mario Iberra Raiz, also known as Jose Vallecillo-Lozano, and girlfriend Miriam Alvarado-Barahona — who lived at the Alta

Mobile Home Park in Clayton — had perpetrated more than \$1 million in SIRF fraud before their January 2014 arrest.

According to court documents, the pair was part of "an ongoing multi-million-dollar tax refund fraud scheme that is being perpetrated primarily by Hispanic persons, many of whom are Honduran nationals, and many of whom are illegally in the United States."

Their cases were handled by the U.S. attorney's office in Nashville, Tenn. Raiz and Barahona transported fraudulently obtained IRS refund checks from North Carolina, using an accomplice who worked at a check-cashing business in Nashville to cash them. The accomplice cashed the checks "for a fee that significantly exceeded what the facility charged for cashing legitimate checks," court documents reported.

When arrested in Tennessee, Raiz and Barahona each admitted being in the United States illegally. Barahona is the parent of two or more children.

The source of the fraudulent checks was a person living in Raleigh or Durham identified as Mario A. Carcamo. Records indicate officials are pursuing Carcamo, known as El Primo in federal documents, but the status of his case is unclear because most of his court filings are sealed.

According to the initial criminal complaint, "The elaborate scheme initially involves the acquisition and use of identity documents pertaining to persons who for the most part reside outside the United States, to fraudulently apply for individual taxpayer identification numbers, which are used

by aliens who do not have Social Security numbers. These ITINs are then used in the preparation and filing of fraudulent federal income tax returns which falsely purport to be filed by persons identified therein, and which falsely claim income, withheld federal income taxes, and a tax refund owed. The refund checks are mailed to and acquired by perpetrators who are not the persons named on the refund, who then seek out an accomplice who is willing and able to cash the checks. ..."

In September, Raiz and Barahona each pleaded guilty to a charge of conspiracy to defraud the United States. Each received a sentence of 24 months in federal prison, and jointly they are responsible for \$1,044,910 in restitution.

If deported, each "shall not re-enter the United States without the express permission of the Attorney General or the Secretary of the Department of Homeland Security," according to court documents.

Obama executive action

If it stands, President Obama's executive action deferring the deportation of illegal immigrants would complicate the relationship between some immigrants and the IRS.

Obama's action — currently on hold as court challenges proceed — would allow those illegal immigrants to file amended tax returns claiming Earned Income Tax Credits going back three years. As a result, approximately 800,000 claims could cost the government \$1.7 billion over the next 10 years, based on an estimate by the Joint Committee on Taxation. *CJ*

Spirit AeroSystems Far Below Job Numbers to Satisfy Incentives

Continued from Page 1

to transport components from the port at Morehead City to the GTP by truck.

Because Spirit hasn't employed as many people as promised, the company won't get all the incentives that were available. State officials say such targets and "claw back" provisions are a reason to continue offering taxpayer incentives to attract businesses, because companies that don't meet their goals won't further drain state coffers.



Sen. Bob Rucho,
R-Mecklenburg

Critics of the incentives say any purported "savings" are beside the point, and that it is impossible to predict how well a company will perform. "The

job numbers have always been an issue of concern," said Sen. Bob Rucho, R-Mecklenburg, one of the General Assembly's most outspoken opponents of business incentives. "Rarely does someone go back and check. Under the circumstances, this brings into question if incentives work at all."

Commerce agreements

One part of the Spirit incentive package was a JDIG award from the North Carolina Department of Commerce. Under JDIG, recipients annually are returned a percentage of the state annual income tax withholdings made by employees as long as capital investment totals, average wage goals, and job threshold numbers are met. JDIG refunds can last for up to 12 years. Commerce spokesman Graham Wilson told *Carolina Journal* that



This six-mile-long railroad spur was built for Spirit AeroSystems at a cost of \$24 million in taxpayer dollars, but it has been unused since it was completed in 2012 because the company finds it cheaper to deliver by truck. (CJ photo by Don Carrington)

Spirit qualified for up to \$20.2 million through the JDIG program, but it has received just \$1.4 million and is unlikely to receive any more because of the lower job numbers.

Under the agreement, Spirit was expected to hit a target of 1,031 job positions by December 2014, with a minimum of 825 jobs, far below the 375 jobs the company had in December.

Wilson said Commerce also awarded Spirit a separate One North Carolina Fund grant worth \$5 million over a period of three years. The company has received just \$180,000 and may have to give some of that back be-

cause it didn't hit employment targets.

"These programs are working the way they are designed. If the companies don't meet the goals, they don't get the money," Wilson said.

Golden LEAF grant

Spirit's lower-than-expected job counts require it to make lease payments, beginning this year, to the GTP, its landlord.

The \$100 million Golden LEAF grant was awarded to the GTP Authority. The GTP gave that money to Spirit to build its 500,000-square-foot building. Agreements between GTP and Golden LEAF, and between GTP and Spirit, outline the details of the arrangement.

The GTP owns the building but leases it and approximately 300 acres of land to Spirit. Spirit occupies the site for free as long as it meets capital investment goals and annual job thresholds (which are different from the JDIG job targets). Spirit has met the investment goals but was required to create a minimum of 500 jobs by the end of 2014, 600 by the end of 2015, and 800 every year after that.

By failing to meet the job targets, Spirit must make lease payments to the GTP, and at the end of 2014, the company was short of its target by 125 jobs. So, according to the conditions of the agreements, Spirit owes the GTP \$352,112.64, payable in 12 monthly

installments of \$29,342.72. Payments were to start in January 2015.

Golden LEAF President Dan Gerlach told *CJ* the lease payments will continue as long as Spirit is below the agreement thresholds, and the amount will vary depending on Spirit's actual employment. Gerlach said lease payments to the GTP would be transferred back to Golden LEAF.

Unused rail spur

The six-mile-long rail line was completed and ready for service in January 2012 at a cost of \$24 million,

according to N.C. Department of Transportation Rail Division Director Paul Worley. Spirit was expected to transport the large aircraft components by rail to the Morehead City and Wilmington ports, but instead Spirit is trans-

porting by truck.

"Spirit has always intended to use the rail spur from the Global TransPark to the port at Morehead City, and rail remains the company's preferred method of shipment," Spirit spokesman Jarrod Bartlett told *CJ*. "However, rail carrier charges have been more expensive than shipping product by truck."

While noting that "staffing numbers have not met the original projections," Bartlett said, "We are proud to be part of the North Carolina community and expect to continue measured hiring to support production demand." *CJ*

Spirit, at 375 jobs,
has fallen
far short of its
projection
of 1,031 jobs

Subscribe to the
CAROLINA JOURNAL
YouTube channel

<http://www.youtube.com/user/JohnLockeFoundation1>

You **Tube**™

Beckett Urges People to Read the Nation's Founding Documents

FROM CJ STAFF

RALEIGH Original documents should play an important role in American history education. That's the approach from Roger Beckett, executive director of the Ashbrook Center at Ashland University. Beckett explained his preference for original historical documents over textbooks during a recent presentation for the John Locke Foundation's Shaftesbury Society. He also discussed the topic with Mitch Kokai for Carolina Journal Radio. (Head to <http://www.carolinajournal.com/cjradio/> to find a station near you or to learn about the weekly CJ Radio podcast.)

Kokai: There is a wealth of historical documents available about America, and, from your vantage point, we need to spend some time looking at them and studying them.

Beckett: One of the blessings we have as Americans is this wealth of the written word, where we argued with one another, and laid out our cases in newspapers and in pamphlets, and just made our case about how to best create constitutional self-government in this country. And so, we are fortunate to have a wealth of these things that we're just not taking nearly enough advantage of in our schools.

Kokai: And that's something that is really different from even the other societies that people would look up to. Many of their governments developed over time, and as historical preferences changed. But the United States really started as an experiment.

Beckett: Exactly. And I think the founders really understood that for self-government to work, you had to have an educated society. You had to have a society that was not only literate, but also understood something about its government, really, for this experiment in self-government to be successful — something that was absolutely critical, and it's just been there from the beginning for the country, and we are very fortunate for that.

Kokai: I want to circle back to something you said a little bit earlier. You mentioned that perhaps we aren't spending enough time in the schools looking at these documents. How are we failing in the schools to be reviewing these documents we should be looking at?

Beckett: We do a lot of work at Ashbrook, where I am, helping teachers improve their understanding of original documents so they can put textbooks aside and instead use these documents, which really tell America's

"I think the founders really understood that for self-government to work, you had to have an educated society. You had to have a society that was not only literate, but also understood something about its government, really, for this experiment in self-government to be successful — something that was absolutely critical."

Roger Beckett
Executive Director, Ashbrook Center
Ashland University



story. It's a great story that they need to have a better understanding of, and you can't get it from a textbook.

I often think to myself that I wouldn't want to read a textbook myself. Why would I want my kids to read one? And we should be thinking the same with schools. And the advantage of these original documents is that they're much more engaging for students. They really get into the nuances of the real story of America.

Kokai: There are plenty of documents to choose from, but what are some of the ones that people absolutely have to review and study?

Beckett: There is a wealth of things. And if you don't mind me filling in a plug, we put together a set of 50 core American documents at Ashbrook that are just a set of documents that we most frequently use in our program. We're not saying that these core American documents are everything that you need to understand the country, but they're a great starting point.

They point to some of the great debates in America. And they point to some of the ways that America is exceptional with religious liberty, and economic liberty, and many of the great things that have happened in this country. It's a great starting point, and you can go to fiftydocs.org and download it free online.

Kokai: I'm sure people will think of the Declaration of Independence and the United States Constitution, but what are some things in that book that we might not think of right away?

Beckett: Certainly, the Constitution and the Declaration are important. The Federalist/Antifederalist debate over the Constitution, that's really where the story of the Constitution

comes out — Madison's debates in the Constitutional Convention, which we have a few excerpts from in this book. That's really where you get into the nitty-gritty of how constitutional government ought to work.

And that's really where the story is. It's also full of some beautiful things like [Martin Luther] King's "I Have a Dream" speech, or George Washington's letter to the Hebrew congregation at Newport where he, in just a poetic way, explains religious liberty in America and how it was developed here for the first time in the world.

Kokai: Very fascinating. ... Some people might be listening to us and saying, "That sounds really good. Some of these documents might be kind of hard to understand or interpret without a textbook, or without some expert leading me through it." Is that true, or are these documents ones that most people would be able to comprehend and get the proper sense of them themselves?

Beckett: Yeah, I think often we take educated people a little too seriously. I think the notion that we have to have someone who has devoted their career to studying these things explain how government in America ought to work is something that the founders would have been shocked by.

Certainly, some of these things are hard, but you have to work through them. And every time I read *The Federalist Papers*, I find something new in them. You're not going to get everything the first time you read these things. You just have to begin working through these things, having conversations, and I equate it to something close to what we do in churches, with Bible study. You have conversation about Scripture.

