

Film incentives said blatant examples of cronyism/2



CAROLINA JOURNAL

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

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STATEWIDE EDITION

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State Boondoggles Soak Taxpayers

Lacking Support, Costly Port Project Sinks

By DON CARRINGTON
Executive Editor

With no research in hand, in late 2005 the N.C. Ports Authority launched an effort to build what it called “America’s next great port” on the Cape Fear River next to Southport.

The multibillion-dollar project, named the North Carolina International Terminal, now appears dead because in late July the two major-party candidates for governor — Republican Pat McCrory, the former mayor of Charlotte, and Democratic Lt. Gov. Walter Dalton — issued statements stating they would not pursue the project if elected governor.

If the project does not go forward, the state may be stuck with an expensive parcel of land with marginal value. In 2006, the Ports Authority borrowed money to pay \$30 million for the 600-acre project site. The Brunswick County tax office currently values the land at

RALEIGH



Port opponent Toby Bronstein stands next to the \$30 million tract of land the state bought in 2006, which is now being used as a cornfield. (CJ photo by Don Carrington)

\$12.7 million.

Gov. Bev Perdue has supported the project throughout her term of office. The “North Carolina Maritime Strategy” final report, issued in April and commissioned by Perdue’s Department of Transporta-

tion, lists the site as a viable option for increasing the state’s shipping capabilities, even though the General Assembly voted to end state funding for studies of the project

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Failed theater could become Internet café

By DAN WAY
Associate Editor

ROANOKE RAPIDS

The failed Randy Parton Theatre may soon become an Internet gambling facility and bar.

Plans for a lease-to-buy deal for the financially ailing facility, now known as the Roanoke Rapids Theatre, could be announced within days by the cash-strapped city of Roanoke Rapids and a group of out-of-state investors.



Randy Parton

“The bottom line is the citizens of Roanoke Rapids are still going to have a substantial debt to pay off, but this is a way that we can

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NCGA Adjourns Leaving Disabled in Lurch

Lawmakers didn’t patch gaps in case management

By BARRY SMITH
Associate Editor

RALEIGH

Lawmakers gaveled the 2012 short session of the General Assembly to a close without making changes that advocates for developmentally disabled patients hoped would occur regarding their personal health care plans.

The advocates are concerned that thousands could go without case management services once North Caro-



lina completes its transition of the way Medicaid health care services are delivered.

“Some people are very sophisticated, and they’ll have no trouble doing that [getting proper care],” said

Dave Richard, executive director of the Arc of North Carolina, a nonprofit that delivers services to the developmentally disabled. “For others, it’s very complicated.”

Rep. Nelson Dollar, R-Wake, who heads the House Health and Human Services Committee, said that the case management function is being served by regional bodies set up to oversee mental health and developmental disability care in the state.

“They should have a case manager, somebody to manage their case, assigned to them,” Dollar said.

People with developmental disabilities include people with autism, cerebral palsy, Spina bifida, Down’s

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Study: Film Incentives Help Connected Groups

By CJ STAFF

RALEIGH

Less than a month after North Carolina legislators approved more money for the state's film tax incentives program, a new John Locke Foundation Spotlight Report panned film incentives as a clear example of cronyism.

"The problem with these incentives is that the lower tax burden on film productions comes with the consequence of keeping tax burdens high on nonfavored businesses and industries," said report author Jon Sanders, JLF director of regulatory studies. "When government chooses one industry or business for special deals and breaks, there's a good chance that cronyism is at work."

While detailing problems linked to film incentives, Sanders devoted another newly released Policy Report to the general problem of cronyism. Together, the two reports launch a new multipart series titled "Carolina Cronyism."

"Cronyism is an umbrella term covering a host of government activities by which an industry or even a single firm or speculator is given favors and support they could not attain in market competition," Sanders explained. "Examples include regulations that help favored businesses, laws that restrict new competitors from entering a market, government-sponsored cartels and monopolies, mandates requiring consumers to buy government-favored products, and tax breaks targeting specific businesses."

State lawmakers added \$60 million for film incentives in the final days of this year's legislative session. Gov. Bev Perdue signed the legislation into law in mid-July. Sanders' report focuses on film incentives' basic flaws.

"Before states began film tax incentives programs, North Carolina was a popular off-Hollywood destination for film crews," Sanders said. "A right-to-work state with a pleasant climate and a range of natural features, North Carolina held significant advantages for movie makers."

Targeted tax incentives changed the industry, especially when the number of states offering special breaks jumped from four to 44 from 2002 to 2009, Sanders said. North Carolina's last major film incentive expansion came in 2009, after Georgia outbid the Tar Heel State for a Miley Cyrus movie.

"The biggest beneficiaries of film incentives are film production companies, while state film offices, local studios, film crew workers, restaurants, hotels, and pro-incentive politicians also stand to gain when a film production comes to town," Sanders said. "Boosters also tout benefits for tourism, but tourism effects are fickle, unpredictable, and not very powerful."

Many states are rethinking their film incentives, Sanders said. "Eight states ended, suspended, or stopped funding film incentives from 2009 to 2011," he said. "Others either cut back incentives or considered ending them. States are making these cutbacks as several studies have found that film incentives return to state coffers mere pennies on

the dollar spent."

North Carolina's refundable film tax credit causes a special concern, Sanders said. "If the film production company's tax liability is smaller than the credit, the state writes the company a check for the difference," he explained. "This is a classic example of corporate welfare. It's been described as choosing movie stars over teachers."

Film incentives show that lower taxes and less regulation attract industry, Sanders said. "Recent research shows that cutting taxes and regulation across the board — rather than just for the favored film industry — would provide a powerful stimulus for the state's economy."

North Carolina government has been doling out special breaks for favored industries for years, as Sanders demonstrates in the report dedicated to cronyism. "North Carolina's recent history is littered with cronyism — with rewards, favoritism, use of politics for personal enrichment, and arbitrary doling out of tax revenues," he said. "These policies damage good, strong, fair, and efficient government."

Sanders' dissection of the state's cronyism problem features such characters as former N.C. House Speaker Jim Black and former Gov. Mike Easley, both convicted felons, along with controversial episodes involving the N.C. Education Lottery, the Currituck ferry, Randy Parton Theatre, N.C. Global TransPark, and state legislative slush funds.

Government mandates also attract Sanders' attention, including laws targeting auto dealership locations, car insurance requirements, and state vehicle safety and emissions inspections. "Government mandates weigh on those forced to bear them, but they are a windfall for others who provide mandated services."

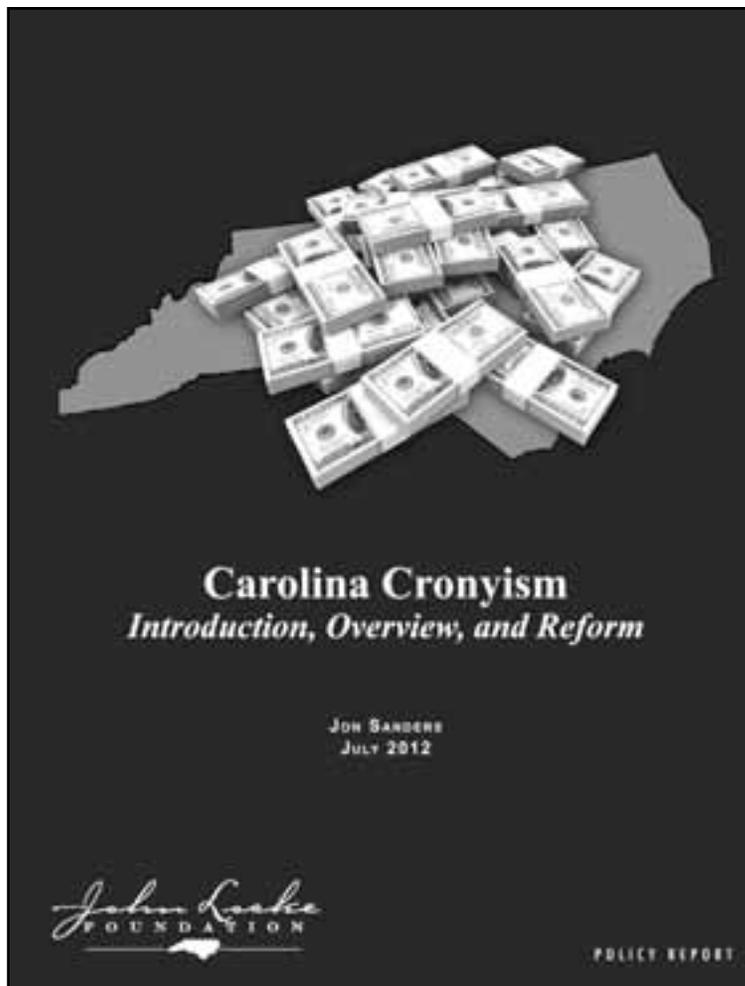
Noting positive changes linked to recent state regulatory reform, Sanders outlines more

broad-based ideas for lawmakers to consider.

"Make state spending fully transparent," he said. "Make the processes of state governing open and transparent. Expand a 2011 reform of the state administrative appeals process for environmental agencies to apply to all agencies."

"Strengthen the Rules Review Commission," Sanders added. "Require cost-benefit analysis for all proposed regulations. Require a periodic review of existing state regulations. Implement small-business flexibility analysis to prevent regulations from running roughshod over small employers. Abolish the corporate income tax."

Sanders plans to focus even more attention on cronyism in the months ahead. "Government does not bestow favoritism in a vacuum," he said. "Its every policy and decision has economic costs, the more so when the policy interferes with or, worse, prevents some market choices. The reports in this series are intended to help chart a new direction for state government." CJ



Republicans Graded on Promises Made Before NCGA Session

By SIGNÈ THOMAS
Editorial Intern

RALEIGH

The General Assembly recently wrapped up its first session under full Republican control since Reconstruction. GOP candidates in 2010 promised voters they would enact a detailed policy agenda if they won a legislative majority, even though they would have to work with a Democratic governor, Bev Perdue. The 10-item agenda dealt with fiscal policies, economic growth, and education reform, among other issues. How well did the GOP majority do?

Andrew Taylor, a political science professor at N.C. State University, cited two reasons Republicans could call the 2011-12 session a success: Republicans had plenty of policies that had been stalled under a century of Democratic rule. The session also saw a record 11 vetoes overridden by the GOP majority.

Legislative Democrats did not give the GOP high marks, citing a host of differences in philosophy and approach and asserting that the new laws would result in ineffective or even harmful policies.

The Republicans' checklist follows.

- Balance the state budget without raising tax rates

Jordan Shaw, spokesman for N.C. House Speaker Thom Tillis, R-Mecklenburg, said Republicans "knocked that out of the ballpark. ... Not only did we not raise taxes, but we cut taxes by over a billion dollars." In a press release, Senate President Pro Tem Phil, R-Rockingham, said Republicans were able to "clos[e] a \$2.5 billion deficit inherited from the Democrats."

Sen. Floyd McKissick, D-Dur-

ham, did not consider this a major achievement. He told *Carolina Journal*, "North Carolina is required to have a balanced budget, so to be able to balance a state budget is not a formidable task."

- **Make North Carolina tax rates competitive with other states**

Shaw and Berger said Republicans prevented Perdue and legislative Democrats from extending a temporary sales tax increase of nearly \$1 billion that was set to expire in June 2011. The legislature also enacted a \$50,000 income tax exemption for privately held businesses. McKissick downplayed the tax cut. [Republicans] "said it was going to help small businesses," he said, "but instead [it] ended up providing a \$3,200 tax cut to millionaires."

- **Pass the Healthcare Protection Act, exempting North Carolinians from the federal Patient Protection and Affordable Care Act**

House Bill 2, which would have exempted state residents from the federal health care reform law, passed the House and the Senate. "Unfortunately, the governor vetoed it, and we have not gotten enough Democratic support to override the veto," Shaw said.

McKissick said lawmakers should have waited until the U.S. Supreme Court ruled on the federal law's constitutionality rather than debating a state bill. He considered H.B. 2 "a complete waste of taxpayer money and resources."

Sen. Ellie Kinnaird, D-Orange, called the inability to override the veto

of H.B. 2 a failure by Republicans.

- **Keep Right to Work laws intact**

Senate Bill 727 "protects our status as a Right to Work state by allowing workers to continue to choose whether or not to join a union," Shaw said.

Kinnaird and McKissick said passage of S.B. 727 made no change in the state's right-to-work status.

- **Reduce regulatory burdens on small business**

"We passed a comprehensive regulatory reform bill last year," Shaw said, referring to Senate Bill 781. "That legislation rolled back hundreds of pages of anti-business government regulations that were making it difficult on

job creators."

Kinnaird agreed that Republicans were successful in removing environmental regulations, but considers such deregulation harmful.

- **Fund education in the classroom, not the bureaucracy**

"Last year's budget made tough funding decisions when it comes to education," Shaw said. "This year's budget gave us the opportunity to make funding improvements for education, and as a result we were able to restore over \$250 million to public education, [including] a pay raise for teachers, which is the first time that has happened in four or five years."

McKissick disagreed with the Republicans' priorities. "We've seen billion-dollar cuts in public education, and about 6,000 teachers laid off," he said. "I think [Republicans] failed."

- **Eliminate the cap on charter**

schools

Kinnaird said the new law eliminating the cap on charter schools at 100 statewide was the only item on the Republican agenda that won her support.