Well, you have to have conversa-

tions about America as well, and look at the nice, written word that we've been given and have conversations about what it means. And your understanding of that will evolve over time.

Kokai: It sounds as if this also might be a good way for parents and their kids to interact. Parents reading this to kids and saying, "What do you think this means?" And then giving their own interpretation — great interaction tool.

Beckett: Exactly. And one of the things we provide in the book is a short introduction and some questions to think about, just to point you in a few directions there. It's absolutely a great tool for parents to use with kids, for homeschoolers to use. We found a lot of grandparents giving it to their grandkids. It's something that really is much more accessible than you might think.

Kokai: How will our society be better off if people spend more time reviewing, studying, and learning from these original documents?

Beckett: For constitutional self-government in America to work, you really do have to understand something about the history of the country and about why it was established. Not just how our government works, but why it works that way.

Most of the political conversations that we have on the national level are not new. Most of them have been conversations that we have had before, and it's just part of an ongoing conversation in America. And there is a lot to this story already if you really want to be more thoughtful about how you approach issues today, take advantage of what we've been given already, and the people who've dealt with similar issues in the past. CJ

Governor's UNC Budget Proposal Seeking Efficiencies on Campus

By JESSE SAFFRON
Contributor

RALEIGH
The beginning of 2015 has been consequential for the University of North Carolina system. In January, the Board of Governors forced president Thomas Ross to resign from his position (he'll leave in early 2016), and in February the board garnered national attention after voting to close three centers — including the controversial John Edwards-founded Center on Poverty, Work, and Opportunity at UNC-Chapel Hill.

As momentous as those events have been, the state budget battle that will take place over the next few months likely will have a bigger impact on the day-to-day operations of the system's 16 public universities. In early March, Gov. Pat McCrory began the process with the release of his 2015-17 budget proposal, which the General Assembly will debate and amend this summer.

For UNC, the governor recommends a cut of roughly \$26 million (or 0.98 percent) in 2015-16 and \$14 million (or 0.55 percent) in 2016-17, based on the university system's current \$2.65 billion state appropriations. Although the end result would be a net budget reduction, the recommendations for the next two years also include a few big-ticket expenditures, including:

- \$42.5 million for programs aimed at boosting private-sector growth. McCrory wants to connect entrepreneurs to the university system and turn research into commercial innovations that help to create jobs in the state.

- \$130 million to fund projected enrollment growth. The UNC system says it expects a 3.2 percent increase in full-time-equivalent students over the next two years.

- \$16 million lifeline for East Carolina University's Brody School of Medicine, which for years has struggled financially. For example, its accreditor requires Brody to have a 90-day cash reserve of \$40 million, but the school recently reported only \$32 million on hand.

When state budget director Lee Roberts presented the budget in March, he said that the state has a "moral obligation" to use tax dollars efficiently. A couple of provisions in the proposed budget are intended to enhance efficiencies:

- The state currently subsidizes universities' private fundraising efforts. The proposal would cap the amount spent on such activities at \$1 million per year for each university. Roberts said that would affect 12 of the 17 campuses and save the state \$18 million.

- The proposal also calls on the UNC Board of Governors to find \$49 million in cuts to the system by getting rid of some administrative positions and "adjusting faculty workloads, eliminating redundant and low-enrollment programs, restructuring research activities, and using alternative funding sources."



Responding to the budget proposal, Ross said that he is "disappointed" by the potential funding reductions and that "North Carolina must continue to maintain and invest in our strong public university system."

Evidence suggests that recent reductions in administrative costs — a focus of the McCrory administration's efforts — have not harmed educational outcomes at UNC campuses.

In the wake of the Great Recession, budget cuts prompted officials to eliminate more than 500 vacant faculty positions and reduce the number of administrators. Yet graduation rates, one metric of educational success, have increased at almost all system schools. And across the system, universities continue to offer more than 1,000 undergraduate degree programs, 700 master's programs, and 200 doctoral programs.

Some of those degree programs, however, are in niche fields that have attracted few students (or have not helped graduates land jobs in their fields of study) and may be wasting resources. University officials who want to find ways to absorb potential cuts may find program consolidation and elimination beneficial.

The governor says his budget proposal would encourage university officials to be better stewards of taxpayer dollars. The university system and its political allies will not cede turf without a fight, however, so the trajectory of the governor's spending plans could be altered dramatically. CJ

Jesse Saffron is a writer and editor for the John W. Pope Center for Higher Education Policy.

COMMENTARY

Jobs Data Can't Prove Benefits of College Degree

I'm writing this on a cold, snowy day in North Carolina but will imagine that instead it's during a summer heat wave. For several days in a row, the temperature has hit 99 degrees, and someone comments, "Well, this certainly ought to shut those global warming skeptics up!"

Argumentation of that kind is common in the global warming debate, but the reasoning is fallacious. Pointing to a spell of hot weather no more disproves the case against global warming than a spell of very cold weather disproves the case for it. Short-term fluctuations cannot prove or disprove arguments about long-term conditions or trends. Passionate people, however, often put good reasoning aside when they think they can score a point.

A perfect example of that is a recent *Inside Higher Ed* article, "The New Bachelor's Payoff," by Paul Fain. He begins by declaring: "Doubts about the labor market returns of bachelor's degrees, while never serious, can be put to rest."

I have long been one of those doubters, so that caught my attention.

Exactly what proves that my doubts were never serious? Answer: last month's federal jobs report. Fain writes about "a rock-bottom unemployment rate of 2.8 percent for workers with four-year degrees or more" in comparison with the overall unemployment rate of 5.7 percent.

That's the equivalent of the heat wave supposedly disproving the global warming skeptics.

Let's assume that the government's unemployment figures are accurate (often, they have to be revised) and also that they correctly measure the degree of unemployment (even though they leave out all those who might want to work but have become so discouraged that they have dropped out of the market). Does the low unemployment rate among college graduates prove that the cost of earning their degrees was a sound investment of time and money?

Absolutely not. Simply being employed in some job doesn't

mean a college graduate is receiving any added compensation — any "return" on his degree. Many graduates are working in jobs where their education is mostly if not entirely irrelevant — such as taxi and Uber drivers.

The favorable job statistics for college graduates tell us that having a degree positions you better in the job market compared with people who don't have those credentials. That's all. Many employers who need workers for jobs requiring only basic abilities and a decent attitude now screen out people who don't have college degrees.

The college degree has become so ubiquitous that many companies know they can fill their needs without interviewing applicants who are presumably less capable and somewhat harder to train just because they haven't been through the

college mill. Consequently, people without degrees are increasingly confined to the shrinking, low-pay sectors of the labor market — unless they can succeed in one of the remaining fields where ability counts for everything, such as entrepreneurship, sports, and entertainment.

Pointing to better employment prospects for people who have a college degree is irrelevant to the cost-versus-benefit debate. The college grad group contains most of the highly skilled, ambitious segment of the population, while the noncollege group contains many of the least skilled and ambitious. Moreover, a great many jobs are foreclosed to those without degrees, while there is no corresponding discrimination against workers with them.

There's no denying that many young Americans make great "human capital" strides as a result of their college studies.

The point the doubters have been making, rather, is that we have oversold higher education so much that a high percentage of students gain little or nothing from college except debt. CJ

George Leef is director of research for the John W. Pope Center for Higher Education Policy.



GEORGE
LEEF

Campus Briefs

This summer, UNC-Chapel Hill's incoming freshmen and transfer students will be assigned Bryan Stevenson's *Just Mercy: A Story of Justice and Redemption*. Stevenson is a veteran attorney, a long-time advocate of "social justice" causes, and the director of the Equal Justice Initiative, a progressive legal advocacy group. His latest book is a legal memoir that examines issues related to racial inequality and mass incarceration. The author encourages readers to "take action" on those issues.

Mass incarceration — especially of offenders convicted of nonviolent crimes — and racism in the justice system are real problems that deserve serious attention. But Chapel Hill should not require first-year students to read *Just Mercy* before they've had an opportunity to study history, economics, statistics, and logic — a base of knowledge that would give such students a firmer understanding of the public policy issues raised in Stevenson's book and help them separate facts from the author's occasionally ideological rhetoric.

Besides, as a recent report from the educational assessment company Renaissance Learning reveals, many students entering college are reading at seventh- and eighth-grade levels. Instead of assigning Stevenson's memoir, why not urge students to read some of the classics that they might have skipped in high school? The students will have plenty of other opportunities to become "social justice" advocates and learn that some groups are "oppressed" and that others are "privileged" and that, as Stevenson says, "The opposite of poverty is justice."

UNC schools, like many others around the country, have a history of using freshman reading programs — which are intended to acclimate students to college life and academic rigor — to assign trendy, unchallenging books that either promote statist causes or peddle new grievances. Before students set foot in a college classroom, they're bombarded with "progressive" talking points.

Higher education reformers often criticize universities for teaching students what to think, rather than how to think. Unfortunately, freshman reading assignments tend to promote the former type of "thinking." CJ

Compiled by Jesse Saffron, a writer and editor for the John W. Pope Center for Higher Education Policy.

UNC's Ross Laments Focus on Work Force Training

By DAN WAY
Associate Editor

RALEIGH

UNC system president Tom Ross warned at a March 10 luncheon at City Club Raleigh, where he gave a state of higher education address at the inaugural National Public Affairs Forum, that "America is losing her way with regard to higher education."

The outgoing president, who has overseen the 16-campus UNC system since 2011, said insufficient state funding can prevent students from attending college or saddle them with stifling tuition debt, a situation he called "a dangerous trend."

"Today, I fear we increasingly view our colleges and universities as nothing more than factories that must demonstrate an immediate return on investment for consumers, places that only train people for the work force," Ross said.

"We hear constant calls to drive out costs and produce more product at less cost. There is far less talk about academic quality and excellence, and more about operational efficiency" while measuring the value of education in immediate postgraduation earnings, Ross said.

While acknowledging the need for accountability metrics, he said there are "greater benefits" to consider, such as students learning how to think for themselves, to work collaboratively with others, to foster a value for lifelong learning, and to communicate more effectively.

"Those are important factors," state Sen. Jerry Tillman, R-Randolph, chairman of both the Senate Education/Higher Education and Finance committees, said of the intangibles Ross chronicled.

"He's missing the point. The No. 1 factor is: Can I get a job and make a living so that I can sustain my family, and be a contributing member to the society? Can I get an education that will lead to a job, or have I got an education for education's sake?" Tillman said.

"There better be some return on investment because he's spending taxpayer dollars," Tillman said.

Ross doesn't believe North Carolina spends enough on its university system.

"I have managed one budget cut after another, including the largest in UNC's long history — more than \$400 million in 2011 alone," and he faces another this year, Ross said.

Gov. Pat McCrory's budget, released in March, proposes \$2.621 billion for the UNC system in 2015-16, compared with \$2.646 billion in the 2014-15 authorized budget, a \$26 million reduction, or just under 1 percent. The 2016-17 proposal is for \$2.632 billion, \$14 million less than the 2014-15 budget, or about 0.5 percent.