- **Pass the Honest Election Act, requiring a valid photo ID to vote**

The General Assembly passed House Bill 351, requiring voters to show photo identification at the polls. Perdue vetoed it, and an override attempt was unsuccessful. "I don't see that as a failure on our part," Shaw said. "I see that as a failure on the governor because she vetoed a bill that more than 70 percent of North Carolinians support."

McKissick gave Republicans "another F" because he said a voter ID law would "disenfranchise approximately 800,000 people [who] don't necessarily have a state issued government photo ID."

- **Pass the Eminent Domain constitutional amendment to protect private property rights**

Shaw said the House passed with bipartisan support House Bill 8, an amendment requiring just compensation to be paid for government "takings" of property, and letting a jury determine the compensation. The Senate did not take up the amendment. McKissick gave Republicans an "F" on this issue.

- **End pay-to-play politics and restore honesty and integrity to state government**

Both Houses passed a measure ending a form of public financing in races for appellate judges and most Council of State offices.

"If you really are against individuals being the primary source of contributions to candidates, then allow for more publicly financed campaigns," McKissick said. CJ



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Director of Regulatory Studies Jon Sanders' weekly newsletter, **Rights & Regulation Update**, discusses current issues concerning regulations, rights, and freedom in North Carolina.

State Briefs

Net growth in the percentage of North Carolina students attending schools of choice between 2001 and 2010 posed no threat to traditional public school enrollment, a John Locke Foundation Policy Report concluded.

"Opponents of school choice treat it as a dire threat," said report author Terry Stoops, JLF director of education studies. "But the hard facts linked to school choice don't match the rhetoric. The traditional public school system remains the primary provider of schooling for most North Carolina families."

Throughout the United States, growth in school choice options has not caused much change in public school enrollment, Stoops said. "In 40 of 50 states, the public school market share increased between 2001 and 2010," he said. "North Carolina was one of the 10 states with a net increase in the percentage of students attending a school of choice. But the magnitude of increase within those 10 states was trivial."

Stoops devotes attention to enrollment trends in North Carolina's private, charter, and home schools. While private school enrollment dropped between 2001 and 2010, both charter school and home school enrollment increased. The data rebut the notion that school choice options threaten public school enrollment, Stoops said. "The popularity of private, charter, and home schools has not produced a significant enrollment shift away from district schools," he said.

While a law making "rescue funds" available for some candidates participating in publicly financed campaigns remains on the books, it won't be enforced this year, thanks to rulings by the U.S. Supreme Court and a federal district court in North Carolina.

Last year, the U.S. Supreme Court struck down an Arizona rescue funds law. Rescue funds go to candidates who receive tax-funded campaign payments when their opponent raises more money from private sources and therefore gains a monetary advantage.

Gary Bartlett, executive director of the State Board of Elections, noted that a federal district court has since invalidated a similar law in North Carolina.

A bill that would have removed the voided provision from the North Carolina law books passed the Senate during the short session. It did not pass the House, however. CJ

Report: Public Debt Puts N.C. in Bottom 3rd

By SARA BURROWS
Contributor

RALEIGH
North Carolina is \$37.6 billion short of the money it needs to pay its long-term bills, according to a June 25 report by the Institute for Truth in Accounting.

The "Financial State of the States" report reveals that North Carolina is one of 44 states with financial obligations far outweighing government assets.

As of June 30, 2010, the state had obligated taxpayers to \$60.7 billion in debt, with only \$23.1 billion in assets that could be used to pay that debt, leaving an unfunded liability of \$37.6 billion.

That means the state has put each taxpayer \$14,800 in debt, the report says. The financial burden on North Carolinians is worse than that on taxpayers in 34 other states, landing not too far behind California and New York on a scale of indebtedness. State officials challenge the methods used by the study and say the state's debt situation is much less dire than the institute reports.

A large chunk of North Carolina's \$60.7 billion in future obligations represents health care benefits promised to state employees when they retire.

The institute determined the unfunded liability for retiree health care benefits is \$32.9 billion, roughly \$3 billion more than indicated a year ago in a *Carolina Journal* report. Unfunded pension benefits make up another \$2.5 billion of the debt.

Despite a constitutional requirement that North Carolina government maintain a balanced budget, the state also has accumulated \$15 billion in bonds and \$16.1 billion in other liabilities. The state can borrow money for capital needs and emergencies, but not for normal operating costs.

Instead of setting aside money for future obligations, most states have been shifting the costs to future taxpayers, the report says. "This is especially true in relation to employee compensation costs, which include retirement benefits."

Because pension and health care benefits are not immediately payable in cash, states ignore most of these compensation costs when calculating annual budgets, the report continues.

"Truthful budgetary accounting would include the portion of retirement benefits employees earn in current compensation cost every year they work."

State budget director Andy Willis objected to the report's suggestion that the state has been dishonest in its financial reporting.



"I would say that we have been truthful and follow GASB [Governmental Accounting Standards Board] rules when reporting ... our long-term obligations," Willis wrote in an email.

The state's obligation to retirees "is a snapshot of 20 to 30 years into the future, and current assets don't have to necessarily meet the long-term obligations," he added.

Julia Vail, a spokeswoman for the state treasurer's office, said in an email she's not sure how the Institute for Truth in Accounting came up with its numbers.

"As of December 1, 2010, the actuarial value of assets for the Teachers' and State Employees' Retirement System was \$57.1 billion, and accrued liability was \$59.9 billion," Vail said. "Thus, the unfunded liability was \$2.77 billion. Given these facts, TSERS is 95.4 percent funded."

Fergus Hodgson, director of fiscal policy studies at the John Locke Foundation, said if anything, the Institute for Truth in Accounting has been generous in its assessment of North Carolina's financial health.

The data the institute used came from the state's own Comprehensive Annual Financial Report, he said.

He added that part of the problem

is that GASB accounting rules have not required states to include future liabilities in their annual budgets. Also, the rules allow states to use exaggerated discount rates to determine how much they should save now in order to fulfill promises in the future.

To address the problem, Hodgson suggests the state start using defined contributions similar to 401(k) plans rather than defined benefits for its employee retirement programs.

In other words, the state would say, "We'll put away this much money for you now. ... We don't know how much it's going to be worth in the future, but at least this money is all yours. There's no liability," Hodgson said.

As it stands, he said, the state is estimating about how much it should save and isn't reporting these obligations in the annual budget.

"The conversion [to defined contribution] would not do away with the accrued debt, but it would stop the situation from worsening immediately," he said.

Hodgson praised the institute's report, saying it shed light on what he called the states' deceitful accounting methods, which he said would be illegal if practiced by private organizations.

He called the \$14,800 debt per taxpayer "blatant fiscal negligence" and pointed out that the figure was up 32 percent from the previous year, in which taxpayers were in debt \$11,200 each.

Without reform, default is inevitable, he said. CJ

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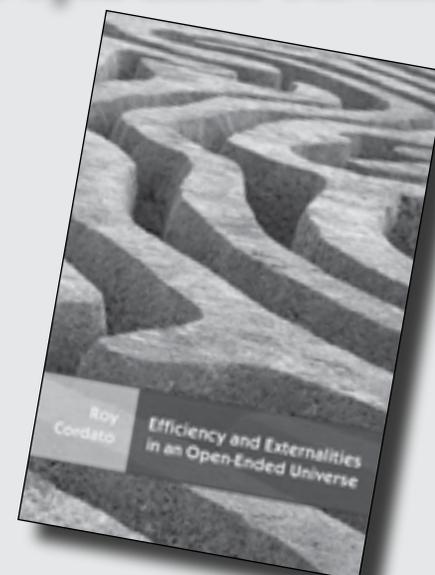
By Roy Cordato
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"Cordato's book is a solid performance, demonstrating impressive mastery of both the Austrian and neoclassical literature."

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Efficiency and Externalities in an Open-Ended Universe



Legislative 'Dashboard' Lets Lawmakers Track Bills Electronically

By BARRY SMITH
Associate Editor

RALEIGH

The days of lawmakers rummaging through stacks of paper on their chamber desks could be numbered.

The General Assembly this past short session participated in a "paperless pilot program" during which they tested out an online "chamber dashboard" to follow debate as amendments were being offered and laws were being made.

The more technologically savvy method of navigating through legislation is aimed at saving paper, paying for paper and supplies, and making the General Assembly operate more efficiently.

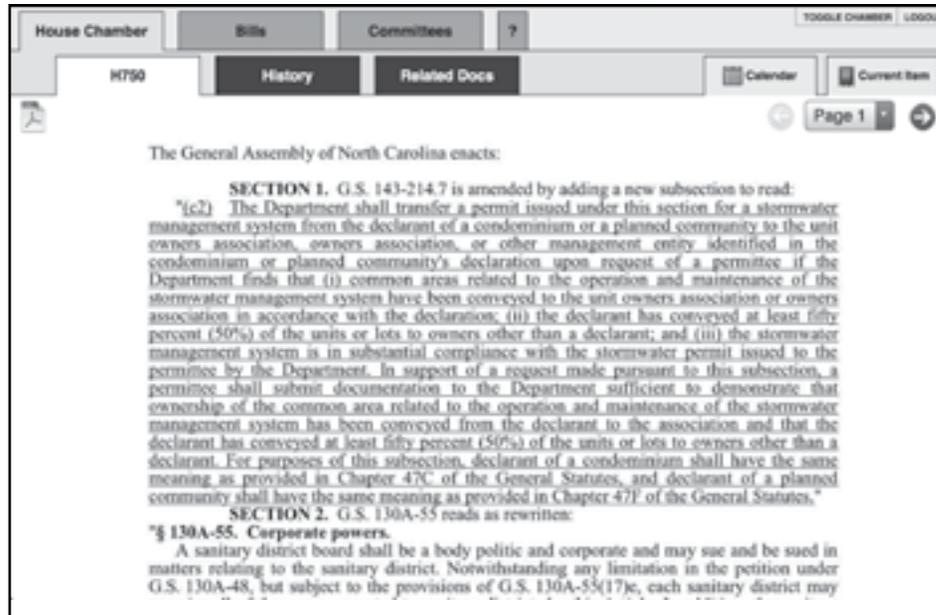
"Almost everything that was strictly paper is now available through the dashboard," said Jordan Shaw, a spokesman for House Speaker Thom Tillis, R-Mecklenburg.

"It's part of a broader project to modernize the whole legislative system," said Seth McFarland, one of the business applications developers at the General Assembly.

How does it work?

Senators and House members have the option of using one of two different apps placed on their laptop computers. One app places the current item being debated on their laptop screen. The other gives members the option of sifting through all items on the chamber's calendar — or agenda — for the day.

If the current item app is being used, the member's laptop will refresh automatically when an amendment to a bill is offered or when the chamber moves to a different bill, Mc-



Almost everything that used to be on paper will now be available on the new "dashboard" system. (Facsimile of system display)

Farland said.

If a member is using the calendar app, the member would have the option of viewing the current bill or amendment, or the member could view other bills and proposed amendments slated for discussion on that day's session.

The software was developed by the General Assembly's information technology staff members, who are familiar with bill drafting and other legislative procedures.

While not all legislators are using the member dashboard, some who are say they like it. "It's a lot more ef-

ficient," said Rep. Norm Sanderson, R-Pamlico. He notes that he doesn't have to flip through 15 bills on his desk when he's trying to find something. He also likes how the dashboard keeps up with the discussion in real time.

"Changes are instantaneous," Sanderson said. "The more we use it, the more effective it's going to be."

Sen. Neal Hunt, R-Wake, said he doesn't use the member dashboard. Nor does he have a stack of old-fashioned paper bills on his desk. Instead, Hunt said he takes his iPad with him to sessions and views bills that way. Hunt said he's

done that for years.

"It has potential to save a lot of time and money," said Sarah Clapp, the principal clerk of the Senate.

"It replaces thousands of pieces of paper that we have to produce," Shaw said.

Fewer pieces of paper have to be passed out to lawmakers as a result of the member dashboard. And legislative staffers say they'll be able to save a lot on paper and printing cost, though they're not sure how much yet.

Peter Capriglione, manager of business applications development at the General Assembly, estimated that during the first year of its use, the staff was able to save about 40 percent to 60 percent of the paper it uses.

The change will result in less waste, Capriglione said, noting that the legislative staff used to fill a U-Haul full of paper waste.

Will the member dashboard eventually replace paper altogether? No. "There will still be paper, just a lot less of it," Shaw said.

But the reductions in paper, as Capriglione said, will be substantial. "If we can avoid somebody having to cart thousands and thousands and thousands of pages around, that's a huge positive," Shaw said.

And at this point, the member dashboard is geared toward work in the House and Senate chambers, not in the committee rooms.

"Committee work is much different than the full House," Shaw said.

Clapp could not say whether similar apps would be made available to the public once the bugs are worked out to let individuals evaluate what the General Assembly was up to in real time. That decision will be left to the legislative leadership, she said. CJ

System will allow legislators to keep up with bill discussion in real time

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Lackluster Turnout For Runoff Pushes Calls for Alternatives

By DAN WAY
Associate Editor

RALEIGH

As North Carolina voters avoided the voting booth by the millions July 17, election officials and academics called on the General Assembly to scrap the state's expensive, no-show runoff elections.

Voters chose finalists in five races for Council of State, three congressional contests, a handful of legislative tilts, and numerous local offices.

Early indications suggested the "second primary" might have the lowest turnout in state history, less than 2.5 percent of the state's 6.16 million registered voters. When all the ballots were counted, turnout reached 3.58 percent. And the slight turnout boosted those seeking another way to choose candidates.