"Higher education has been essential to North Carolina's success since colonial times. North Carolina spends a greater percentage of tax revenues — 17 percent — on higher education than any other state, and our in-state tuition is third-lowest in the country behind Louisiana and Arkansas," said McCrory spokesman Ryan Tronovitch.

"The governor's budget continues North Carolina's commitment to higher education," he said.

"We have asked all government agencies, including the university system, to identify savings by eliminating redundancies and inefficiencies," Tronovitch said.

Ross conceded North Carolina has shown stronger support than other states toward its public university system, and that North Carolina's in-state tuition rates at all campuses are in the lowest 25 percent among their public peers.

Still, he said, with only limited exceptions, "our faculty and staff have had only two small salary increases, averaging about 1.5 percent, during the last six years."

Ross called that "a dangerous trend for North Carolina, and one we must address," or risk the flight of the best faculty to private industry, taking federal research dollars and associated jobs with them.

"The UNC system has far more flexibility than other state agencies to provide pay increases to faculty and staff," Tronovitch countered. It receives an appropriation of nearly \$1.5 billion annually "specifically to recruit and retain exceptional faculty and staff."

"I have been asked repeatedly by some policymakers why our faculty conduct research. Why are they not in the classroom teaching," Ross said. "At its core, research is another form of hands-on learning."

Public and private universities annually attract \$2 billion in research grants to North Carolina, Ross said, with UNC campuses accounting for \$1.2 billion of that. Those research dollars support 22,000 jobs across the state and have led to the spin-off of 135 companies, including SAS, Cree, and Quintiles.

Ross said by putting the cost of public higher education out of reach for many students, and failing to invest in faculty and staff, "we will be unable to develop the talent our businesses will need in the years ahead."

"Although [UNC schools'] enrollment rate has gone up, their graduation rate is poor. They take six years to graduate when it ought to take four, and their dropout rate is high," Tillman said. He believes universities should limit enrollment to students with a 3.0 grade point average or higher.

"You've got to look at the cost to the parents and the students. I think we're missing the boat on a segment of kids that should be channeled to the community colleges" to be trained for well-paying jobs rather than pushing them to seek four-year degrees, Tillman said.

Richard Vedder, director of the Center for College Affordability and Productivity in Washington, D.C., who has spent more than 50 years as a scholar and teacher at the university level, described the UNC system as "a jewel." He has spoken before its Board of Governors in the past.

But he said Ross' use of global competitiveness as justification for more funding is "the standard line" of higher education apologists. "There are jobs out there that are respectable jobs, some of them are high-paying jobs that don't require a college degree," Vedder said.

A welder with a high-school degree and a year of training at a technical school can earn more than \$100,000 a year, he said. Walmart is the nation's largest employer, but it's unlikely even 5 percent of its 1 million employees need a college degree to do their jobs, which is representative of "a whole host" of other employers, Vedder added.

Indeed, there are perverse incentives to pumping out more college graduates, Vedder said, invoking Say's Law of economics, which asserts supply creates its own demand.

"Employers seeing this large army of unemployed college kids are now slapping on requirements for their jobs, saying bachelor's degree required," even though the job does not require college education, Vedder said. More than 15 percent of today's taxi drivers have a bachelor's degree, compared with less than 1 percent in 1970.

"Why should we be funding higher ed more," he asked, "when a large proportion of the graduates are living in their parents' basements because they can't get a decent job?" CJ



Opinion

Universities Struggle With Handling Incivility in the Digital Age

A sad fact about some of today's college students — particularly those of the leftist variety — is that they place greater value on their emotions and ideology than they do on tolerance, sensibility, and free speech.

Increasingly, such students are urging university administrators to disinvite commencement speakers who hold opposing political views.

Others want professors to provide "trigger warnings" before lectures and book assignments to "protect" students who may be offended or affected psychologically by course material dealing with racial issues, sex, or violence.

The ridiculousness of that standard

was on display last year when a Rutgers University student wrote an op-ed advocating such warnings for an assignment of *The Great Gatsby* because it "possesses a variety of scenes that reference gory, abusive, and misogynistic violence."

Sometimes, university officials stand up for free speech and open discourse and refuse to comply with the students' demands. Unfortunately, in other cases, they've yielded to the mob and allowed offended, "progressive" student constituencies to dictate what counts as acceptable speech on campus.

Recently, that kind of illiberalism has reared its head in controversies related to Yik Yak, a popular social

media app allowing users to publish short posts anonymously.

Yik Yak is used on more than 1,000 campuses in the United States and around the world. It's similar to Twitter except that it's tailored to college students and others who prefer to rant online incognito. Anyone with the app can read, up-vote (i.e., "like"), and comment on the posts of other users who are within a 1.5-mile radius.

Most students use the app to talk trash about other schools' basketball teams, brag about how much they drank at last night's keg party, and make passive-aggressive jabs at old girlfriends and boyfriends. Occasionally intermingled with innocuous posts and hip college humor, however, are racist, homophobic, and otherwise derogatory remarks.

Last fall, during the "Black Lives Matter" student protests at Chapel Hill's campus (regarding the nationally publicized police shootings of black teenager Michael Brown and 43-year-old Eric Garner), one person wrote, "The way blacks are acting right now kind of justify [sic] slavery." In a recent interview with UNC-CH's student paper, *The Daily Tar Heel*, a concerned student who has monitored



similar "yaks" that she describes as "very hurtful" said, "Free speech isn't just, 'You can say whatever you want without any consequences,' and Yik Yak gives that platform."

Winston

Crisp, UNC-Chapel Hill's vice chancellor for student affairs, has issued a statement condemning the app, which some have construed as a threat of a campuswide ban: "Yik Yak adds little to no value to our community and creates more problems for our students

than it will ever be worth. We want Carolina to be a place where people feel comfortable talking about race and other issues, and we are working hard to create opportunities for them to do that in a constructive and respectful way."

A media spokesperson at UNC-Chapel Hill told the Pope Center that while the university has no immediate plans to ban the app, it is currently discussing with Yik Yak officials and students how to handle issues arising from the app's use.

Across the country, several universities — usually at the behest of offended student groups — have blocked the app on their Wi-Fi networks. Augustana College in Illinois, Utica College in New York, and

Norwich University in Vermont have banned its use. At other schools, such as Clemson and Emory universities, student leaders have denounced Yik Yak as a platform for "hate speech" and called on university leaders to censure it.

But are bans effective?

Eric Stoller, a blogger for *Inside Higher Ed*, pointed out the obvious in a Jan. 22 post: Blocking the app from a university's Wi-Fi network doesn't ban it on campus. Any student with a smartphone, i.e., the typical student, can access Yik Yak via his or her wireless network. So, at best, banning the app is an empty gesture aimed at mollifying some hypersensitive campus group. It's not an effective means of curbing online incivility.

If UNC-Chapel Hill were to "ban" Yik Yak today, students either would find a workaround or create another app/website. And, more important, the incivility that exists in the minds of the offending students would be unaltered.

The appropriate — and constitutional — response for a public university is instead to counter offensive words with positive and persuasive arguments about the benefits of civility in discourse on and off campus. Thanks to the Internet, the marketplace of ideas is as free and open as ever. UNC-Chapel Hill and other schools that are concerned about offensive language — on Yik Yak or elsewhere — should use that marketplace to their advantage. CJ

Jesse Saffron is a writer and editor for the John W. Pope Center for Higher Education Policy.



JESSE SAFFRON

The app Yik Yak is making campuses debate free speech vs. speech bans

The Pope Center Explores the General Education Program at..

NC STATE UNIVERSITY

Jay Schalin also makes recommendations for an improved General Education program.

Read the newest Pope Center Series report, "General Education at NC State," to discover the findings.

To receive your free copy, call 919.828.1400 or email info@popecenter.org.



Visit the Pope Center online at popecenter.org for additional reports and studies

The General Education Program at UNC-CH: What It's Really Like



THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL

Jay Schalin makes recommendations for an improved General Education in the newest Pope Center report, "General Education at UNC-Chapel Hill."

To receive your free copy, call 919.828.1400 or email info@popecenter.org.



Visit the Pope Center online at popecenter.org for additional reports and studies

From the Liberty Library

• The 2014 midterm election was one of the most significant in recent memory, with a decisive turning of the tables in favor of Republicans. With a Republican-controlled Senate and House at odds with a Democratic president who has only two years left in office, the fault lines within and between both parties have never been more tenuous. In *The Surge: 2014's Big GOP Win and What It Means for the Next Presidential Election*, prominent elections scholar and political commentator Larry Sabato brings together respected journalists and experts from across the political spectrum to examine every facet of the midterm election results and the implications for the 2016 election cycle. In frank, accessible prose, each author offers insight that goes beyond the headlines to analyze what the midterm results mean and what is at stake in the coming presidential race. For more, visit www.rowmanlittlefield.com.



Larry Sabato

• Lifelong liberal Kirsten Powers blasts the Left's forced march toward conformity in an exposé of the illiberal war on free speech. No longer champions of tolerance and free speech, the "illiberal Left" now viciously attacks and silences anyone with alternative points of view. In *The Silencing*, Powers asks, "What ever happened to free speech in America?" For more information, visit www.regnery.com.

• Firebrand conservative columnist, commentator, Internet entrepreneur, and *New York Times* best-selling author Michelle Malkin tells the fascinating, little-known stories of the inventors who have contributed to American exceptionalism and technological progress. In July 2012, President Obama infamously proclaimed: "If you've got a business — you didn't build that. Somebody else made that happen." Malkin wholeheartedly disagrees. *Who Built That* is a rousing tribute to the hidden American capitalists who pioneered everyday inventions. They're the little big things we take for granted: bottle caps and glassware, tissue paper, flashlights, railroad signals, bridge cables, revolutionary plastics, and more. Learn more at www.simonandschuster.com. CJ

Book review

Ginsberg Considers War From Both Sides of Ledger

• Benjamin Ginsberg, *The Worth of War*, Prometheus Books, 2014, 256 pages, \$24.00.

By LLOYD BILLINGSLEY
Contributor

When the cover of *The Worth of War* recently filled the screen on C-SPAN, viewers who didn't switch to "Antiques Roadshow" may have expected a bemedaled general or General Dynamics executive to come on next. Instead they saw bald, soft-spoken political science professor Benjamin Ginsberg, director of the Center for Advanced Government Studies at Johns Hopkins University. No worries — professor Ginsberg is not a warmonger and believes America is "excessively willing to go to war."

"War is brutal and terrible, and we should not grow fond of it," he writes. "The fact that war is terrible, however, does not mean that nothing is to be learned from it." Ginsberg has a few items in mind, such as rational thinking and the ability to plan, all parts of the "audit of war." He sees war as the most severe form of competition, and as such a driver of innovation, better ways of doing things.

Even in wartime, some societies resist such change and indulge what he calls "magical thinking," such as the Lakota belief that a "ghost shirt" would stop bullets. Other examples include Nazi racial theories and "Aryan physics." Magical thinking is "not amenable to reconsideration based on new facts and information," and the professor speculates that this explains why many societies "no longer exist." The author notes that the Moriori of the Chatham Island stuck to their pacifist principles, with the result that "most of the Moriori were enslaved or killed, even eaten, by the Maori invaders."

Ginsberg understands that war is expensive and thus requires societies to learn the rudiments of fiscal policy. The military fosters discipline, applicable to the world of work and commerce. War involves mass production, the "bedrock of civilian industrial economics." An "engineer" was originally a person who designed and built military equipment.

The microwave oven is "a spin-off of military radar." (Indeed, the first consumer models were marketed under the name "radarange.") The jet engines in the Messerschmitt 262 fighter were the basis for today's passenger airliners. So, as Ginsberg sees it, "copying the sword produced an important plowshare." The Internet was an outgrowth of the Advanced Research Projects Agency, a military enterprise. So in most realms, Ginsberg says, "war and technological progress seem to go hand in hand." But there's more.

In war, even a regime as loathsome as Stalin's backed off on domestic repression. In the United States, Great Britain, and Canada, women's suffrage got a huge boost during World War I. By allowing women to vote, the reasoning went, they would be better supporters of the war effort. And war production placed women in the work force, where

many remained. In some respects, Ginsberg says, African-Americans were treated more as citizens when added to the military roster during the Korean War.

So war has worth, but the author does not neglect the downside. War builds an administrative state which then "redeploys to regulate the civilian economy." On this theme Ginsberg references the classic *Crisis and Leviathan* by Robert Higgs. A similar dynamic is at work on the intelligence side.

In war, states expanded their techniques of surveillance and secrecy, and these do not diminish when the conflict ends. Ginsberg noted that President Truman expanded the agencies authorized to classify information. On this front, President Obama has made only one change, a move to declassify old documents. The President's Surveillance Program dates to 2001, when George W. Bush was president. Ginsberg is not upbeat about what all this means for the nation.

"Today, indeed, the state keeps more and more of its activities secret while the citizenry has less and less privacy." America has "turned its wars inward, eroding political freedom." Further, "Privacy for political activities is, like the secret ballot, an important element of political freedom."

The belief that no president would be willing to use surveillance against opponents, the professor writes, is comparable to believing in Santa Claus or the Easter Bunny. He mentions Nixon's plumber's squad and the IRS offensives against the Tea Party. The belief that the current administration ("not a smidgeon of corruption") is not involved in that is comparable to belief in the tooth fairy.

The Worth of War is an important and timely book, but Barack Obama does not get the attention he deserves. Professor Ginsberg does note, however, that "the

modern equivalent of the ghost shirt is the idea that war can somehow be organized or legislated out of existence."

Readers will see echoes of that in the president's consistent soft-pedaling of the threats facing the United States. Genocidal anti-American groups are really the junior varsity, on the run, and so forth. But on the domestic front, the president sheds the rhetorical ghost shirt and escalates the conflict.

The massive surveillance of Americans, well charted here, is supposed to protect us from terrorists. Domestic snoops had Maj. Nidal Hasan's emails to terrorist bosses but did nothing to stop him from murdering 13 at Fort Hood in 2009. So Americans easily can surmise that massive surveillance is really intended for other purposes. Ginsberg does not get into Hasan's "workplace violence," but readers will appreciate his sense of where we are now as a nation.

"Absent war abroad," he concludes, "the state seeks enemies at home against whom to protect its people. In so doing, it transforms citizens into victims who will pay fearfully for protection from one another." Agree or not, *The Worth of War* is well worth reading. CJ



Plank Roads Were an Economic Engine Before the Civil War

During the 1840s, North Carolinians embraced the use of plank roads to improve the state's economy. These wooden highways — built mainly with private funds — were purported to be an improvement over rough, dirt roads and a necessary step to create an intrastate (and eventually an interstate) trade network of plank roads, railroad hubs, and sea-ports.

During the late 1840s, entrepreneurs started receiving government charters to build plank roads, and by the mid-1850s, enthusiasm for such projects reached its statewide zenith. Support for plank roads, however, divided usually along partisan lines: Nearly three-fourths of Whigs supported construction, and about the same number of Democrats opposed it.

The charter process was similar for most plank road companies. First, company officers were elected. Sec-

ond, construction plans were provided. Third, subscriptions — the money given by investors for construction costs — were solicited and acquired. Fourth, when the starting amount was raised (which varied by law from 10 percent to 25 percent of the total expected cost of the road), stockholders convened to elect directors, who then gained control of subscription money. Fifth, directed by a board and president with the power and privilege of property rights, the companies were incorporated.

Many North Carolinians were excited about the possibilities of plank road construction. According to one historian, "The spirit of progress was everywhere." Mountaineers hoped plank roads would connect them with the rest of the state. Those in coastal towns, such as Wilmington, envisioned plank roads leading to and from the ports and contributing greatly to an intrastate trade network. From the mountains to the coast, and everywhere in between, entrepreneurs projected profits and consumers anticipated quicker shipments of needed goods.

At times, the logistics of road construction produced contentious de-

bate. Allegations of collusion between government and private actors sometimes arose.

The public soon learned that construction was not for those lacking heart or brawn. The arduous task required more effort, money, and maintenance than previously thought. Workers first graded a roadbed. Then they elevated the center of the road so that water could drain. Next, wooden sills measuring approximately 5 feet by 8 feet, were laid as support. After that, pine planks measuring approximately eight feet long, eight inches wide, and four inches thick were laid on top of the sills. Laws required the roads to be a minimum width of eight feet and a maximum of 60 feet, and typically plank roads were eight feet wide and adjacent to a well-graded dirt road. To avoid getting stuck in the mud, teamsters traveled on the planks, while individuals and light carriages passed on the dirt roads.

As with any construction project, the skill and speed of work crews, the accessibility of raw materials, and weather determined the time needed for completion. On average, a team of 15 could lay 650 feet a day, approximately one mile a week, or 40 miles a year.

In the 1850s approximately 500 miles of plank road were laid in North Carolina. The longest plank road was the Fayetteville and Western, stretching 129 miles from Fayetteville to Salem. It was one of the few that received state financial assistance. Each year the Fayetteville and Western made a profit.

Some scholars suggest that plank roads were doomed from the start: Railroads, a faster mode of transportation, provided competition; the economic panics of the 1850s discouraged many investors; and they suffered much damage and destruction during the Civil War.

Even so, historians have considered plank roads an important development that rescued the state from its "slothful" economic condition. More scholarship needs to be done, however, to determine whether the failure of the plank road movement was "inevitable" and if the Tar Heel State was indeed economically stagnant.

For more information, see Alan Watson's *Internal Improvements in North Carolina* (2002).

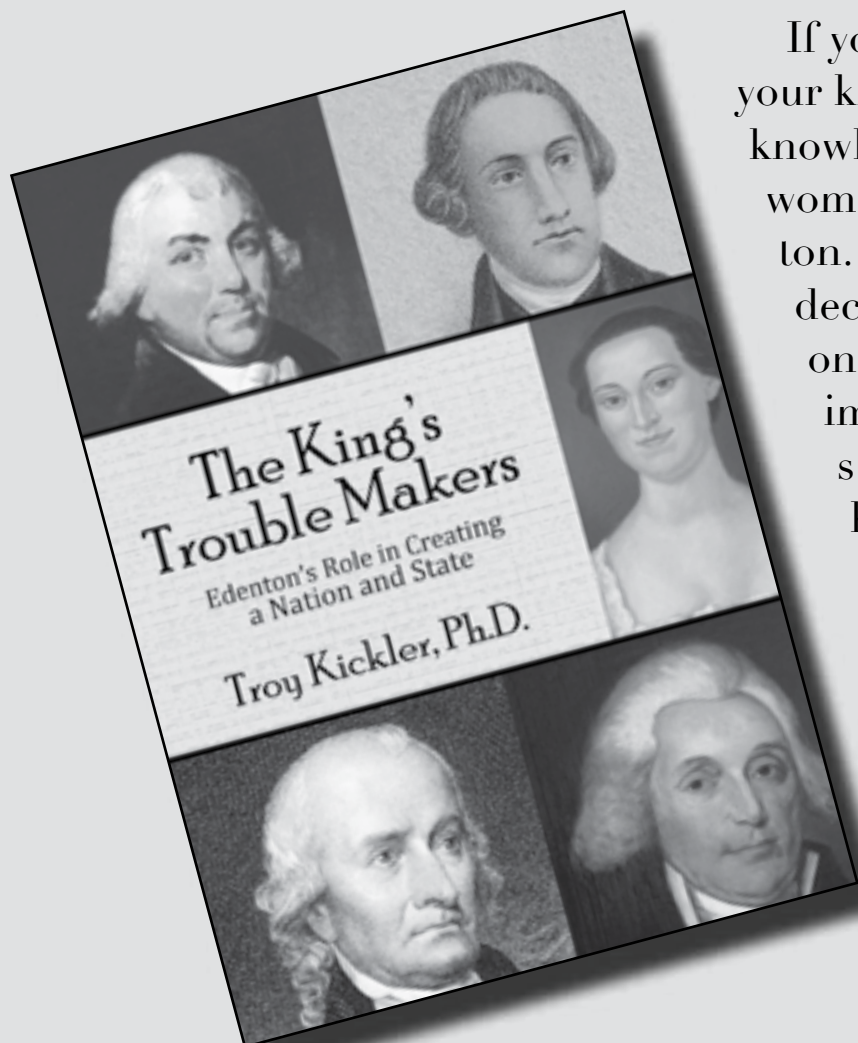
CJ

Troy Kickler is director of the North Carolina History Project (northcarolinahistory.org).



**TROY
KICKLER**

BOOKS BY JOHN LOCKE FOUNDATION AUTHORS



If you don't know about Edenton, North Carolina, your knowledge of U.S. history is incomplete and your knowledge of North Carolina insufficient. Organized women's political activity in America was born in Edenton. The concept of judicial review — that courts can declare legislative acts unconstitutional — was championed here. Ideas for a national navy and defense were implemented here. Many passages of the N.C. Constitution (1776) and the U.S. Constitution originated here. Leading proponents of the U.S. Constitution (a.k.a. Federalists) lived in this small place, and so did nationally known jurists and politicians.

Dr. Troy Kickler, founding director of the North Carolina History Project, brings Edenton, its people, and its actions into proper and full focus in his book, *The King's Trouble Makers*.

Go to northcarolinahistory.org for more information.

Book review

Axelrod's *Believer* Easily Could Be Titled *The Audacity of Hype*

• David Axelrod, *Believer: My Forty Years In Politics*, Penguin Press, 2015, 509 pages, \$35.00.