"The General Assembly needs to determine how best to pick for the general election because you can truly see through past history and today that voters do not participate in second primaries," said State Board of Elections executive director Gary Bartlett, who has overseen the state's elections for 20 years.

"During my tenure, [turnout in runoff elections] has been as low as 2.5 percent and as high 8 percent," Bartlett said. "The highest I'm aware of was 1990 between Harvey Gantt and Mike Easley. That was 19 percent" in their face-off for the Democratic U.S. Senate nomination. Gantt won that race, but lost to incumbent Republican Jesse Helms in the general election.

The July 17 runoff will cost taxpayers "at least \$7 million," Bartlett said.

Second primaries are held when no candidate in the first primary reach-

es a 40 percent plurality threshold and the second-place finisher requests a runoff.

"There have been some discussions by previous General Assemblies" about revising the runoff system, Bartlett said. "The last time that they really took this serious they dropped the plurality from 50 percent plus to 40 percent plus, and, of course, we are still having these second primaries."

"I think it's a practice whose time has come and gone," said Don Schroeder, associate professor of political science at Campbell University.

"The runoff primaries were important at a time when North Carolina was a one-party state, in which case the Democratic primary, for all practical purposes, was the election," Schroeder said.

"And so if you have a multicanidate race, you don't want someone with a mere plurality to then get the nomination, guaranteeing the election. So the runoff primary was a way to assure there was some semblance of a majority behind whoever became the public official," he said.

"That's no longer true," Schroeder said. "North Carolina is a very competitive state, in which case a runoff primary is no longer needed to make that assurance. We have a general election that's competitive."

Both Bartlett and Schroeder said one option lawmakers might consider simply is to declare the highest vote-getter in the primary the party's nomi-

nee for the general election, regardless of percentage.

"If members of a party don't like that outcome, they can always vote for someone in the other party. That's the way most states do it," Schroeder said.

Bartlett suggested another option to a runoff might be to have a process by which a second-place finisher in the primary could petition the political party to choose the nominee if none of the candidates wins a 40 percent plurality.

"I like that system," Schroeder said. "If I could adjust that a little bit, I'd have the parties pick the candidate in the first place at some sort of party convention, and then, if the party convention [vote] is close, hold a primary" if the runner-up requests.

"That would save a huge amount of money," he said. "It would probably be more meaningful because you would have people participating who actually know something about the candidate."

Virginia has a system similar to that for nominating statewide candidates at party conventions. Usually, a primary isn't held because registered party members are happy with their first choice.

"That would have to be a legislative change," Bartlett said. "I think we would have a little firestorm" if that were proposed.

"One thing I can tell you about North Carolina, they love to vote for an office," Bartlett said. "But if you

tried to take away even the second primary, they would have an uproar."

One "better and more economic way to pick a nominee" could be with instant runoffs in the primary, Bartlett said.

With instant runoffs, voters rank their top two or three choices by preference. If no candidate gets a required plurality, the two with the most votes are placed in the runoff. Their second- or third-place votes are added to determine the winner.

"I guess I tend to be a little bit suspicious of those kind of innovations," said Schroeder. "I'm a little bit old-fashioned that way."

Instant runoff pilot projects have been used before in North Carolina local elections — once in Cary and twice in Hendersonville.

"Hendersonville embraced it and said they loved it," Bartlett said. Cary officials "thought it was a little confusing."

There was one instant runoff election for statewide office in 2010. Former Court of Appeals Judge Doug McCullough edged sitting appellate Judge Cressie Thigpen by 0.62 percent after the count of the second- and third-place voter choices.

Scott Laster, North Carolina Republican Party executive director, believes that Tuesday's low turnout could be a tipping point.

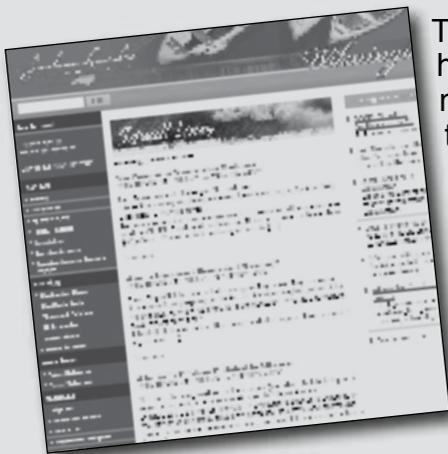
"It certainly leads us to evaluate this process and see what alternatives are out there," Laster said. Those advocating reform could "use this as a springboard to get something done for 2014."

Repeated attempts to reach state Democratic Party Chairman David Parker and Tammy Brunner, the party's interim executive director, were not successful. CJ



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Education Reform Advanced Modestly in 2012 Legislature

BY BARRY SMITH
Associate Editor

After seeing several education reform efforts advance with a change in partisan leadership in the General Assembly, Republican leaders suggest that more changes to state public school policy will make headway once lawmakers return to Raleigh next year.

"Ultimately, what we've got to be looking at is what's best for our students and what's best for our parents," Senate President Pro Tem Phil Berger, R-Rockingham, said of legislative reform efforts.

Part of Berger's Excellent Public Schools Act became law during the 2012 session. "We got the new reading program in, which is fairly substantial," Berger said. That reading program seeks to identify children with reading deficiencies and provide them with remedial instruction in kindergarten through third grade. It also requires that youngsters not reading on a third-grade level be retained at the end of the school year, unless a "good-cause exemption" can be demonstrated.

Bill Harrison, who chairs the State Board of Education, said that he agrees "100 percent that having all children at grade level by the end of third grade is key." Otherwise, they're not likely to achieve well in school later on.

Harrison, however, said he's not all that keen over the retention policy now written into state law. "I'm not sure it's as simple as we think sometimes," Harrison said.

He did say he was glad to see the budget put \$27 million into providing intervention for youngsters having difficulty reading in early grades.

Berger also touted a new "report card" method for grading schools, assigning each school a letter grade (A, B, C, D, or F) to give parents a better picture of how a school is performing. Berger said the method was geared at providing more transparency for schools.

Harrison, however, said he wondered how much the grading system would reveal since there is a strong correlation between a school's performance and the economical demographics of the area served by the school.

A couple of Berger's proposals, ending teacher tenure and providing a merit pay system for teachers, did not make it into law this year.

Brian Lewis, a lobbyist for the

N.C. Association of Educators, said he was glad to see lawmakers slow down and take a harder look at those issues before writing them into law.

Lewis said NCAE representatives expressed their concerns about how to measure teacher performance.

"Merit pay sounds really good," Lewis said. "And there's probably not one person on this planet that'd be against if one does a great job he should get paid more."

But measuring teacher performance might not be a simple task, Lewis said, noting that school system demographics vary widely in the state.

A proposal by House Majority Leader Paul "Skip" Stam, R-Wake, to provide a tax credit for businesses that funded private school scholarships for lower-income students garnered some support during the 2012 short session, but

not enough to get it out of committee and onto the House floor.

Stam said he hopes to revive the issue, or something like it, when lawmakers return for the 2013 session.

Darrell Allison, president of Parents for Educational Freedom in North Carolina, backed the tuition tax credit proposal.

"Time ran out," Allison said. "We think we've laid the groundwork for a really strong approach for 2013."

The bill would have allowed businesses to get tax credits for contributions that they made to scholarship funds for private schools. The scholarships would go to help children who come from families with incomes at or below 225 percent of the poverty level. For a family of four, 225 percent of the poverty level is \$51,863.

The maximum scholarship amount would be \$4,000 per year.

The measure "was modeled after about eight other states that have this kind of thing," Stam said.

Allison said the traditional public school model works for most children, but not for all. He said the bill would put measures in place to address academic accountability.

"We don't just want another choice option," Allison said. "We want a quality option."

Said Harrison, the state school board chairman: "I just have real, real problems with any tuition tax credit, voucher or tax credit, where we send public dollars to private schools. Where's the accountability if there are public dollars involved?"



COMMENTARY

Ed Budget Debate Requires Context

Every year, the General Assembly spends a great deal of its time debating public education spending and reform. This year's legislative session was no different.

Often, however, reports about the legislature's deliberations and actions lack historical, economic, and international context. Each is essential, providing information that helps taxpayers determine if elected officials spend their tax dollars wisely.

In recent years, public education spending in North Carolina has fluctuated. Between 2006 and 2009, state legislators approved massive, and ultimately unsustainable, increases in education spending. Despite signs of a weakening economy, operating and capital expenditures rose by more than \$1,000 per student during this period.

Those who saw the handwriting on the wall were proven correct. Since 2009, the state has maintained one of the highest unemployment rates in the nation. Job creation has been weak. As a result, tax revenue plummeted. The Great Recession hit North Carolina hard and forced Democratic budget writers to send fewer dollars to public schools compared to the 2009 peak.

Last year, under a new Republican-led General Assembly, total education spending rose slightly, but declined a bit in per-pupil terms. Other states experienced larger declines, so North Carolina's position in per-pupil expenditure rankings actually rose. The National Education Association reported that North Carolina ranked 42nd in the nation in per-pupil spending for 2011-12, compared with 43rd in 2010 and 45th in 2011.

According to the NEA estimate, North Carolina public schools spend about \$8,500 per student in local, federal, and state funds for operating expenses. Capital expenditures boost that per-pupil amount to \$9,000 a student. To put this in historical perspective, inflation-adjusted per-pupil expenditures more than tripled since 1970.

North Carolina experienced higher-than-projected revenue growth this year, so the Republican legislature was about to add \$250

million in state funds to the K-12 education budget without raising taxes. This funding would not offset the expected loss of temporary federal funds or possible decreases in local funding. To do so would have required sizable tax increases, such as those championed by Gov. Bev Perdue, state education officials, and public school lobbyists.

The way politicians and lobbyists defend their tax-for-schools proposals has not changed for decades. They claim North Carolina's public school students will not receive an

adequate education unless taxpayers agree to "invest" hundreds of millions of additional dollars in the state's public schools. They warn that the state's national and international competitiveness is at stake.

While it is true that North Carolina spends less on K-12 education than the national average, we spend more than all but a handful of industrialized nations. The latest expenditure statistics from the

Organization for Economic Cooperation and Development report average per-student expenditures among North Carolina elementary schools ranked sixth-highest in the world. Average per-student expenditures for the state's secondary school students were fifth-highest.

Despite the state's relatively high level of spending, studies linking state, national, and international test scores agree that North Carolina's public school students perform at a mediocre level in reading and math, and rank below most of our closest competitors in Western Europe and the Pacific Rim. Countries whose students outperform North Carolina's — including Canada, Japan, the Netherlands, and Finland — spend thousands of dollars less per student than we do.

The evidence suggests something we have known all along: North Carolina cannot spend its way to success in education or any other endeavor. Despite ample resources, public school students in North Carolina fail to meet or exceed the performance of many of our economic competitors throughout the world. All the money in the world will not change that. *CJ*

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



TERRY STOOPS

Buncombe School Board Member Says Majority Stifles Dissent

BY DAN E. WAY
Associate Editor

RALEIGH

After months of complaining about being bullied by her colleagues on the Buncombe County Board of Education, Lisa Baldwin has enlisted the assistance of a state lawmaker to determine whether a new board policy improperly restricts her access to public records.

The rule, adopted in June, requires board members to submit all requests for information to the superintendent of schools for "discretionary decisions" on allocating staff time. Requests submitted within 48 hours of a meeting also must go to the school board chairman for consultation with the superintendent before they're granted.

"It's unlawful, I think. It strips me of my rights not only as a board member but as a private citizen," and interferes with her ability to gather information she needs to make a fully informed vote, Baldwin said.

"I've referred that to the [attorney general's] office" for a ruling, said state Rep. Tim Moffitt, R-Buncombe, after Baldwin contacted him about the policy.

The situation in Buncombe County is not isolated. Other North Carolina school boards that have contentious relationships among members have attempted to limit access to information from members the majority may view as gadflies or nuisances. The trade association representing school boards has worked with many boards in an attempt to defuse the tensions, but critics say the association's approach also can stifle dissenting views.

"It's hard to take direction from more than one boss," Buncombe County school board chairman Bob Rhinehart said in explaining why the policy was adopted. "Particular board members were asking for things that should have been asked for, or not asked for, by the entire board."

Baldwin, who often votes in opposition to issues the majority supports, sees the action as a strike against open government.

"I think it's a slap in the face to my constituents, the parents and teachers of Buncombe County," Baldwin said. "They're pretty much bullying me."

It is not unprecedented for elected members of a public agency to complain about colleague backlash if they vote regularly against the majority.

"I would much rather see them celebrate our different points of view



Buncombe County Board of Education member Lisa Baldwin is challenging her board's new rules on obtaining public records. (buncombegop.org photo)

... than try to manipulate and bully" members into lockstep votes, said Tony Rose, a board member of the Alamance-Burlington school system who often votes in the minority and has faced his own challenges.

"It seems to me that any member of the school board should be able to ask any question that they want to ask and have that question answered without objection," Moffitt said. "I do not believe it's in the best interest of the public for any member of any of our boards to be silenced by the other members."

"Apparently I'm asking too many questions," Baldwin said of the board's reason for the policy change. "Maybe they don't want the public to know the answers to some of these questions I'm asking."

Among issues Baldwin has inquired about are: the budget and spending; opening new schools when existing ones are well below student capacity; the need to update a school facilities report and redraw school attendance zones; environmental concerns over toxic contamination at the central office building; and school staff doing repairs without permits or inspections.

She said in some instances she has made requests for information because the data are not available or not compiled in a way to make it useful for study purposes.

"We're not trying to hide information, and we're not trying to prevent people's requests from being asked," Rhinehart said.

But hard decisions sometimes need to be made to determine how staff time is best spent, he said.

"Why should [staff] spend time on it if it's not going to go anywhere," such as Baldwin's desire to research privatizing some school functions, Rhinehart said. The rest of the board had no desire to pursue privatization.

He said her requests to reformat information into a manner she prefers are time-consuming, and "it doesn't matter what information is supplied, there's still a no vote to it."

Even so, Rhinehart said, "Miss Baldwin has some legitimate questions." For example, he wants to learn more about the state Department of Environment and Natural Resources looking at environmental concerns near the central office. He said redrawing school attendance zones is a solid idea, but one made difficult by a fluid situation of people moving from high-income neighborhoods to less expensive areas due to the economy.

The friction on the Buncombe County board is not an isolated fracture, according to Ed Dunlap, executive director of the North Carolina School Boards Association.

The association has provided training to about 40 school boards, Dunlap said. One training module recommends a solution similar to the policy the Buncombe County school board adopted.

"From time to time you have an individual who may have good motives but that inundates their central office with requests for generation of information that simply takes them away from their day-to-day routine," Dunlap said.

"What we recommend when that occurs is that the board develop a procedure where the information is requested by the board of education itself," he said.

By the same token, he said, if the majority routinely rejects out of hand suggestions and requests by the minority board member, it could indicate it is the majority that is being problematic.

"[P]eople need to put on their adult hats and to work with each other," Dunlap said. "I have seen instances where the board has become so divided and so split that the community has absolutely revolted and support for the public education system as a whole goes down."

Rose believes the school boards association suffers the same affliction as his Alamance-Burlington school board and boards across the state.

"They want the superintendent to have full autonomy over everything, and they want the board to support it" as a "rubber-stamping team," Rose said.

While he expected to engage in a "marketplace of ideas" in forming board decisions after being elected, Rose said he quickly learned the mantra was, "We need to have this unified front."

Colleagues lose trust and become skeptical of motives "just by virtue of the fact that you're asking a question," he said.

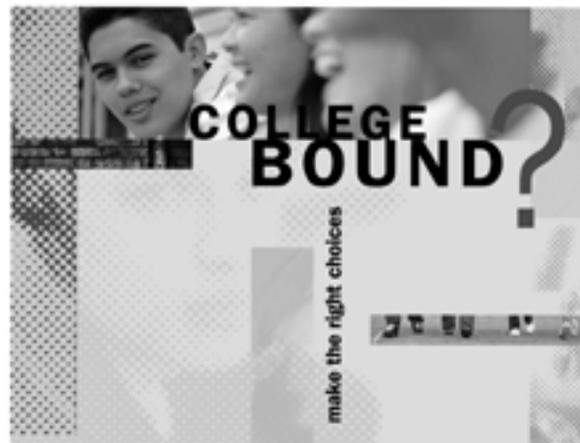
"This philosophical difference ... to me, is a battlefield because every issue is discussed and voted on in the context of this [concept]" of the necessity to back the administration fully, Rose said.

He doesn't believe the public elects officials to vote in lockstep, but to vet issues from their unique perspectives completely.

"This situation is going to need to be determined by the voters" in electing candidates who value due diligence over unanimity, Rose said. *CJ*

School bureaucrats say they need to control the number of info requests

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Florida AP Model Fails to Gain Traction in North Carolina

By KRISTY BAILEY
Contributor

RALEIGH

The Burke County Republican who introduced a bill aimed at expanding Advanced Placement participation among low-income students says he plans to take up the measure again when the state legislature convenes in January.

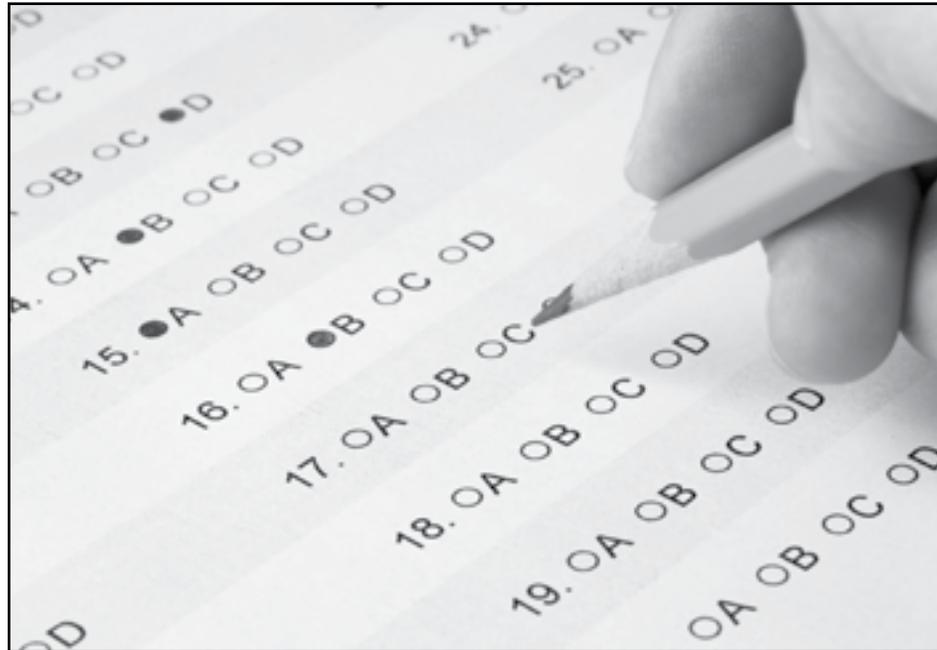
"I think it's reasonable to consider it might pass [during the next session]," Rep. Hugh Blackwell told *Carolina Journal*. "The reason it didn't go further in the short session is lack of funding. I didn't want to push it."

House Bill 965, sponsored by Blackwell and three other Republicans, died when the education appropriations committee failed to take action before adjournment in July. The bill had one Democratic co-sponsor, Rep. Becky Carney of Mecklenburg County.

Under the proposed legislation, N.C. high school students who scored a 3 or better on most AP tests would have been eligible to receive college credit in exchange for the passing grade. Teachers would have received a \$50 bonus for each student who received a 3 or better, the equivalent of a C grade, on an AP test.

Support seemed to split along party lines, with Democratic lawmakers generally opposing bonuses based on individual teachers' success, or lack thereof.

A raft of research from the College Board and other sources has found that students taking AP tests are more likely to succeed in high school, are more ready for college, and better handle the rigors of college work. High schools that prepare students for AP tests show improved performance.



A program modeled on Florida's would make high school students eligible for college credit for good grades on Advanced Placement tests, and would give their teachers a monetary bonus. (File photo)

The results are particularly impressive for low-income students.

The program is modeled on Florida's AP Incentive Program. Florida is the only state with the program and has more AP scores of 3 (out of a possible 5) or better, according to David Gupta, executive director of the Florida Partnership of the College Board. Gupta outlined the program for the N.C. House Select Committee on Education Reform in March.

AP participation among Florida's high school students grew dramatically during the first 10 years of the program, from 2000 to 2010, according to data provided by the College Board.

In 2000, just 65,992 Florida high school students took AP exams. More than 278,000 students took AP exams during the 2009-10 school year,

the most recent period for which the figures are available. Among those, 114,430 students scored 3 or better; 26,079 Hispanic students scored 3 or better; and 6,058 African-American students scored 3 or better.

Florida provides a \$50 bonus to teachers for every student who scores 3 or better, but increases that amount to \$500 per teacher for every test passed in a low-performing school.

The House fiscal analysts estimated the price tag for the incentive program at \$11.7 million. The bill's sponsors proposed funding the AP incentive program with existing public school appropriations. Specifically, \$12.2 million would have been earmarked for administering the program in fiscal year 2012-13, including \$7.7 million for testing fees, \$2.9 million for teacher bonuses, and \$1.5 million for professional development for teachers in AP courses.

Two Democratic lawmakers on the committee questioned the teacher bonuses, which would have been capped at \$2,000 per teacher, matching Florida's program.

Rep. Ken Goodman, D-Montgomery, told *Carolina Journal* that the costs associated with implementing an incentive program seemed unnecessary. "The goals of the bill are laudable," said Goodman. But he said he has "an issue" with giving teachers bonuses for students scoring a 3 on AP exams. "That seems to be a low bar." He said he would have less of a problem if the threshold was a 4 rather than 3.

"A 3 in general is a passing score," Blackwell said. "Different schools or

universities may have different standards for what they accept for college credit, but a 3 generally suggests that you not only did well enough in the course to pass but also mastered some portion of the materials. The idea is not that we are just paying more people to enroll in a class. The idea of the bonus is to reward the teacher for recruiting more students and for getting them over the finish line, so to speak."

Likewise, Wake County Democratic Rep. Rosa Gill said she supports the idea of offering AP courses to more students, but not the bonus system. Existing AP teachers already receive perks others don't, she noted, including smaller classes and extra professional development. What Gill termed "regular teachers" — the educators who prepare students in earlier grades — are left out of the bonus system, she said. "How do you reward the teachers who've prepared them all the way from kindergarten to, say, eighth grade?"

One of the bill's key provisions, Blackwell noted, is that it would have provided access to AP courses for low-income students. One proposal for defraying costs for these students included providing full state funding for the \$87 testing fee, or partial state funding of \$50, according to information provided to the committee in March by the Division of Fiscal Research. Based on an estimated 4.3 percent increase in the number of AP tests taken, had the incentive program been funded, it would have cost the state \$7.4 million to defray testing fees for all students.

Goodman said imposing an income threshold, with the state paying testing fees only for low-income students, could reduce the

costs of the program significantly.

In North Carolina, roughly 30 percent of high school students who graduated in 2011 had taken at least one AP course, and 18.4 percent scored a 3 or above on at least one AP course, according to legislative analysts. North Carolina was one of 19 states with scores above the national average, analysts noted.

According to College Board data for tests administered to North Carolina high school seniors in May 2011, the overwhelming majority of participants in AP testing were white — 15,767 of the nearly 19,000 students taking the exams. According to the board's data, 2,144 students were classified as black, 418 as Mexican-American, and 578 as "Other Hispanic." CJ

About a third of N.C. high school students who graduate have taken AP courses

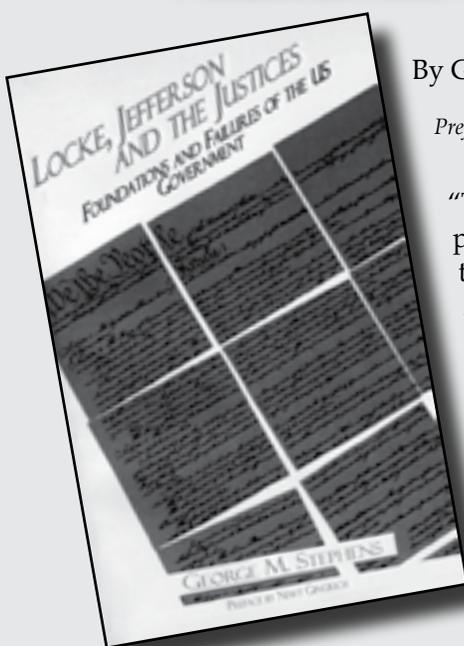
Locke, Jefferson and the Justices: Foundations and Failures of the U.S. Government

By George M. Stephens

Preface by Newt Gingrich

"This book is about American politics and law; it is also about the roots of the Contract with America. A logical place to find the intent of the Founders is in Locke, [and] Stephens makes a contribution to highlighting this."

Newt Gingrich
Former Speaker
U.S. House
of Representatives



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Town and County

Health, DSS boards

A new law gives county commissions greater flexibility in overseeing local health departments and departments of social services, writes the *Wilmington Star-News*.

House Bill 438, which Gov. Bev Perdue has signed into law, allows county commissions to abolish existing local health and social service boards and assume their powers, including the authority to hire and fire directors. Currently, the boards hire and fire directors, leaving county commissions only limited influence on the composition of the boards.

If a county commission chooses to abolish its health department, it would be required to establish an advisory committee. Advisory committees for social services departments are optional.

"This is something that the taxpayers of the county expect from the commissioners — that they have oversight of all of their departments," said Pender County commission chairman George Brown.

Brown wants Pender's DSS and health directors to fall under the direct supervision of the county manager's office.

The law also gives counties the option of merging their DSS and health departments.

Copper recycling

The General Assembly has toughened penalties for those caught stealing metal to sell as scrap. The Metal Theft Prevention Act also places new restrictions on scrap dealers, reports the *Fayetteville Observer*.

Higher metal prices, particularly for copper, have inspired the theft of air conditioners, plumbing pipes, electric wiring, and other items for resale as scrap. And thieves often are not gentle in removing the metal.

"[Metal thieves are] not worried about what it's costing anyone else," said detective Paul Davis of the Fayetteville Police Department. "They might get \$20 to \$30 for a copper coil, but it costs thousands to replace or repair."

The Metal Theft Prevention Act requires all metal recycling companies to obtain a permit from the local sheriff's office. Recyclers no longer can pay cash for copper but must issue a check.