BY LLOYD BILLINGSLEY
Contributor

DAVID Axelrod started as a journalist, but he faced a serious problem. A key aspect of journalism is to expose unpleasant realities politicians want concealed. As *Believer: My Forty Years in Politics* shows, "Axe," as Obama calls him, would be more comfortable concealing the unpleasant realities that diligent journalists seek to reveal.

As communications director for U.S. Sen. Paul Simon, D-Ill., Axelrod was surprised "how naturally I'd adjusted to my new role." But at that point he wasn't all in, explaining: "I frankly doubted America was ready for a jug-eared bow-tied liberal as president." With Barack Obama it was a different story.

"Barack personified the kind of politics and politician I believed in," Axelrod explains. He cites the "fundamental conviction," that everyone who's willing to work should get a fair chance to succeed. Since Barack Obama and David Axelrod did not invent that conviction, which everybody shares, something else is in play here.

Axelrod notes that his mother wrote for *PM*, a daily newspaper with a "decidedly leftist bent." The "progressive literati" in his parents' milieu included journalistic icon I.F. Stone, but the author does not note that Stone hobnobbed with the KGB and authored *The Hidden History of the Korean War*, which charges that South Korea invaded North Korea. *Believer* does not take

issue with any leftist ideas, including the support of a command economy and backing of the Soviet Union's repressive and expansionist policies.

Born in 1955, Axelrod drew inspiration from the Kennedys, particularly John F. Kennedy, elected president in 1960. After JFK's assassination, brother Teddy might have picked up the torch, Axelrod says, but for the "scars of Chappaquiddick, where, in 1969, a young woman drowned in Teddy's car after he drove off a small bridge and fled." The young woman was Mary Jo Kopechne, 28, and readers will find the best account in Leo D'Amore's *Senatorial Privilege: The Chappaquiddick Cover-up*.

Obama supposedly personified the kind of politics Axelrod believed in, but *Believer* fails to mention Obama's longtime mentor Frank Marshall Davis, an old-line Stalinist who counseled Obama until the end of the 1970s. For the story on Davis, readers should see *The Communist: Frank Marshall Davis, The Untold Story of Barack Obama's Mentor* by Paul Kenig of Grove City College. In Obama's 1995 *Dreams From My Father*, Davis appears simply as "Frank," but Frank disappears entirely in the 2005 audio version of the book. *Believer* is silent on any role Axelrod may have played in that caper, but the political strategist could not avoid another mentor.

In Chicago, Barack Obama had hundreds of churches to choose from.

He picked the church of the Rev. Jeremiah Wright, a man known for "fiery jeremiads filled with bitterness and vitriol and anti-American slanders." That is quite charitable. As Obama's strategist, Axelrod had a problem when Ben Wallace-Wells of *Rolling Stone* wrote "This is as openly radical a background as any significant American political figure has ever emerged from." So "radical" politics was the kind Axelrod and Obama both believed in, but that is not how *Believer* spins it.

Obama was "no dreamy reformer," the author says. Both idealistic and pragmatic, he was "ready and willing to do what was necessary to advance his political and legislative goals." That is probably the truest sentence in *Believer*, but Axelrod does not follow up with an outline of the IRS crackdown on conservative groups and the massive surveillance campaign on all Americans under a supposedly transparent administration.

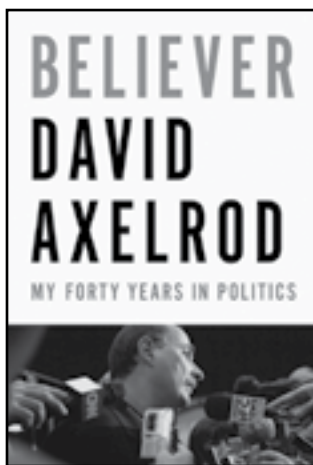
Axelrod, after all, is a "believer," and that is in the sense of the Monkees' "I'm a Believer" and Eric Hoffer's classic *The True Believer*. True to form, Axelrod freights his account with hagiography. Obama is "brilliant and honorable and motivated by the best intentions." Obama "could transcend race and class divides with a remarkable ability to appeal to our common values, hopes and dreams." And so on. Obama's *Audacity of Hope* was "written with the narrative skill of a gifted novelist."

Believer concedes that Obama faced "withering criticism from all corners," including the left, but Axelrod explains, "I was witness to a different and truer picture." In his view Obama boldly rescues the economy and builds new energy industries. The Solyndra failure escapes notice, since that would sully Axelrod's portrait of an "undeniable path to a recovery." The fair shake for all finds fulfillment in the Consumer Financial Protection Bureau, a new federal bureaucracy to accompany new entitlements such as Obamacare, here portrayed as an unalloyed blessing.

Axelrod has little tolerance for unbelievers, those Tea Party types and "right-wing provocateurs." Criticism of Obamacare, for example, is "rooted in race: a deep-seated resentment of the idea of the black man with the Muslim name in the White House. The facts notwithstanding, to them, health reform was just another giveaway to poor black people at their expense." Beyond that, "some folks simply refuse to accept the legitimacy of the first black president and are seriously discomforted by the growing diversity of our country."

For such a true believer, with not the slightest trace of doubt in his mind, it's all that simple. David Axelrod is not a man to speak the truth to power, the role of the journalist.

On the other hand, his book confirms that the former journalist adjusted naturally to his new role of concealing or altering the truth on behalf of the powerful. Sooner or later, some brave insider will give readers the real story. CJ



Share your CJ

Finished reading all the great articles in this month's *Carolina Journal*? Don't just throw it in the recycling bin, pass it along to a friend or neighbor, and ask them to do the same.

Thanks.



Help us keep our presses rolling



Publishing a newspaper is an expensive proposition. Just ask the many daily newspapers that are having trouble making ends meet these days.

It takes a large team of editors, reporters, photographers and copy editors to bring you the aggressive investigative reporting you have become accustomed to seeing in *Carolina Journal* each month.

Putting their work on newsprint and then delivering it to more than 100,000 readers each month puts a sizeable dent in the John Locke Foundation's budget.

That's why we're asking you to help defray those costs with a donation. Just send a check to: Carolina Journal Fund, John Locke Foundation, 200 W. Morgan St., Suite 200, Raleigh, NC 27601.

We thank you for your support.

Book Review

Buckley Offers Remedies for Unconstitutional Spending Gimmicks

• James Buckley, *Saving Congress from Itself: Emancipating the States and Empowering Their People*, Encounter Books, 2014, 102 pages, \$19.99.

BY GEORGE LEEF
Contributor

RALEIGH
Roughly one-sixth of the federal budget goes for grants to state and local governments paying for local programs that have no connection to the national interest. Those grants fund a vast array of programs and projects, such as:

- \$65 million so New York and New Jersey can promote themselves as “good places to do business.”

- \$3.9 million for the airport in St. Cloud, Minn., which has no daily commuter flights.

- \$532,000 to beautify one block on Main Street in Rossville, Kans. (pop. 1,150).

The mushrooming cost of these constitutionally illegitimate outlays is the subject of *Saving Congress from Itself* by James Buckley. Buckley observes that the United States “is spending itself into bankruptcy, and its legislative branch appears incapable of focusing on critical problems long enough to resolve them.”

A large portion of that spending never should have been permitted in the first place. That’s because Congress has only a few powers under the Constitution and giving money to state and local governments is not among them.

Buckley begins by discussing the concept of federalism and the Founders’ rationale for putting strict limits on federal authority. (Sadly, many younger Americans reading his chapter will find it surprising, since most of them

have learned so little about the Constitution and its philosophy.) The only responsibilities of the federal government were enumerated in a short list of items concerning the national interest.

Regrettably, the Supreme Court demolished the barriers against the federal government overstepping its bounds in a number of New Deal decisions. Buckley (who served many years as a federal appellate court judge), points especially at *Steward Machine Co. v. Davis* as the culprit in this story. That 1937 decision misinterpreted the Constitution’s General Welfare Clause as permitting Congress to spend money on anything it regarded as beneficial, thus greatly eroding the principles of federalism and limited government.

Federal politicians were now free to “induce” state and local governments to do things just by offering them money. Members of Congress realized that they could enhance their re-election chances by “bringing home the bacon” — i.e., getting federal funds for all sorts of projects back home. Today, a gigantic part of every official’s political strategy is roping in such grants for the state or district and publicizing them to the utmost to show the legislator’s “effectiveness.” (Buckley learned that while serving one term in the U.S. Senate.)

Most of these grants support projects and programs that state or local governments don’t need at all,

or if they do, would be done more efficiently without the inevitable federal strings. (If any construction is involved, for example, labor regulations mandated by the Davis-Bacon Act kick in, substantially increasing the cost.) The upshot of all these grants is that the federal budget grows, while state and local revenues are diverted away from real priorities because it’s politically hazardous for officials ever to turn away federal money.

Buckley offers a Swiftian “Modest Proposal” to solve this problem: Congress should go cold turkey, eliminating all of these grants. To permit any exceptions would prove fatal to the effort. For five years, the same amount of money as went into these grants would continue as unrestricted block grants to the states, but after that, no more.

Doing this would require the sort of political leadership that Congress hasn’t seen in a long time. But maybe the combination of dangerously rising deficits and (at last!) falling trust in the federal government would catalyze that leadership and help us return to the wisdom of the Founders.

Two other helpful changes that Buckley advocates are term limits and a push for the court to revisit its General Welfare Clause jurisprudence.

He argues that the longer politicians remain in Washington, the more

they want to remain and the better they learn to play the re-election game. In another bad decision, *U.S. Term Limits v. Thornton*, the court ruled that the states cannot impose term limits on federal representatives, so we need an amendment to the Constitution to give states that option.

Second, Buckley suggests that the court find a case that would undo the blunder of *Steward Machine* and “affirm that Congress has no authority to induce the states to adopt programs or policies that it itself has no power to enact.”

I have only one quibble with the book. In discussing arguments backing the continuation of state and local grants, Buckley notes that, on balance, supporters say they redistribute wealth from wealthier states to poorer ones. In reply, he writes, “if redistribution of wealth among states is a valid federal objective, there are better ways of accomplishing it” than direct federal payments.

That’s disappointing. Evening out differences in wealth among the states is absolutely not a proper federal concern, neither as a matter of constitutional law nor of common sense.

If we could get Congress to break its bad, unconstitutional habit of tossing money to state and local governments, the federal budget would shrink by over \$700 billion this year. Those cuts almost would erase the deficit, but we still should enact a balanced budget amendment to restrain spending in areas where Congress does have authority.

America has been on the wrong track, fiscally and constitutionally, for the last 80 years. I applaud Judge Buckley for showing us the way back. CJ



BOOKS AUTHORED BY JLF STAFFERS



By John Hood
President of the
John Locke Foundation

Selling the Dream

Why Advertising is Good Business



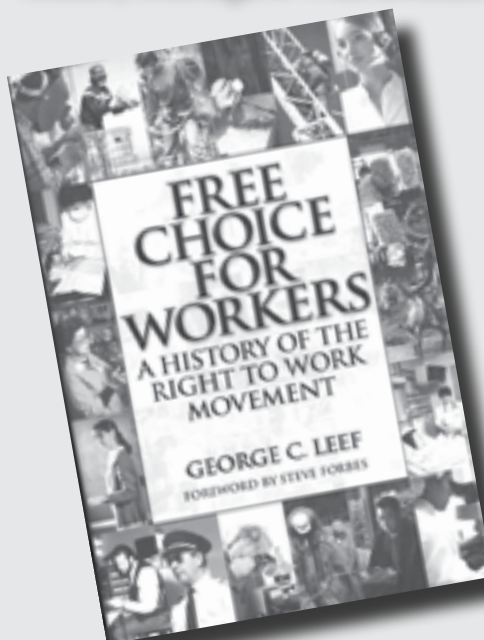
“[Selling the Dream] provides a fascinating look into the world of advertising and beyond ... Highly recommended.”

Choice
April 2006

www.praeger.com

Free Choice for Workers:

A History of the Right to Work Movement



By George C. Leef
Director of Research at the John W.
Pope Center for Higher Education
Policy

“He writes like a buccaneer... recording episodes of bravery, treachery, commitment and vacillation.”

Robert Huberty
Capital Research Center

(Call Jameson Books, 1-800-426-1357, to order)

COMMENTARY

Super Perks, Salaries, and Turnover

Public school superintendents have been in the news lately, and it's not been flattering.

Desperate to move on from the contentious tenure of Superintendent Katie McGee, the Brunswick County Board of Education hired Edward Pruden in 2010 at a salary of \$159,400 a year. Late last year, the school board fired him and bought out the remainder of his contract at a cost of nearly \$94,500.

Shortly after his departure, the N.C. Department of Public Instruction hired Pruden to be a school transformation coach at a salary of \$57,000 for seven months. Ironically, Pruden failed to transform the Brunswick County Schools. Of the 18 schools that received performance grades, 11 earned C's and four earned D's.

Bill Harrison, former Cumberland County superintendent and chair of the N.C. State Board of Education, served as interim superintendent of Alamance-Burlington Schools until the district's school board voted to offer Harrison the permanent position and a salary of \$330,000 per year. He is the highest paid superintendent in the state and one of the highest paid public-sector employees in North Carolina.

Excluding University of North Carolina system and hospital employees, only state chief investment officer Kevin SigRist's \$351,000 salary is higher. Just as a point of comparison, SigRist manages the North Carolina Retirement Systems investment portfolio, which is approaching a \$100 billion valuation. The Alamance-Burlington Schools budget was around \$180 million last year.

The N.C. School Boards Association reports that five school districts currently have superintendent vacancies. Of the five, Orange County Schools has had a particularly difficult time retaining a superintendent. Patrick Rhodes, who had served as superintendent of Orange County Schools since 2007, retired in 2013. The school board hired former Wake County superintendent Del Burns to be an interim superintendent.

Burns' replacement was the former superintendent of McDowell County Schools, Gerri Martin. She resigned after seven months on the job and subsequently received a severance payout of \$100,000. The

school board hired Burns again. This time around, he received a contract worth close to \$300,000 to remain as interim superintendent until the board hires a permanent replacement. His total yearly pension income is \$162,000.

A public school superintendent has a tough job. He or she is hired to manage a multimillion/billion-dollar operation consistent with the needs and dictates of the school board, parents, taxpayers, elected officials, government agencies, and — most importantly — children.

But like every profession, it has its fair share of problems. Two of the most notable are turnover and compensation. Turnover drives compensation, and compensation drives turnover.

More attractive salaries and benefits give superintendents an incentive to make any stay a temporary one. There

is no shortage of opportunities to move up the superintendent career ladder, given the relatively high turnover rates among larger and often wealthier school districts.

Indeed, it is no wonder that small, rural districts have a difficult time convincing exceptional (or even mediocre) superintendents to stay put. Rarely can those districts match the salaries and benefits offered by urban and suburban counterparts. In most cases, this means that positions in these districts merely serve as entry-level jobs.

There are no ready-made solutions to the problem. Encouraging districts to hire nontraditional superintendents, that is, candidates from the private and nonprofit sectors, may dissuade districts from hiring career ladder superintendents.

More importantly, school boards should conduct their own superintendent searches, rather than contract with organizations and "head hunters" that appear to recycle establishment candidates. Perhaps there is an innovative and inspiring leader with a personal connection to the district who would be a better long-term fit than those recommended by a third party. CJ

Terry Stoops is director of research and education studies at the John Locke Foundation.



**TERRY
STOOPS**



EDITORIAL

Election Laws Have Consequences

To the extent that Roy Cooper has a reasonable chance of defeating Gov. Pat McCrory for re-election, it's because many of his fellow Democrats failed in their efforts to change the electoral process in the 1980s and early 1990s.

The Republicans running today's General Assembly may want to keep that in mind as they consider several modifications to state election law. On the calendar are bills changing the composition of the Greensboro City Council and the Wake County Board of Commissioners, which in recent years have become dominated by Democrats. State lawmakers already have shifted the state's presidential primary from May to February, and that move could cost North Carolina precious presidential delegates. The Republican National Committee vows to penalize states that try to mess around with its nominating schedule. If the February change stands, the Tar Heel State may be no more relevant in 2016 than it has been in recent election cycles.

With that in mind, remember 1984, when U.S. Rep. Jim Martin was elected governor of North Carolina. Martin was the second GOP governor of modern times and the first with the constitutional authority to run for re-election, an authority secured by his predecessor, Democrat Jim Hunt.

Martin won with 54 percent of the vote, a larger margin than Jesse Helms secured in his re-election bid for the Senate against Hunt. And Martin came into office with an ambitious agenda of tax cuts and government reforms that Democrats both didn't like and feared might prove popular.

So shortly after Martin took office in 1985, leading Democrats began to strategize about how best to weaken his office, reduce his influence in Raleigh, and ensure that neither he nor any other Republican would hold the office for long.

During that session, both chambers of the General Assembly (controlled by Democrats) passed constitutional amendments repealing gubernatorial succession and moving North Carolina's nonfederal elections to odd-numbered years. Democrats figured that without help from GOP presidential candidates at the top of the ticket, Republicans would have no chance in races for governor, legislature, and other offices.

Both were set to go before voters in 1986. But neither measure became law. One reason is that Democratic leaders had second thoughts. What if these changes proved to be so unpopular that they hurt Democrats with the voters? And what if electoral patterns changed? Democrats refused to campaign for the second measure, and the General Assembly repealed the succession amendment before it reached the ballot.

In 1991, Senate Democrats passed an amendment switching the Council of State races from the presidential cycle to the midterm cycle. It died in the House. Had voters adopted that amendment, Roy Cooper might have had his showdown with McCrory in 2014, a GOP-friendly year.

So the message to today's North Carolina Republicans is this: Change an electoral rule if it makes sense on the merits, but don't do it assuming that your party will benefit. CJ

EDITORIALS

Sizzling Job Growth

Positive signs for the N.C. economy

According to a recent High Point University poll, North Carolinians feel better about the direction of the economy than they have in years. According to recently released data from the U.S. Bureau of Labor Statistics, North Carolinians seem to have a pretty good grasp of what's going on in their job market, at least.

On March 17, BLS released a revised set of employment numbers for North Carolina and other states going back to 2010. They show that 2014 was the second-best year for job growth since the turn of the 21st century.

From December 2013 to December 2014, there was a net increase of 110,000 jobs in North Carolina, an increase of 2.7 percent. Only 2006 featured a higher rate of job creation, 3.9 percent. Otherwise you'd have to go back to the 1990s to find comparable gains in North Carolina.

Comparing North Carolina over time not to itself but to other states, our 2014 performance on job creation still looks good. From December 2013 to December 2014, employment growth for the U.S. economy as a whole was 2.3 percent. For the 12 Southeastern states, including North Carolina, the average was 2.4 percent.

Job creation isn't the only measure of an economy's health. If more people enter the labor force seeking jobs than can find them, gains in employment may not be as impressive as they seem.

Fortunately, the Bureau of Labor Statistics measures that phenomenon, too. In 2014, the U-6 rate in North Carolina — including not only unemployed people actively looking for work but also discouraged workers who have dropped out of the labor force as well as those are moving, retraining, or working part-time because they can't find full-time jobs — was 12.1 percent — down from 14.7 percent the year before. Our 2.6-point drop was one of the biggest in the country.

To observe that North Carolina is doing comparatively well is not, of course, to claim that the state's economy has recovered all the ground it lost during the Great Recession. Our point here is simply that during 2014, North Carolina took some big steps in the right direction.

If you're trying to claim that the upswing in job creation didn't happen at all, your argument is with the Bureau of Labor Statistics, not with us. Good luck. *CJ*

A Federal Case

'States' rights' vs. your rights

The proper relationship between states and the federal government is back in the news because of two recent decisions from Washington that involve North Carolina. On Feb. 25, a 6-3 majority of the U.S. Supreme Court ruled that the North Carolina State Board of Dental Examiners violated federal antitrust laws by ordering unlicensed service providers to stop whitening teeth. A day later, the Federal Communications Commission voted 3-2 to nullify state laws in North Carolina and Tennessee placing fiscal and procedural conditions on cities seeking to expand their municipally owned telecommunications systems in competition with private companies.

Modern conservatives place a high value on federalism. We believe that fiscal and policy decisions ought to be made as close to local communities as necessary.

But federalism isn't the only value in the system. Another is justice.

States and localities do not have unbridled authority to encroach on the individual rights of American citizens. When it comes to economic freedom, the federal government can and should intervene when states or localities abuse their regulatory powers. Kudos to the Supreme Court for its dental-services decisions.

We can't offer similar praise to the FCC commissioners, however. They didn't strike down state laws that blocked one private provider from competing with another. Instead, they struck down laws designed to keep localities from abusing their own governmental powers to deliver a commercial service in competition with private firms. Surely states are the proper level of government to ensure that such abuses don't occur.

North Carolinians can take the opportunity to ponder the virtues and limits of federalism. It's not a tool for protecting "states' rights." It's a tool for protecting your rights, and ours. *CJ*

COMMENTARY

Political Operatives Recycle Hagan Claim

I suppose if you thought Kay Hagan's re-election campaign was a brilliant exercise in political rhetoric, you might try to reuse her talking points to win the political debates of 2015 or the political races of 2016.

But Hagan lost. One reason, surely, is that her campaign made extravagantly ridiculous claims about then-House Speaker Thom Tillis and the work of the General Assembly under his leadership — claims that even liberal newspapers and fact checkers didn't buy.