They also must photograph the items being brought in and the person bringing them in. Fingerprints will be required of those selling copper. CJ

Cities Use Taxes to Discourage Sweepstakes

By DAN E. WAY
Associate Editor

HILLSBOROUGH
Staring intently at the color-splashed computer screen in front of him, J.C. Andrews twirled a mouse and prepared himself for whatever the video game threw at him.

"People really enjoy this," said Andrews, a Hillsborough resident and regular customer of Boone Square Business Center. The video café offers sweepstakes prizes for patrons who buy Internet time or long-distance telephone service. "You win some, you lose a little."

The sweepstakes industry is a sizable, if controversial, juggernaut in North Carolina. The state Supreme Court is expected to rule later this year whether it is legal.

Meanwhile, state lawmakers and many municipalities already have crafted laws to tax and regulate the businesses, which critics contend are a back door to gambling. Hillsborough's experience is no different.

Andrews characterizes the several establishments in and around Hillsborough as safe, friendly, alcohol-free diversions.

"The state has a lottery, doesn't it?" he said.

The sweepstakes parlor tax issue popped up in House Bill 1180, an unsuccessful measure introduced in the last legislative session.

"My bill did not legalize [sweepstakes parlors], but said if they're still there in October, then they will be taxed in January," said state Rep. Bill Owens, D-Pasquotank.

Tax revenues would have been "anywhere from almost \$100 million to \$300 million" annually, earmarked for law enforcement and public education, Owens said.

Under the bill, counties and cities could charge \$1,000 a location and \$500 a machine. The state would have imposed a \$2,000 license fee, \$1,000 fee per machine, and 4 percent state tax on gross revenue.

Currently, municipalities have the power to tax Internet cafés, but counties do not.

Owens said Currituck County is "like a little Vegas." Proliferation of the Internet parlors is why the industry needs to be regulated.

Rep. Timothy Spear, D-Washington, also a primary sponsor of the bill, said, "There was not much interest on the House side this session" and even less in the Senate.

"We'd really like to outlaw it or stop it," said Spear, who, like Owens and Rep. Bill McGee, R-Forsyth, another primary sponsor, is retiring from the House. "I don't know that we can stop them, so if we can't stop them it's time to regulate them."

Rep. Jeff Collins, R-Nash, the only returning primary sponsor of the bill, said whether he reintroduces it



J.C. Andrews, playing a video sweepstakes game at Boone Square Business Center in Hillsborough, says the games are fun diversion. (CJ photo by Dan E. Way)

next session depends on the Supreme Court ruling. If the court declares the machines illegal, there will be no need for the legislation.

Collins supports the fee schedule in H.B. 1180. But he wants the revenue used for corporate income and gasoline tax relief.

"I don't want it to be just more money for the state to spend," Collins said.

"If they're legitimate business operations, let's regulate them the way we regulate other things," such as alcohol and tobacco sin taxes, he said.

The state Court of Appeals has ruled a North Carolina statute banning the sweepstakes games is unconstitutional on First Amendment grounds of protected speech. The case, arising out of Guilford County, is now before the Supreme Court.

The plaintiffs, Hest Technologies of Texas and International Internet Technologies of Oklahoma, sell long-distance telephone time and high-speed Internet service. Sweepstakes entries accompany the purchases as a marketing tool.

Prizes for winning entries can be revealed only on a computer screen. Purchasers have the option of being informed immediately whether they won, or playing a video game to find out. Prizes are preprogrammed into computer software, so the outcome is unaffected by how the buyer chooses to determine if he's won a prize.

Meanwhile, Fayetteville attorney Lonnie Player represents Internet café clients in Fayetteville and Lumberton in separate cases now before the state Supreme Court.

"My cases deal with the tax aspect only. They do not deal with the legality of sweepstakes," said Player, who believes the state should pass legislation setting uniform standards of taxation.

"These taxes should not be at the whim ... of hundreds of municipalities," he said.

Player believes municipalities dislike the Internet cafés and are trying to regulate them out of existence by slapping exorbitant (and, he says, un-

constitutional) business privilege taxes on them.

"The power to tax is the power to destroy," he said.

Player's clients claim the municipalities wrongly jacked up the privilege taxes to excessive levels that threaten the cafés' livelihood. In Lumberton, the tax went from a flat fee of \$12.50 to a minimum of \$7,500, with rates set at \$500 per location and \$2,500 per machine.

In Fayetteville, the rate went from a \$50 flat fee to a minimum of \$4,500. The location is taxed \$2,000, and each computer terminal \$2,500. Player noted that the privilege tax for topless bars that serve alcohol is only \$100. Internet cafés there do not serve alcohol.

Bill Sinclair, a general contractor from Rockingham County who owns Boone Square Business Center in Hillsborough and another Internet café in Winston-Salem, said he was stunned when he learned Hillsborough was about to raise his business privilege fees from about \$80 annually to \$65,000.

Internet café owners objected to the exploding fees, prompting the town to revise them in accordance with the language in H.B. 1180.

"I'm still looking at \$20,000, which is a darn site more than \$75 or \$80," Sinclair said, noting that he doesn't pay that much for the business privilege license on his Winston-Salem venue, which is in a much larger jurisdiction with higher revenues.

"I perceive that they're a kind of business that tends to suppress other kinds of business from moving into areas ... that tends to sort of degrade neighborhoods more than other businesses," Hillsborough Mayor Tom Stevens said of why some on the Town Board wanted to raise fees to discourage more Internet cafés from opening.

The town also may consider zoning revisions to regulate the businesses further, Stevens said.

Sinclair said his landlord and business neighbors told him they are glad he is there, and he has received no complaints. CJ

Taxiway Over I-73 Could Open PTI Development Floodgates

By SAM A. HIEB
Contributor

GREENSBORO
Officials with Piedmont Triad International Airport are busily working on an ambitious plan they believe will be a key part of transforming PTI into an "aerotropolis."

Plans call for an airplane taxiway over the proposed Interstate 73 that will run along the airport's west side. PTI already owns 900 acres there, but Bryan Boulevard — as the four-lane thoroughfare is now called — is "sort of an impenetrable barrier right now," said Kevin Baker, PTI's executive director.

"We're landlocked. We don't have access to large sites, and this will solve that problem," Baker said.

"It's so important to be able to expand and say yes to companies when they come looking for a site.

It will give us the opportunity to pursue companies that are large employers."

The 3,000-foot taxiway would cost \$56 million, with funding coming from federal, state, and local governments.

I-73 was proposed in the 1990s as part of an interstate system from Michigan to Myrtle Beach. Part of the new highway will run along the existing U.S. Highway 220 corridor through Greensboro before picking up Bryan Boulevard, which essentially runs from N.C. Highway 68 past the airport to within a couple of miles of downtown.

Initially, there were questions about exactly where I-73 would run, given that some sections of existing highway proved problematic.

PTI authority chairman Henry Isaacson said the original plan was for I-73 to be phased in along another section of N.C. 68 at Interstate 40 between Greensboro and High Point.

But that plan proved to be too expensive and complicated. So Isaacson consulted with Doug Galyon, former longtime chairman of the N.C. Board of Transportation, to see if I-73 could be rerouted along Bryan Boulevard.

That proved to be a better plan, but it cut off PTI from developable land. Galyon's solution was a taxiway over the highway.

"It's an incredible project. What it will allow us to do is develop many hundreds of acres that we already own. We just can't get to it with an airplane," Isaacson said.

Baker added the 900 acres could

be developed into many small projects, but the goal is a large aerospace company that could bring hundreds — if not thousands — of jobs to the Triad area.

"In this business of attracting large aerospace manufacturing companies, large sites put you at a different level of competition. It will allow us to be in the hunt for a monster project whenever they come along," Baker said.

Airport and transportation officials want the taxiway bridge and the section of I-73 built in concert. Right-of-way acquisition on I-73 will start in the next couple of years, with construction beginning in 2016.

Baker said right now the bidding process is evolving. Building a highway and a taxiway are indeed similar projects, and Baker added there are many companies out there who do

what's known as "heavy and highway."

While the thought of seeing an airplane crossing an interstate highway might seem incredible to the millions of commuters driving along the highway, Baker insists PTI will not be breaking new ground, figuratively speaking.

The most recent example is right down the road in Atlanta, where Hartsfield-Jackson International Airport's fifth runway runs over I-285, one of the busiest highways in the country.

According to the airport's website, Hartsfield-Jackson's fifth runway took five years to build and has averaged more than 100,000 landings and takeoffs per year.

While plans for the 900 acres provide for several smaller projects, city and airport officials certainly would love to land another tenant like HondaJet, which located its headquarters at PTI in 2007 with the help of incentives from the state, Guilford County, and Greensboro.

Plans remain for HondaJet to set up a manufacturing operation that would employ 400. HondaJet both would manufacture corporate jets and manufacture, warehouse, and distribute jet parts.

Those plans have stalled, and CEO Michimasa Fujino in October announced that production of the corporate jet would be delayed due to engine problems.

HondaJet since has tested a prototype and hopes to begin full-scale production sometime next year. CJ



COMMENTARY

Suicidal 'Smart' Growth

As we documented in our 2006 report "Planning Penalties In North Carolina: Why Other N.C. Cities Should Not Follow Asheville and Wilmington," excessive land-use restrictions, including many that are touted as "smart growth," drive up housing prices, increase the cost of living, and drive out the poor and minorities.

The latest research by Mark Schill and Joel Kotkin, reported on Kotkin's New-Geography.com website, shows that when cities are ranked according to average annual wage adjusted for the cost of living, many hip, smart-growth cities drop out of sight.

Lacking zoning and other restrictive land-use policies, Houston rises to the top. Why? Houston's cost of living is low primarily due to low home prices. Houston's ratio of median home price to median annual household income is 2.9, very low compared to many high-wage cities such as San Francisco, where home prices are 6.7 times the median household income. Why are Houston's home prices low? The city lacks zoning and allows home supply to keep up with demand. In other words, by letting the market in home building work, Houston allows entrepreneurs to build homes at competitive market prices.

Does that mean Houston is an "unplanned," anything-goes city? On the contrary, planning in Houston occurs through private contracts at the neighborhood level via restrictive covenants. Instead of one-size-fits-all land-use regulations imposed by planners and politicians, homebuyers select the level of regulation they want from numerous Houston neighborhoods.

Where do North Carolina cities rank? The Schill/Kotkin research is based on the 51 largest metropolitan statistical areas, so only the Charlotte and Raleigh MSAs are ranked. Charlotte ranks sixth and Raleigh 20th.

Back in 2006, when we wrote "Planning Penalties," most North Carolina cities had home prices two to 2.5 times the median income for the area. Asheville and Wilmington, where there were more restrictive land-use controls, were more

expensive, with home prices about three times the median household income. These ratios were not as bad as Boulder, Colo., at 4.1, Boston at 5.5, or Los Angeles and San Diego at more than 8.

But the numbers are not as important as the direction. Since then, Raleigh, Charlotte, and other North Carolina cities have ignored Houston's example and rushed to follow Asheville and Wilmington

by increasing their land-use controls. Raleigh, for example, is implementing a new comprehensive plan that contains lots of smart-growth controls.

In other words, North Carolina cities are going in the wrong direction. Cities that want to attract businesses and jobs need to follow the example of Houston and decrease their land-use controls, making housing

more affordable and lowering the cost of living.

As Davidson's unfortunate experiment with smart growth shows, more land-use controls make a city less economically and racially diverse.

Census data show that in 1990, Davidson was about 82 percent white. After imposing mandates that developers construct more "affordable" housing, the town is 88 percent white. Over that time, the state has become more racially diverse, not less, going from about 76 percent to 68 percent white. Davidson commissioners give lip service to improving racial diversity as their policies encourage racial and economic segregation.

It's the opposite of what the liberals on the Raleigh and Charlotte city councils claim they want.

Here's what Schill and Kotkin recommend:

"Maintaining affordability and a wide range of high-paying jobs may not be as glamorous a metric for success as the number of hip Web startups or the concentration of educated people. But over time [they are] likely to be about as good a guide to future prospects as we have."

CJ

Michael Sanera is director of local government studies at the John Locke Foundation.



MICHAEL
SANERA

Durham Considers Cracking Down on Vibrant Food Truck Scene

BY SARA BURROWS
Contributor

The friendliest city to food trucks in North Carolina may kick food trucks off its streets, or at least streets where there are restaurants nearby.

For the last several years, Durham has fostered one of the most popular "street food" scenes in the country. The roughly 40 food trucks that roam Durham's commercial areas and neighborhoods have appeared on reality TV shows and contributed to the city's reputation as a national food destination.

Despite — or perhaps because of — the food trucks' success, city planners have proposed banning them within 100 feet of restaurants and 300 feet of special events, including Durham's weekly farmers' market, which has become a hot spot for food trucks. Taking up more than one parking space also could become illegal, even if trucks paid for both spaces.

Food truck fans packed into city hall July 9 for a public hearing on the matter. Dozens of people spoke passionately in support of food trucks, and no one offered comments against them.

Nick Johnson of The Cookery — a commissary where many of Durham's food trucks prepare their food — said creating buffer zones around restaurants would blur the line between public and private property.

"If [the trucks are parking on] public right of way, it's as much mine as it is yours or anyone else's," Johnson said. "The rights of the restaurant owner don't extend to the public area outside of that restaurant. There's nothing that says another restaurant can't open next door, and there shouldn't be."



Nick Johnson, who operates The Cookery, a commissary where food truck operators can prepare food, says the rights of restaurants shouldn't extend to public rights of way. (CJ photo by Jon Ham)

Judy Lessler, the president of Durham's Farmers' Market, said food trucks attract more customers to the market.