The most egregious was that the tax reform enacted by the legislature and signed by Gov. Pat McCrory raised taxes on 80 percent of North Carolinians. *The Washington Post* called the claim "absurd." The nonpartisan staff of the General Assembly, most hired under previous Democratic management, called it false. As a matter of basic mathematics, it was impossible.

Yet here we are a year later, with households filing their first income tax returns under the state's new code, and the usual suspects are repeating this impossible, false, and absurd claim. Their goal is transparent: to mislead North Carolina voters into believing what isn't true so they will toss out McCrory and Republican lawmakers next year.

The source of the false claim is a 2013 report the Washington-based Institute for Taxation and Economic Policy provided to the left-wing North Carolina Justice Center — a distributional analysis of the tax reform bill. ITEP modeled the effects within each quintile (20 percent) of taxpaying households. Rather than producing and distributing a count of the share of North Carolinians getting tax hikes or tax cuts, however, ITEP/Justice Center focused on the "average" effect within each quintile — and then made the claim that for the bottom four quintiles in household income, the bill would raise taxes "on average."

That phrase is important. In fact, ITEP/Justice Center later admitted that its numbers showed that

half of North Carolina households got a tax cut, 35 percent got a tax increase, and for the rest the results were a wash. Why didn't they lead with this less-apocalyptic finding rather than just surrender it later when pressed by reporters? The question answers itself.

Moreover, the ITEP/Justice Center study wasn't the only one. A 2013 analysis by the General Assembly staff and a 2014 Beacon

Hill Institute study for the John Locke Foundation estimated that the large majority of North Carolina households got net tax cuts.

The Beacon Hill/JLF study made another important point: To get to a significant number of households losing from tax reform, you have to count the loss of the Earned Income Tax

Credit. That's fine, but the 2013 tax reform didn't eliminate it. The EITC was a temporary measure scheduled to expire, and the legislature chose not to authorize it. By that logic, you also have to remember that the same Republican legislature chose to allow a massive sales-tax hike to expire in 2011. That

sales tax hike had cost lower-income households much more than the EITC had saved them. Thus the net effect of the General Assembly's policies was to reduce their taxes, not raise them.

When filling out their returns for the 2014 tax year, many North Carolinians are discovering that their refunds are smaller than they used to be. But when taxpayers actually compare 2014 taxes paid to previous years, most find that they are better off. A refund simply means you've given the government an interest-free loan.

Those now peddling Kay Hagan's discredited claim about North Carolina's new tax code are not serious participants in the tax-reform discussion. They are liberal propagandists and partisan operatives whose efforts will, I suspect, meet a similar fate. *CJ*

John Hood is chairman of the John Locke Foundation.



JOHN HOOD

Those peddling this falsehood want to defeat McCrory and GOP legislators

MEDIA MANGLE

Telling Both Sides Of the Story

One of the first things you learn in Journalism 101 is to give your reader “both sides of the story.” The assumption is that there IS one, and sometimes maybe several.

But, like many things that have been dismantled by postmodernism, post-structuralism, and political correctness, a reporter telling “both sides of the story” has become not only less important to some in the media, but sometimes can be considered downright irresponsible.

Raleigh’s own Jim Goodmon, owner of the WRAL-TV empire, told a group gathered for a Martin Luther King prayer breakfast in January 2011 that telling “both sides of a story” can be a bad thing because it’s akin to giving flat-Earthers the same credence as those who know the world is round (<http://bit.ly/1N8oONL>).

Unfortunately, the “other side of the story” is not always so easily discredited. Once one goes down the journalistic path of believing there is a “right side” and a “wrong side” of a story, and the goal becomes ignoring the “wrong side,” you are doing propaganda, not journalism.

In September I wrote a column in this space titled “Don’t Let the Narrative Trump the Facts.” It was about the national media’s rush to judgment on the Michael Brown shooting in Ferguson, Mo. “When will the media learn to wait to find out what really happened before writing history?” I asked.

Since then, it has been made abundantly clear by local prosecutors, a local grand jury, and even the U.S. Justice Department, that Michael Brown was not a “gentle giant” who put his hands up and said “don’t shoot,” and that Officer Darren Wilson was defending himself legally when he shot Brown.

As a result of being confronted with the real facts of the case, many media outlets have had to admit that they were wrong to accept uncritically the “hands up, don’t shoot” meme.

The New York Times’ mea culpa (<http://nyti.ms/19KHsgM>) is especially interesting. Public editor Margaret Sullivan originally, back in August, criticized the *Times* reporter for providing in his first reporting “dubious equivalency” and “false balance” by quoting anonymous sources who said Brown never had his hands up (<http://nyti.ms/1pXJuOC>).

On March 23, however, after seven months of ruminating, she wrote this: “In retrospect, it’s clear to me that including that information wasn’t false balance. It was an effort to get both sides.”

The question this raises is how a person working for what is thought to be this country’s greatest newspaper ever could come to the conclusion that NOT including both sides of a story is a responsible thing to do.

Maybe we should ask Jim Goodmon. *CJ*

Jon Ham is a vice president of the John Locke Foundation and publisher of Carolina Journal.



**JON
HAM**

NEWS ITEM: OBAMA ENDORSES MANDATORY VOTING



Differing Views of the Economy

A recent poll showed people split almost 50-50 between satisfaction and dissatisfaction with the state of the economy and whether the economy is improving or declining. How can these divergent views be explained?

Let’s start by looking at the evidence from perhaps the most followed element of the economy: jobs. North Carolina lost more than 335,000 payroll jobs during the Great Recession. The state’s job market hit bottom in early 2010, but since then almost 380,000 payroll jobs have been added. Still, the state is only 44,000 jobs ahead of where it was prior to the recession in early 2008.

There also is a continuing issue with unemployment. At the end of 2014, there were 250,000 individuals officially classified as unemployed, representing 5.4 percent of the labor force. Both the number and rate are less than half of what they were at the height of the recession.

However, there are well-known problems with this measure of unemployment. First, to be “officially” counted as unemployed, an individual must have looked for a job actively in the last month. A second issue is that “underemployed” individuals — those working less than they want — are not included in the measure.

If individuals who want a job but have given up looking for work are added as unemployed, then the state’s jobless rate in 2014 was 7.6 percent. Further, if those individuals working part-time only because they can’t find full-time work are also included as unemployed, then the state’s rate rises to 12.1 percent for 2014. Both these rates are well below their recessionary highs, but they do suggest a more serious problem in the job market than indicated by the most-quoted unemployment rate.

What about the quality of jobs added in the last five years? Of course, job quality is a broad concept, but a starting point is pay. The average hourly wage rate for private-sector jobs in North Carolina is \$22. So let’s call jobs paying more than \$22 per hour “high-paying jobs,” jobs paying around \$22 per hour “middle-paying jobs,” and jobs paying less

than \$22 an hour “low-paying jobs.”

During the last five years of job recovery in the state, 40 percent of jobs added have been high-paying, 19 percent have been middle-paying, and 41 percent have been low-paying. Interestingly, the almost equal split between high-paying and low-paying jobs mirrors the 50-50 split seen in polls between optimism and pessimism over the economy.

Moving beyond jobs also reveals some divisions in our economic condition. Total household wealth (the value of investments minus the value of debt) has rebounded from the big hit it took during the recession. But surveys of household finances show the gains have been much stronger for higher-income households than for lower-income households.

Another measure of economic well-being is the percentage of household income that is spent on “necessities” — items like food, shelter, utilities, clothing, transportation, and health care. For all households, the latest data show spending on these items takes 68 percent of income, slightly higher than the 67 percent in 2008 before the recession.

But again, there’s a difference in the trends for high-income and low-income households. High-income households have seen the share of their income devoted to necessities decline since before the recession, whereas low-income households have experienced the opposite — an increase in their income share going to necessities.

Here’s one last economic observation. Although consumer debt is now rising, household monthly payments for borrowing are at a 30-year low. Of course, this has resulted from the tremendous drop in interest rates that occurred during the recession and continued even as the economy improved. But if interest rates rise, look out.

For me, this review of recent economic changes helps explain the divide we feel about the economy. If you have a high-paying job, have seen your stocks gain, and have benefited from super-low interest rates, you probably feel good. But if you’re unemployed or underemployed, have taken a lower-paying job, and are still coping with debt, your feelings are likely the opposite. *CJ*

Michael Walden is a Reynolds Distinguished Professor at N.C. State University. He does not speak for the university. He does not speak for the university.



**MICHAEL
WALDEN**

Poverty Center's Demise is UNC's Gain

On Feb. 27, the UNC Board of Governors voted to close the Center on Poverty, Work, and Opportunity at its Chapel Hill campus. Many on the left and faculty within the UNC system argued the board's decision was political and an attack on academic freedom. The center is directed by professor Gene Nichol of UNC Law School, a frequent critic of Gov. Pat McCrory and the Republican majorities in the General Assembly. Those opposing the decision saw it as revenge for Nichol's vitriolic commentaries on conservative policymakers published in *The News and Observer*.



ANDY TAYLOR

Media reports frequently described the decision as petulant, and the board did itself no favors by providing a rather mealy-mouthed explanation of what it had done. It should have responded more directly and forcefully to the principal arguments for keeping the center open.

One questioned the decision because it was so blatantly political. Not only was the board attempting to quiet a foe, it wanted to stop work on

a critical issue that the board presumably disliked or felt uncomfortable about. The board's argument that the center proved "unable to demonstrate any appreciable impact on the issue of poverty" was particularly unhelpful because, accurately or not, it was interpreted as describing the center's direct and material influence on actual standards of living, something practically impossible to achieve and therefore unreasonable to demand.

Instead, the board should have explained that the alleviation of poverty is a tremendously important issue requiring close study by experts in disciplines like public policy, economics, and sociology. It is the job of university faculty to suggest various courses of action based upon data and sound analysis, not undertake them through political organizing. The center was doing the wrong kinds of things, and, as demonstrated by his qualifications and actions, Nichol was an unsuitable director.

It also should be noted the center was set up in 2005 essentially to serve former Sen. John Edwards' presidential aspirations. The decision to create it was at least as political as the board's critics have characterized the decision to shut it down.

Second, the board should have discredited the idea that the center's very existence conferred some kind of legitimacy on it. UNC system cam-

pus — including UNC-Chapel Hill and N.C. State University — have enumerated, stringent policies on the formation and continuation of these entities.

They vary by campus and time, but it is fair to say they tend to share three fundamental characteristics: any center should (1) constitute a formal collaborative effort of faculty across fields and units (otherwise the task could be performed within the existing administrative structure); (2) provide synergies to that effort (otherwise the task could be performed by individuals); and (3) secure a steady, significant, and independent resource base that will not detract from the university's ability to perform its core mission — external funding or a line item in the state budget are desirable.

The poverty center seems to fail all three of these "tests" — and UNC board chairman John Fennbresque touched upon this in a *News and Observer* piece published following the final decision. The center is a small enclave within the Law School, and any intra- and inter-campus connections it enjoys seem ad hoc and personal. In fact, most of the center's work is clearly Nichol's and, at least according to his melodramatic personal statement following the decision, this episode was always about him. If he's right, then closure made sense. A single faculty member does not a

center make.

The center's meager and frankly low-quality output since 2005 is probably less than expected of an individual tenure-track faculty member; its accomplishments in the time period are certainly fewer than mine (and I get paid less than half of what Nichol does). A sizable portion of the small amount of money the center received for its operations came from the UNC Law Foundation endowment and presumably could be diverted to the school's more mission-critical operations.

If subjected to the rules in place today, therefore, the center never would have been established. It is hard to judge whether a third claim of the center's supporters, that it did not consume public money, is correct. Nichol did get at least one course buy-out — possibly more, as he seems to do a lot less teaching than colleagues — but that may have been paid for from his named professorship. Regardless, he no longer has an excuse to stay out of the classroom as much. If one good thing came from this, it is that Nichol will be doing more to help the university meet its fundamental responsibilities. By all accounts, I've heard he's a pretty good teacher. *CJ*

Andy Taylor is a Professor of Political Science in the School of Public and International Affairs at N.C. State University. He does not speak for the university.

Why Energy Costs Matter

Energy is necessary for just about everything we do. And when the cost of energy goes up, we pay more over and over and over. Residential customers pay more to keep the lights on and the refrigerator running. Business owners pay more to keep the lights on and the machines running. Consumers pay more when businesses pass along higher energy costs at the retail or wholesale level. Taxpayers pay more when government agencies spend more on energy costs for vehicles, buildings, and schools. Each cost increase reduces our freedom to use those resources somewhere else.

When almost 10 million North Carolinians must pay higher energy bills, it becomes a real drag on economic prosperity, reduces economic growth, and makes the state less competitive with our neighbors.

The market for energy is not free; it's riddled with government interference. Because of the huge costs

associated with building and maintaining the infrastructure to supply electricity, North Carolina's public utilities, like most across the country, are regulated public monopolies. As a result, choices are limited and prices heavily controlled. Federal and state regulations are sometimes duplicative, rarely reviewed, cumbersome, and costly. Government subsidizes energy with direct cash payouts, tax breaks, loans, and research and development grants. All forms of energy get some kind of government subsidies. With subsidies, there are winners and losers. Taxpayers and ratepayers are the biggest losers.

But as North Carolina's economy recovers, lawmakers are looking at ways to remove impediments to a freer market in the energy sector.

- Repeal the renewable energy portfolio standard. House Bill 298 aims to "reduce the burden of high energy costs on the citizens of North Carolina" by capping, sunseting, and repealing a 2007 mandate requiring that 12.5 percent of North Carolina's energy come from expensive, highly subsidized renewable energy sources.

- Fight federal encroachments by the Environmental Protection Agency. A dozen states have joined a lawsuit challenging the EPA's claimed

authority under the Clean Air Act to regulate power plant emissions to "fight" climate change. Senate Bill 303 would prohibit the state Department of Environment and Natural Resources from enforcing any federal standard that jeopardizes the "health, safety, or economic well-being of a citizen of this state." A House proposal would develop a North Carolina-specific plan to comply with the EPA's federal greenhouse rules. Meantime, DENR Secretary Donald van der Vaart recently testified before Congress, saying "states shouldn't have to create a plan to meet the federal standards until after the courts settle lawsuits seeking to derail the EPA's climate effort." Van der Vaart thinks the EPA has acted illegally; let's hope the courts agree or Congress passes legislation blocking the EPA's overreach, making these state measures unnecessary.

- Prioritize and define the role of government. In the 1980s, 32 local governments in eastern North Carolina jointly invested taxpayer money in power plants — a disastrous decision resulting in billions of dollars in debt and electricity rates that are 35 to 40 percent higher than Duke Energy customers paid over the same period. Senate Bill 305 outlines a plan for Duke Energy to buy back ElectriCities'

shares of the power plants, greatly reduce the debt, and allow Duke to lock in lower fuel costs — immediately reducing energy costs by 10 to 15 percent for those harmed by the bad deal. Local governments should not own power plants.

- Encourage energy exploration. In 2011 the General Assembly passed a law opening discussions about natural gas exploration in North Carolina. Finally, the first permits for hydraulic fracturing have been issued. Natural gas exploration holds opportunity for new jobs, new investments, and an affordable, locally developed, cost-effective energy source. Shale gas is clean-burning, plentiful, inexpensive, and subsidized much less than mandated renewable sources: wind, solar, and biomass. Note to the natural gas industry: North Carolina is open for business.

If we want to be the most attractive state for people to build and expand businesses, raise families, and enjoy freedom, low energy costs are part of that formula. Kudos to North Carolina's leaders for moving forward with real energy reform. *CJ*

Becki Gray is vice president for outreach at the John Locke Foundation.



BECKI GRAY

New GOP Incentive Plan to Feature Welfare Wednesdays (a *CJ* parody)

By J.M. CANES
Economics Correspondent

RALEIGH

A group of Republican legislators is planning to expand the discretionary business incentive powers of the governor's office, calling the program Welfare Wednesdays, *Carolina Journal* has learned.

At the core of the Welfare Wednesday initiative is the theory that, when properly administered, incentives pay for themselves.

Professors at N.C. State University — most of them not economists — have developed models with a multiplier effect showing that every project supported by incentives more than pays for itself, placing taxpayers at no risk of default.

Sometime next year the supporters of the new WW program will ask voters to approve a \$1 billion bond to fund the program, *CJ* has learned.

The architects of the plan will defend it publicly by claiming that all incentives programs pay for themselves by creating jobs through a multiplier effect, according to the draft document.

Gov. Pat McCrory said after taking office in 2013 that the General Assembly should supplant the Commerce Department's public efforts to recruit businesses and expand jobs with a nonprofit known as the Economic Development Partnership of North Carolina. He urged the General Assembly to set up the arrangement because he said the state's economic development team needed to be more "nimble" and needed more tools to compete with other Southern states.

Now, the governor says the new nonprofit lacks the necessary tools and is not nearly as nimble as he expected it would be.



Tim Allen, right, and Gov. Pat McCrory have been taping some public service announcements for the new Welfare Wednesday initiative. (*CJ* spoof photo)

CJ also has learned that McCrory and Commerce Secretary John Skvarla have contacted representatives of actor Tim Allen — who played TV's Tim "The Tool Man" Taylor in the "Home Improvement" sitcom — about working with the state to promote the new incentives plan.

"No other state has done anything like Welfare Wednesdays," said the governor. "I have said that our job-recruiting organization needed to be more nimble, that I needed more tools. Well, this will be the ultimate tool belt for me, and with Tim 'The Tool Man' Allen as a spokesman, I will have the best tool in the nation in the war for job announcements," he

said.

One legislator who is opposed to the program and who requested anonymity shared the information — which is a proprietary document and not subject to public records requests — because the legislator says it takes the incentives concept too far.

"Corporate welfare critics have characterized these programs as a system where government bureaucrats pick winners and losers," the lawmaker said. "It's clear from this plan that they think every idea will be a winner, and that is simply impossible. I think taxpayers will be left holding the tool belt, so to speak," the lawmaker said.

The Welfare Wednesday plan would funnel all business incentive programs through a one agency, the soon-to-be-announced Division of Corporate Welfare, a source confided to *CJ*. The office would be open only one day a week, Wednesdays, to accept grant applications from any company that plans to move to or expand in North Carolina.

Under the plan, any type of legal business activity could qualify for and receive an award. The office also would accept grant applications from film production companies, developers who want to restore old buildings, and entrepreneurs with unusual business ideas that have not received start-up capital through conventional sources.

A grant committee appointed and chaired by the governor would review applications and make awards.

"Since we know that properly configured incentive deals always pay for themselves, the staff must make public the equation it used to make the award decision," the draft document states.

Allen's representatives did not respond to requests for comment. *CJ*



We Have North Carolina Talking!

Every week, hundreds of thousands of North Carolinians watch NC SPIN for a full, all-points discussion of issues important to the state. Politics • Schools • Growth • Taxes • Health Transportation • Business • The Environment

A recent poll showed 48% of North Carolina 'influentials' — including elected officials, lobbyists, journalists, and business leaders — watch NC SPIN, with 24% saying they watched the show 'nearly every week.' Thousands of North Carolinians also visit NCSPIN.com and get the latest political news, rumors, and gossip from its weekly newsletter "Spin Cycle."

NC SPIN has been called 'the most intelligent half-hour on North Carolina TV' and is considered required viewing for those who play the political game in the Tar Heel State — whether they are in government, cover government, want to be in government, or want to have the ear of those in government.

If your company, trade association, or group has a message you want political or business leaders to hear, NC SPIN's statewide TV and radio networks are the place for you to be! Call Carolina Broadcasting (919-832-1416) for advertising information about TV or radio.



THE NC SPIN NETWORK

TELEVISION

- WLOS Asheville, Sunday 5 am
- WCCB Charlotte, Sunday 6:30 am
- WXLV Greensboro/Triad, Sunday 7:30 am
- Cable 7 Greenville, Sunday 10:30 am, Monday 9:30 pm, Wednesday 6:30 pm, Thursday 9:30 pm, Friday 9 pm
- WITN (7.1 & 7.2) Greenville/Washington/New Bern, Sunday 11 am
- WTBL Lenoir, Sunday 9 am, Monday 5:30 pm, Tuesday 12:30 pm
- WRAL Raleigh-Durham, Sunday 6:30 am
- WRAL-DT Raleigh-Durham, Sunday 6:30 am
- WRAZ "Fox 50" Raleigh-Durham, Sunday 8:30 am
- WGSR-TV Reidsville, Saturday 7 am, Sunday 12 pm, 10:30 pm
- WNVN Roanoke Rapids, Sunday 10:00am
- WHIG Rocky Mount, Sunday 1:30 pm
- Cable 10 Roxboro, Sunday 6 pm
- WILM Wilmington, Sunday 5 am

RADIO

- Chapel Hill, WCHL-AM 1360, Sunday 6 pm
- Goldsboro, WGBR-AM 1150, Sunday 4 pm
- Greenville, WTIB-FM 94.3, Sunday 9:30 am
- Jacksonville, WJNC-AM 1240, Sunday 10 am
- Laurinburg, WLNC-AM 1300, Sunday 10 am
- Morehead City, WTKF-FM 107.1, Sunday 10 am
- Rocky Mount, WEED-AM 1390, Sunday, 9:30 am
- Sanford, WWGP-AM 1050, Sunday 7:30 am
- Smithfield, WTSB-AM 1090, Sunday 7:06 am
- Statesville, WAME-AM 550, Sunday 5:30 am
- Valdese, WSVM-AM 1490, Monday 6 pm
- Wanchese, WYND-FM 97.1, Sunday 7:30 am
- Wilmington, WAAV-AM 980, Sunday 5:30 pm