Lindsay Moriarty of Monuts Donuts food truck said she wouldn't have been able to start her business had the proposed regulations been in place at the time. Nor does she know if she'll be able to keep it going if the regulations are passed.

Several food truck patrons spoke about how the restrictions on food trucks would eliminate their options as consumers.

"I would like to have the choice as a citizen to determine who is where by spending my dollars, and I think some of these restrictions eliminate my ability to choose," said downtown resident Matt Davis.

Scott Harmon, another downtown resident, called the proposed rules protectionism, "the No. 1 enemy of innovation and entrepreneurship."

were modeled after those in cities like Chapel Hill and Raleigh.

Raleigh also protects existing food providers by setting 100-foot buffers around restaurants and 50-foot buffers around hot dog stands. Pair that with a rule prohibiting food trucks from parking on public streets — they're allowed only on private property — and virtually all downtown Raleigh is off-limits to food trucks.

Many of the citizens who spoke at the city council meeting in Durham said they chose to live in Durham at least in part because of its diverse and vibrant food scene. They said that vibrancy is enhanced by street food vendors.

Stenke said that while he hopes Raleigh becomes the new Durham in this aspect, he also hopes Durham doesn't become the old Raleigh.

Mayor Bill Bell and Councilman Michael Woodard spoke after the public comment period.

"My thought is that we ought to back up for a couple of months here and keep the conversation going," Woodard said. "I couldn't be more happy to hear about the meeting this afternoon between the farmers' market vendors and the food truck vendors. That's a conversation that should've happened some time ago, and if it took us with a proposed bit of overregulation to get that conversation going, then I'm glad we did that."

"Ultimately, city council will make the final decision on this issue," Bell said. "Restaurants and food trucks are a very important part of the economic engine of our community. I'm convinced we've got to find ways that both of them can co-exist, and I'm sure we will." CJ

Michael Stenke of Klausie's Pizza said he got his food truck business started in Durham while he's spent the past two years working to get Raleigh's laws on mobile food vending liberalized.

"Finally, the law has changed," Stenke said. "Mind-sets have changed, to a large degree because they saw the value of food trucks in Durham."

While Raleigh's laws remain more stringent than Durham's — food trucks can park only on private property, not public streets — Stenke said the city council now is considering loosening them further.

"Did all of the people who've moved their trucks and families to Durham make the wrong bet?" Stenke asked.

Planning supervisor Grace Smith admitted that the buffer zones were proposed as a result of complaints from restaurant owners and some farmers' market vendors. She said they

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Failed Parton Theater Could Become Internet Café

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emerge from this in a few years," said Roanoke Rapids Mayor Emery Doughtie.

Attorneys for the entities are conducting negotiations privately. The talks come amid a backdrop of various lawsuits now before the state Supreme Court — along with legislative and municipal attempts across North Carolina — either to outlaw or tax and regulate stiffly the prize-generating Internet parlors critics assail as an expansion of gambling.

The city originally borrowed \$21.5 million and received additional state support to build the entertainment venue as the Randy Parton Theatre, expecting it to attract large crowds of tourists by trading on the Parton family name. Randy Parton is the brother of country music stars Dolly and Stella Parton. Initially, he managed the theater and was the principal headlining act at the venue.

The hope was that the theater would spark further entertainment, restaurant, and hotel development in a 1,000-acre area called Carolina Crossroads just off Interstate 95. The theater encompasses 35,000 square feet and seats 1,500.

The project, approved in 2005, was the first major economic development underwritten by a North Carolina municipality using tax increment financing.

Under TIF, a public economic development investment is supposed to improve the values of surrounding property; the incremental increase in property tax collections then is used to repay the borrowed money. But when the project failed, Roanoke Rapids was left with a debt to retire and little revenue to do so.

The entertainment district now is mostly vacant land.

Randy Parton was replaced in 2007 as manager of the theater, a few months after it opened. Crowds had dwindled, few other musical acts were booked, Parton irritated the city through questionable practices such as buying custom-tailored clothes for him and his wife at taxpayer expense, and allegedly showing up intoxicated before a performance.

The city took over operation of the 1,500-seat theater and has been unable to market it to a buyer. Though there are still occasional shows there, it mostly serves as a host facility for wedding receptions and community events that produce little revenue.

Doughtie said the lease-to-buy deal would allow the new operators to book shows and run the theater for 12 to 18 months on a trial basis. They would place the Internet machines in about 10 percent of the building's space, none of which would be in the



Hopes were high in Roanoke Rapids in December of 2007 when the "Carolina Christmas" show was scheduled for the new Randy Parton Theatre. (CJ photo by Don Carrington)

performance section of the theater. The suitor also is interested in further developing the entertainment district.

The theater now has an Alcohol Beverage Control permit for sales of alcohol. Any new operator would have to obtain a permit from ABC to continue providing alcoholic drinks.

City Councilwoman Carol Cowen said she's never been inside a sweepstakes business but has no objection to them.

"We don't have lots of people running here to buy this theater," Cowen said. "I think our citizens would prefer selling it for some cause to bring money in here instead of increasing taxes."

Asked whether the city would take a loss on the sale, she said, "Oh, yeah, even if we get the asking price." She didn't give details, saying the numbers were still proprietary.

The city council hopes to be able to refinance its debt and lower payments if it strikes this deal. Job creation and increased sales taxes would be further bonuses.

"The payment on the theater takes about a third of our ad valorem tax money," Doughtie said. "Our payment currently is about \$1.8 million" a year, and outstanding debt on the the-

ater and surrounding land is about \$17 million.

"The only way really we have to raise revenue is through property tax, what we get through sales tax" and various fees, Doughtie said.

"We're just really struggling to provide the basic services to the community" such as street repairs, police, and fire protection, Doughtie said. Pay raises and most capital improvements are on hold. The city has gained little traction in the General Assembly in attempts to get a one-cent sales tax approved to help pay the debt.

Aside from the investment group, whose principals Doughtie said "are not from North Carolina," the city still has a verbal offer to purchase the theater and land from Lafayette Gatling, a former North Carolina resident and developer now living in Chicago.

Doughtie said that deal could still be consummated if Gatling agrees to it in writing before the investment group reaches an agreement with the city.

"The city doesn't need to be in the entertainment business," the mayor said, acknowledging the city has received "a little bit of criticism from some people about the gambling

stigma" associated with the Internet sweepstakes decision.

"I'm all for the theater being an Internet café," said Rose Nicholson, owner of Carolina Cyber Center in Roanoke Rapids. She operates about two dozen sweepstakes machines.

She said a sweepstakes business at the theater likely would attract more players to the border community from Virginia, where the games are banned. So it would enhance her business instead of competing with it.

The software companies that provide the games restrict their use to a specific site within a protected zone of several miles. There are hundreds of games available, so players will rotate to different sites to try something new, Nicholson said.

Gardner Payne, owner of the S&G Internet and Sweepstakes parlor in Roanoke Rapids, is pleased that in approving ordinance amendments to allow electronic games at the theater, the city extended the rules to existing Internet cafés. Those include later operating hours and the ability to sell alcohol on premises.

But the *Daily Herald* newspaper in Roanoke Rapids said Payne — a Raleigh attorney and longtime Democratic Party fundraiser — objects to capping business privilege taxes at \$80,000, based on \$2,000 for the first five machines and \$1,000 for each additional machine. He said the cap gives an unfair competitive edge to a large operator with room to grow and add many machines beyond the taxable limit.

City officials say they would gladly take a loss if they could just sell the theater

Lacking Support, Plan for Proposed Port at Southport Sinking

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two years ago.

The maritime study estimates that a new port at this site would cost \$5 billion to \$6 billion. The study also described how the existing state-owned ports at Morehead City and Wilmington could be improved for a much lower price tag.

The Ports Authority board, led by Chairman Carl Stewart Jr., in December 2005 approved the purchase. To obtain funding, the transaction needed the backing of Easley and his Council of State. The Council of State — made up of the governor and the nine other independently elected state officials, including the lieutenant governor, attorney general, and state auditor — must approve most state real estate transactions. In February 2006, the council authorized the Ports Authority request to purchase the property.

Project stalls

The project stalled because that specific site has three major problems: It is located adjacent to Progress Energy's Brunswick Nuclear Plant; there is significant organized local opposition to the project; and a new port has little support in the General Assembly.

The General Assembly passed legislation in 2007 directing the governor's Office of State Budget and Management to coordinate the development of a statewide logistics plan to address the state's long-term economic, mobility, and infrastructure needs.

Perdue became governor in January 2009. In response to the General Assembly's directive, she created the Governor's Logistics Task Force, appointed 30 people to serve on the committee, and designated Dalton to serve as chairman. The Maritime Strategy report was part of that effort.

The U.S. Army Corps of Engineers would be responsible for a substantial dredging operation if the new port were to be built. It studied the idea in a preliminary feasibility study called a Reconnaissance Study and dropped the site from further study after the General Assembly indicated it was unfavorable to the new port.

A spokeswoman for Perdue told *Carolina Journal* that our "future leaders" would have to decide the best use of the property that was purchased for the port.

Toby Bronstein, a spokeswoman for Save the Cape, an organization opposed to the proposed port, told *CJ* she is encouraged by the recent opposition expressed by Dalton and McCrory, but a future General Assembly could revive the project.

The purchase

In the early 1970s, the pharmaceutical company Pfizer began buying land along the river adjacent to



The 600-acre site, shown in the aerial photo above, is bounded at the top by the Brunswick Nuclear Plant, and on the right by the nuclear plant's cooling channel. (CJ photo by Don Carrington)

the nuclear plant to construct a citric acid production facility. The facility was constructed in 1973, but it did not occupy all the land that Pfizer had acquired.

By the early 1980s, Pfizer offered for sale some of the land, including the site eventually purchased by the Ports Authority. In 1990, Pfizer sold its citric acid plant to agribusiness giant Archer Daniels Midland, but it retained ownership of several undeveloped adjacent properties.

In early 2005, Pfizer enlisted the Staubach Company, an international real estate firm, to sell the vacant 600 acres. In October 2005, Staubach notified North Carolina's Southeast, a state-funded regional economic development organization, that it was marketing the tract.

Paul Butler, the Southeast director at that time, told *CJ* he contacted the Ports Authority about the land. CEO Tom Eagar immediately initiated actions to acquire it, even though he had no study justifying the development of a new port or any feasibility study for that specific site.

"There is no way this project will fail. There is no way we can allow this project to fail," Eagar told *CJ* during a break at a Ports Authority board meeting in May 2010. Eagar joined the Ports Authority staff in 2000 and became chief executive officer in 2004. He said the state-owned ports at Morehead City and Wilmington are not adequate to meet the economic development mission of the authority.

Referring to ports in Virginia, South Carolina, and Georgia, Eagar

said, "I get angrier than hell, and I mean angry when I see what neighboring states are doing to us — the economic impact that their ports are having." His commitment to the proposed port is solid. "I may go down in flames, but I will not give up the effort to have this port built," he said.

Stewart, a Gastonia attorney and former speaker of the N. C. House of Representatives, has served as chairman of the Ports Authority since 2004. He was appointed by Easley and then reappointed in 2010 to another six-year term by Perdue. Last year the General Assembly moved the authority from the Commerce Department to the Transportation Department.

At Commerce, the authority essentially became an independent agency with decisions made by the

authority's board of directors. After the move, DOT Secretary Gene Conti declared he had the power to hire and fire the CEO and terminated Eagar in January. Conti then selected Chief Financial Officer Jeff Strader to serve as executive director.

Nuclear neighbor

The site is adjacent to the Brunswick Nuclear Plant and the federal government's Military Ocean Terminal at Sunny Point, the nation's largest ammunition handling port. Progress Energy has expressed concerns about the proposed NCIT to both the Ports Authority and the Army Corps.

Progress Energy Carolinas CEO Lloyd Yates, in September 2009 correspondence to the Army Corps, high-

lighted the utility's concerns. "Progress Energy has not taken a position on the proposed NCIT and will not do so until all risks are identified and resolved," he wrote. "[T]he location of the proposed NCIT raises significant operational and security issues for our company."

Yates said a major construction project, along with ongoing shipping operations directly adjacent to the nuclear plant, would challenge plant security. Another major concern is that NCIT's docks would be adjacent to the plant's cooling water canal, and any disruption or contamination of the cooling water could pose a serious hazard. Yates also said that Progress has provided the Nuclear Regulatory Commission with a list of specific issues to be resolved.

Progress has been concerned about an incompatible neighbor for at least 30 years. In the early 1980s, the Williams Companies, a Tulsa-based natural gas company, explored purchasing the Pfizer site to develop a coal handling facility. For the site to work, Williams needed an agreement with Progress Energy, then known as Carolina Power & Light, to share the company's rail line that wrapped around the nuclear plant.

After a brief period of study, Progress officials determined that the possibility of a long train blocking access to the nuclear plant during an emergency posed a significant safety concern. Williams abandoned interest in the site after Progress signaled it would not cooperate.

Freight trains servicing the NCIT typically would be a mile long and presumably remain a specific safety concern for Progress.

Progress recently merged with Duke Energy, but the same concerns

The site's proximity to a nuclear plant complicates matters

Continued as "Lacking," Page 15

Lacking Support, Proposed Southport Plan Sinking

Continued from Page 14

remain. "We support the state's economic development efforts, but our primary concern is the safe and uninterrupted operation of our nuclear plant," Jeff Brooks, a spokesman for the utility company, told *CJ* in July.

Local opposition

Organized opposition to NCIT emerged quickly after the Ports Authority purchased the land. The first group to form was "No-Port Southport," and in 2010 another group named Save the Cape was formed. Caswell Beach resident Bronstein has worked with both groups.

In an interview with *CJ*, she chronicled the number of organizations opposed to or concerned about the NCIT project.

She noted that six affected coastal communities — Southport, Caswell Beach, Oak Island, the Village of Bald Head Island, Boiling Spring Lakes, and St. James — issued resolutions opposing this project, stating it would be catastrophic to the local tourism-based economy and the environment.

Bronstein also said that the Baptist State Convention, representing more than 1 million Baptists in North Caroli-

na, joined the chorus, along with Cape Fear River Watch, Bald Head Island Conservancy, Coastal Water Watch, and Cape Fear Audubon Society. Also submitting comments of opposition to the Army Corps of Engineers on the Reconnaissance Study were the U.S. Environmental Protection Agency, U.S. Fish & Wildlife Service, U.S. Marine Fisheries, N.C. Department of Cultural Resources, N.C. Department of Environment and Natural Resources, and the N.C. Wildlife Resources Commission.

She said the most compelling rejection came from U.S. Rep. Mike McIntyre, D-7th District, who stated in writing that he was pulling all federal support from the

NCIT project. He could not reconcile building a massive international port next door to a nuclear power plant, abutting the largest military munitions depot in the world. McIntyre said he agreed with the coastal communities: The proposed international port is too risky and too costly and could cause irreparable harm both economically and environmentally.

"And yet, after all these years of fighting, we are still waiting for one courageous state politician to finally pull the plug and say this project is dead, declare that it is time to transfer or sell the land and move on, unequiv-

Opposition to the proposal formed shortly after the state bought the land



Members of the "No-Port Southport" group meet in May 2010 in one of the early effort to kill the port project. (CJ photo by Don Carrington)

ocally say that \$50 million spent on a project doomed to fail is enough," she said.

Bronstein said she arrived at the \$50 million figure by adding the \$30 million purchase price, the \$10 million spent on related studies, and \$11 million in debt service so far. But since the money for the land was borrowed, the total cost of the site can't be finalized, she said.

Legislature not supportive

After the land was purchased, the authority spent \$10 million studying the feasibility of NCIT. In July 2010, the

General Assembly voted to prohibit further spending on studies for NCIT.

That didn't stop the Perdue administration from including the site in the \$2 million Maritime Strategy study that was commissioned by DOT in 2011. NCDOT hired a private-sector consulting team to conduct the maritime study.

The recently passed state budget contained language prohibiting Perdue or her successor from spending any more state funds studying the NCIT during the current fiscal year ending June 30, 2013. *CJ*

N.C. General Assembly Adjourns Leaving Medicaid Disabled in a Lurch

Continued from Page 1

syndrome, and intellectual disabilities.

The concern results from a change in state law made by the 2011 General Assembly regarding the delivery of patient care to Medicaid recipients of mental health, developmental disability, and substance abuse services. The aim is to replicate a service-delivery model used by Piedmont Behavioral Services, headquartered in Cabarrus County.

The primary emphasis of the new law was to improve services for the mentally ill. But in what may have been an unintended consequence of the legislature's actions, advocates for the developmentally disabled worry that the patients and families they serve may have been overlooked.

Julia Adams, assistant director of government relations for the Arc, said case management is key to making sure developmentally disabled patients and their families get the health care and support services that they need.

Case managers work with indi-

vidual patients and their families to make sure they get necessary health care and support services. Case managers are "experts in understanding the needs of this specific community and how to best help this community," Adams said, noting that a lot of people with developmental disabilities often have difficulty figuring out the complexities of their care on their own.

Adams said that approximately 6,000 such patients could slip through the cracks.

While a handful of area mental health organizations already have made the move to the new managed care model, most have not. However, state law requires all of them to shift to the new model by Jan. 1, 2013.

Patients and family members already are reporting problems they've encountered from the changeover in some parts of the state.

Jane Lindsey, whose 21-year-old child suffers from a number of disorders, has encountered problems getting a psychiatrist for her child.

Lindsey's family took guardianship of their child when she was 4 months old.

"She was a shaken baby," Lindsey said. The adult child sees about 12 different specialists. "She has three immune disorders," Lindsey said. "At times, she can have a list of 40-plus medications."

Lindsey, who lives in Hendersonville, said that on Feb. 14, when her child was headed home from a doctor visit, she experienced a panic attack. Despite having numerous meetings with and calls to area officials, Lindsey has been unable to get a psychiatrist to see her child for clinical intervention.

Procedures stipulate that the managed care entity must authorize such services before they are delivered.

"According to her neurologist, if she continues to have these panic attacks, she will die," Lindsey said.

Targeted management had been provided by for-profit and nonprofit private organizations. Those businesses will close down, Adams said.

She said 150 people within the Arc of North Carolina will no longer work for the private sector.

During the recently concluded short session of the General Assembly, the Arc and several lawmakers had pushed to modify the managed care plan to provide for independent case management services. However, no change was made.

Dollar said that the case management function is being provided. "Case management is integral to the MCO model," he said. "I really don't see that changing. That's what the MCOs are supposed to do, to manage the care and to make sure people are getting the appropriate care and appropriate levels of care."

Richard said that in areas where the transition has already taken place, patients are falling through the cracks.

"Every day we have people call our office, where we were previously offering case management, and they're looking for help on how to access the system," Richard said. *CJ*

Boudreaux: People Take Capitalism's Eco-Benefits for Granted

BY CJ STAFF

RALEIGH

Even capitalism's biggest fans have to admit that industrialization has made our world dirtier. At least that seems to be conventional wisdom. Dr. Donald Boudreaux, professor of economics at George Mason University, challenges that notion. Earlier this year, he spoke to the John Locke Foundation's Shaftesbury Society on the theme "Cleaned By Capitalism." Boudreaux 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: We have heard this for years and years. People have said, "Well, whether you like [capitalism] or not, it's made our lives a lot dirtier. There's a lot more pollution because of all of this stuff happening through capitalism."

Boudreaux: Yes.

Kokai: You say, "That's not the right way to look at this."

Boudreaux: That's exactly right. One of the great benefits of capitalism is that it has sanitized and cleaned our lives in ways that are so familiar to us that we take them for granted. You think of basic things — indoor plumbing. And this is an obvious one. Our pre-industrial ancestors — unless they were kings and queens, and most of us are not descended from royalty — they did not have indoor plumbing. In fact, even kings and queens, of course, did not have indoor plumbing of the quality that ordinary America has today, in 2012.

We have indoor plumbing. We have automatic flushers. We have household disinfectants. We have inexpensive soaps. We have hard roofs over our head and hard floors in our houses. We have automobiles that we travel in, so we no longer have to have animal dung on the streets where we live. We have screens for keeping insects out of our houses. We have air conditioning to keep the interior of our houses, you know, free of insects and the temperature at a comfortable, safe level. We have all sorts of cleanliness and sanitation brought to us by capitalism — brought to us by the profit motive, in most cases.

And it's true that the production of these things has its own emissions. You know, we do have more pollution of the sort that people today think of. But my point is that those kinds of pollutants — I call them big, macro pollutants — you know, carbon dioxide emissions is, today, the big one — they're real. Whatever is the appropriate approach to them — however much we want to worry about them,

"We have screens for keeping insects out of our houses. We have air conditioning to keep the interior of our houses, you know, free of insects and the temperature at a comfortable, safe level. We have all sorts of cleanliness and sanitation brought to us by capitalism — brought to us by the profit motive, in most cases."

*Donald Boudreaux
Professor of Economics
George Mason University*



whatever is the appropriate policy you agree with in terms of addressing them — I don't get into that. I'm just saying people have to realize that those pollutions that we worry about today have to be offset against the benefits that the products that produce those pollutions generate, and those products themselves, by and large, keep us cleaner — far cleaner, far healthier — our lives far more pleasant than anyone who lived in a pre-industrial society.

Kokai: I can imagine some people hearing this and saying, "Wait a minute. All of those things that you spelled out as advantages of capitalism, those are actually the benefits of regulation. Once people started getting into the mode of doing all these dirty and capitalistic things, government came in and regulated, and that's why we're cleaner — not because of capitalism."

Boudreaux: There has been regulation. In my view, most regulation comes pretty much after the fact. A government, particularly in a democratic society, is only going to impose and enforce regulation when it's affordable. But one of the greatest single cleaned-by-capitalism products that I like to talk about is underwear. We don't think of underwear as an anti-pollution device. But when the Industrial Revolution first got going, in Britain, it was in textiles. And so, for the first time, ordinary human beings had access to tightly woven, inexpensive textiles.

And you know what they did with that, the first thing? They used it as underwear. For the first time in human history, ordinary men and women were able to change the clothes that were next to their body and wash them vigorously, to disinfect them and clean them. That had nothing to do with regulation. This was ordinary people

saying, "You know, I like the fact — I'm not rich enough yet to buy several changes of clothing that are worn on the outside, but I now do have enough money to buy underwear." Because these textile mills made underwear affordable, and people bought underwear.

A nonideological economic historian at Harvard, David Landes, makes this case. I get this from his 1998 book called *The Wealth and Poverty of Nations*. So, you know, this is one of the unsung benefits of the Industrial Revolution, that it cleaned people of the bacterial pollution that we suffered for so many generations upon end. Clean underwear. No regulation involved there.

Kokai: Moving forward, if capitalism has led to all of these benefits for us in terms of making us cleaner — healthier, by implication — does that mean that we probably ought to look to capitalism for the best solutions for these other pollution ... problems that we have now?

Boudreaux: Yeah, I think so. And even in terms of dealing with the big macro pollutants, I would prefer more market-oriented approaches than more command-and-control approaches. But that's not what my talk here is about. I just want to create in people a perspective, a realization, of the reality that the capitalism that's too often criticized as being a source of increasing pollution, in fact, is not. It has substituted some forms of pollution for other forms of pollution. One way to put it is: We are lucky today to be able to worry about the kinds of pollutants we worry about.

Now, I'm not saying we shouldn't worry about them. That's a separate question, as is the question of how do we deal with them. But I think it's pretty much unambiguous when you contemplate history. We are lucky to

worry about species lost, global warming, and the other kinds of pollutions that concern us today, because we are now relieved from worry about the tuberculosis and the bacterial infections that caused diarrhea that killed our children, and the infestations of pests that wiped out crops — the fact that we didn't have hard roofs over our heads, and the thatched roofs harbored terrible amounts of insects, and they caught fire — the fact that we have clean clothes, indoor plumbing.

These things we have to understand [with] historical perspective. They are a great benefit of capitalism, and I think it's appropriate to say that they are a source of anti-pollution. So whatever pollution capitalism is causing, it has to be weighed against the others. So it has given us the good fortune to worry about less important forms of pollutants because it has gotten rid of the most important ones.

Kokai: Do you think the key to this is that people have not put the issue in proper perspective?

Boudreaux: I think that's exactly right. The world we live in is, it's so common to us in the West — you know, the fact that the roof over your head is not thatched, but it's hard; the fact that the floor that you walk on is not dirt but is some hard surface that you can vacuum; the fact that when you turn on the water, you get hot and cold running water in the bathtub; the fact that you use a toilet that flushes.

These things are so common to us, we just — it's like water to a fish: We just take it for granted. And when you take things for granted, you don't reflect on them as much as you should. And the point of my talk here is to create a reflection on these things that often go unreflected. CJ

Campus Diversity Offices Take Few Recession Hits

By DUKE CHESTON
Contributor

RALEIGH

Recent years have seen some tough times for employees and students in the University of North Carolina system, with a number of layoffs, repeated tuition hikes, and few raises. But one group of employees has weathered the storm rather well: campus diversity administrators.

Diversity offices go by different names, but they have two functions: hosting events that attempt to increase appreciation of ethnic and racial diversity, and serving as special academic counselors for minority group students. These offices are controversial; while liberals tend to see diversity appreciation as a key to solving social inequality, conservatives tend to see such a focus on race as unhealthy. In some cases, conservatives argue, they further divide races, and in any case they are wasteful, attempting to solve a problem they see as highly exaggerated.



Despite the controversy and the hundreds of millions of dollars in cuts to the UNC system's budget over the last few years, a Pope Center survey revealed that some offices of diversity in the UNC system have grown, some have stayed the same, and a couple have been reduced.

This survey, conducted using websites and email communication with the offices of diversity, did not include historically black UNC colleges, except for N.C. A&T State University, which has a Multicultural Student Center. Only administrative offices dedicated to promoting ethnic or racial diversity were included in the survey — offices dedicated solely to gender or sexual orientation issues were left out. The survey focused on changes in total numbers of employees at the offices over the last two years.

Three colleges increased diversity staff:

- UNC-Wilmington added one employee, making 12 total. Chief Diversity Officer Jose Hernandez said the increase was a response to growth in student enrollment.

- While East Carolina University's five-person Office for Equity and Diversity did not add any employees, the university's Brody School of Medicine added a new Office of Diversity Affairs with two full-time staff.

- UNC-Chapel Hill has been the most aggressive recently in adding di-

versity staff. Its Office of Diversity and Multicultural Affairs is in the process of recruiting four new employees.

The office's previous director, associate vice provost Archie Ervin, left the school in early 2011. His replacement, Taffye Clayton, has a higher rank — vice provost rather than associate vice provost. According to the office's communications specialist, Miki Kersgard, this new rank shows diversity has become a "higher priority" at UNC.

Four schools kept employment level:

- N.C. State University, which has the largest diversity office in the UNC system with 31 full-time staff, did not add employees, although the office underwent reorganization.

- UNC-Pembroke's Office of Multicultural and Minority Affairs kept two people on staff.

- UNC-Charlotte's Office of Multicultural Academic Services did not add or subtract to its four-

person staff.

- UNC-Greensboro has a five-person Office of Multicultural Affairs that, despite the efforts of the university's leadership, has not increased in staff over the last two years. In the early months of 2011, the university sought to hire a new chief diversity officer. Following public outcry, chancellor Linda Brady defended the new position as a cost-cutting measure, but in March of last year announced that the search was suspended.

A couple of campuses shrank their offices slightly.

- At Appalachian State University, one of the four members of the Office of Multicultural Student Development quit and was not replaced.

- N.C. A&T fired the director of its Multicultural Student Center, leaving only one employee.

Based on the Raleigh *News & Observer's* database of UNC employee salaries, these diversity offices cost the state about \$4 million per year in salaries alone. With the U.S. Supreme Court set to rule on affirmative action again during this fall's term in the *Fisher v. Texas* case — and little budget relief for the universities in sight — the offices may be at the center of controversy once again. *CJ*

Duke Cheston is a writer/reporter for the John W. Pope Center for Higher Education Policy.

COMMENTARY

'Society' Shouldn't Foot Higher Ed Bill

Education may have positive externalities. That is, your increased knowledge may prove beneficial to others in society. So, who should pay for it?

That question was the focus of dueling columns recently. First, University of Chicago professor Luigi Zingales published a *New York Times* piece arguing that the U.S. should get out of government subsidies for college and move toward a system whereby students pay the costs of higher education out of their future incomes.

Zingales argued that federal subsidies drive up the cost of higher education and are leading to a bubble. His proposed solution is for private-sector investors to advance students the funds they need for college, recouping the money with profits generated from the increase in the student's income that comes from college learning.



GEORGE
LEEF

Soon after Zingales' column ran there was a testy response from Richard Kahlenberg, a fellow at the Century Foundation. Writing for the *Chronicle of Higher Education*, Kahlenberg lamented that Zingales' approach would turn students into "indentured servants."

What especially raised Kahlenberg's hackles was that Zingales "conceptualizes higher education as an almost purely private good." Bad idea, Kahlenberg says, because "we are all 'beneficiaries' to some extent when other members of society are better-educated."

Kahlenberg's idea is one of those progressive shibboleths that sound so nice that they usually go unchallenged. We need to challenge it. Is it true that we all benefit when people become "better-educated," and, if so, does it follow that government ought to fund higher education in whole or in part?

Much of higher education today is about career preparation, and students have a strong incentive to find the optimal degree of training. If their training is good, they'll exchange their skills and knowledge for money with companies or individuals.

The government does not

need to intervene to tell a lawyer, for example, to become better-trained. He will figure out the point at which the cost of additional study and training exceeds the benefit from it. The same is true for all other professions and occupations.

The benefits don't go to the abstraction called "society," but to particular workers and those who deal with them.

But what about education? Let's say that education comprises all the nontraining aspects of college: learning to write a good essay; learning about history, our culture, science and the scientific method, mathematics, literature, and so on. Isn't society better off if more people absorb more of all that?

The individuals who absorb that learning may be better off. A student, Pete, who takes a good college course on,

say, British literature, very well may benefit. Perhaps he uses his knowledge to impress a girlfriend; perhaps to recommend fine books.

It's a prodigious stretch, however, to say that "society" benefits. Good for Pete that he chose to learn about literature, but there is no reason why citizens at large should be taxed to help him pay for it.

Moreover, subsidized education often is valued little by the student. Much of it goes in one ear and right out the other. Human nature being what it is, we are far more interested in getting the most we can from goods that we have chosen to pay for than from goods given to us. In a 2004 paper, economist Aysegul Sahin showed that students put more effort in their coursework when they're paying for it. Naturally.

And the book *Academically Adrift* recently demonstrated that large percentages of college students coast through without learning much at all. We ought to be leery of claims that we get more "education" just because government subsidizes it. *CJ*

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

Campus Briefs

The University of North Carolina system is re-evaluating some of its degree programs to make them more cost-efficient. At the same time, it is adding programs.

The following proposals were submitted to the UNC Board of Governors for approval during the past six months. All appear to have been accepted, and give an idea of where higher education is going these days:

North Carolina State University: Master's Degree in Global Luxury Management. A one-year degree "designed especially for students aspiring to careers in the luxury management sector of today's dynamic, global marketplace." The first semester will take place in Raleigh; the second in France (probably Nice), or Suzhou, China.

University of North Carolina at Charlotte: Bachelor of Science in Neurodiagnostics and Sleep Science. The proposal says the program is for practicing sleep technologists and electroneurodiagnostic technologists with an associate degree who want a bachelor's degree "to expand their professional knowledge and expand opportunities for career advancement."

East Carolina University: A proposal to change the name of the Department of Hospitality Management to the College of Hospitality Management. This change would make it more competitive with "nationally ranked programs" such as those of Pennsylvania State University and Purdue University.

Fayetteville State University: Bachelor's Degree in Professional Studies. This is an "interdisciplinary degree program that enables students to develop twenty-first century skills." One of its goals is to help students who have "accumulated a significant number of credits from various institutions without earning a degree."

East Carolina University: Master of Science in Health Informatics and Information Management. This would replace the existing bachelor of science degree in health information management.

Elizabeth City State University: Bachelor of Science in Sport Management. This degree prepares graduates for jobs with "professional sports teams, athletic departments, sports communication, sports agencies, health and fitness facilities, and parks and recreation organizations." CJ

Compiled by Jane S. Shaw, president of the John W. Pope Center for Higher Education Policy.

Higher Ed Survives Budget Ordeal With Little Change

By JAY SCHALIN
Contributor

RALEIGH

The wild swings in North Carolina's higher education budget may have come to a halt. Last year, UNC absorbed roughly \$400 million in cuts — a few years before that, higher ed was getting annual increases of 5 percent and more.

This year's higher education budget essentially is unchanged from last year, with the UNC system receiving a slight 0.9 percent increase and the community college system getting an additional 0.5 percent.

The main reason there was so little change in the higher education budget was because the legislature rejected its longstanding policy of raising taxes in order to increase spending. In the final tally, the total General Fund budget was \$20.2 billion, 1.2 percent higher than the \$19.94 billion that had been anticipated for 2012-13. Additionally, when higher tax revenues than expected came in, whatever additional money could be found was used both to fill a huge hole in the K-12 budget due to a loss of temporary federal funding and to patch a shortfall in Medicaid.

Both higher education systems expressed little disappointment or surprise; all parties involved in the process knew these facts coming in. There was some prelegislative session jockeying: The UNC system requested a \$216 million raise in its state appropriations — a healthy 8.5 percent. Instead, it only got \$24.6 million more than last year's \$2.54 billion, but UNC system president Thomas Ross issued a statement suggesting that he was largely satisfied.

The community college system got an additional \$5 million. "We appreciate the General Assembly's leadership in working closely with us to support our System's priorities," read a statement by the community college system. "They continue to recognize the value of North Carolina's Community Colleges."

Two big requests by UNC that largely went unfulfilled were enrollment funding and financial aid. The system's original enrollment request was for \$17.5 million, but it received only \$1.4 million. This was because the legislature made its appropriation based on the projected net increase in enrollment, rather than just counting anticipated increases in enrollment

and not the decreases. (Additions to the UNC enrollment appropriation are made according to next-year projections).

This is a far cry from previous years. Even during last year's budget crunch, UNC received \$46.8 million in anticipation of rising enrollment. Yet, overall system enrollment was down: By the most accepted measure, Full-time Equivalent Students (in which the credits of part-time students are added together to equal the credits of one full-time student), the system lost 761 students in the fall of 2011 from the previous year.

Despite these losses, none of that \$46.8 million was given back to the state.

The community college system's funding is based on actual attendance figures; this year, it had \$12.1 million

taken away after enrollment fell considerably for 2011-12.

The other big request by the UNC system was for an additional \$88.6 million for financial aid. The actual appropriations for next year will be \$141 million, \$18.6 million more than originally budgeted.

North Carolina's private colleges got additional money for financial aid, \$281,517 recurring and \$4.5 million for next year only. Proponents of these measures claim they reduce overall state spending on higher education by encouraging students to attend private colleges; since private schools receive

much less government funding than public schools do, the state's overall burden is reduced. However, critics say that this "quick fix" to offset rising tuition costs interferes with private schools' independence, which may not be best for higher education in the long run, and also could contribute to rising tuition.

UNC-TV had most of its annual \$10.6 million in appropriations restored, after having its funding threatened. Last year, its state funding was made year-to-year instead of automatic and placed under review. This year, \$9.1 million again was made automatic.

The UNC Health Care system dodged a bullet. The House eliminated the last of its \$18 million annual appropriation. Instead, its final cut was only \$3 million to the UNC School of Medicine for medical education. UNC Health Care's relationship to the state has been controversial, with private competitors claiming that its state agency status and subsidies give UNC an unfair advantage in the fight for customers.

The budget restores \$9.2 million from last year's UNC management flexibility reduction, which can be used however the university system sees fit. The legislature also provided roughly \$11.4 million to enable UNC schools to operate newly constructed buildings, such as N.C. State University's new library on its Centennial Campus.

The community colleges received a one-time \$5 million appropriation to prepare long-term unemployed North Carolina residents with job training and training in "employability skills." CJ

Jay Schalin is director of state policy analysis for the John W. Pope Center for Higher Education Policy (popecenter.org).



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Opinion

On Higher Ed Policy, Don't Wait for Romney to Rock the Boat

The presidential campaign of former Massachusetts Gov. Mitt Romney recently released a white paper setting out the Republican candidate's thoughts on improving both K-12 and higher education in America. I read through the higher education pages and found criticism of the status quo coupled with meek changes that won't rock the boat.

The paper begins with the clichés that American higher education is "the envy of the world" and is our economy's "greatest competitive strength."

Yes, there are some towering peaks among our colleges and universities — tremendous educational programs that have trained some of the world's best minds. For the most part, however, our system is one of highly expensive mediocrity.

Nor is it true that higher education is America's "greatest competitive strength." College education is sometimes useful, but many great innovators have done their work without a college degree.

Now let's get into the substance of the paper.

Romney rightfully challenges the conventional belief that the economy requires more and more workers with a college education. The paper states, "the current emphasis on the standard four-year degree may be misplaced,"

and notes that most jobs will call for two-year degrees, occupational certificates, or apprenticeships.

That is an important point. Ever since the Johnson administration, federal higher education policy has centered on the premise that the more students who earn bachelor's degrees, the better. Romney acknowledges that much of the preparation for work is better done outside formal college programs.

The paper then notes that many students are left with large debts whether or not they complete their degrees. With default rates rising, taxpayers will be "left on the hook" for a lot of unpaid college expense.

What would follow from those observations is that federal policy should stop luring students into the quest for standard, expensive four-year college degrees.

Unfortunately, the paper doesn't call for serious changes in the status quo. Its summary merely says, "A Romney administration will address these challenges by improving access and affordability, promoting innovation, and ensuring transparency about performance."

Access and affordability — those words trip off every politician's tongue when the subject is higher education. The essence of our problem is that we have already overdone it with regard to access and affordability.

Getting into the business of



financing higher education was one of America's worst decisions. Unfortunately, Romney doesn't show any interest in undoing it, even gradually. He proposes to "simplify" the federal student aid

system, but the problem isn't its complexity but rather that it is easy for so many students, regardless of academic ability, to get so much money from it.

That Romney wants only cosmetic changes was evidenced in April when he hastened to match President Obama in declaring that the interest rate on federal student loans shouldn't be allowed to rise from the ridiculously low rate of 3.4 percent to 6.8 percent.

The only substantive change is that Romney would "refocus Pell Grant dollars on the students that need them most." It's true that many Pell Grant recipients aren't from needy families, but Romney's paper does not advocate a more important change — not giving Pell Grants to students whose weak academic abilities make it unlikely they'd derive much benefit from college.

That would reduce costs much more and attack the main problem of weak students being lured into college.

Another change the Romney paper trumpets is giving students better information about the costs and benefits of college. We're told that Romney would create "consumer-

friendly data on the success of specific institutions" so that students would know about graduation rates, future earnings, loan repayment rates, etc.

Here's the trouble. At best, doing that might cause some students to choose a different college than otherwise; it does nothing to reduce the overall number of students going to college who should be pursuing some other course after high school.

Putting that information in front of students and their parents might lead some to make worse college choices than otherwise. Here's why.

Let us say that a student is considering College A and University B. The federal government's data show that College A has a 25 percent graduation rate and University B has a 33 percent graduation rate. University B appears to be the better choice.

Not so fast. There are imponderables hidden in the data. What if University B achieves its "better" graduation rate by resorting to grade inflation and relaxed academic standards?

Thus, further involving the federal government in higher education by providing information about colleges and universities is unnecessary; almost everyone already can find an abundance of such information.

Under the Constitution, the federal government has no role to play in education at all. Unfortunately, Romney doesn't propose any discernible reduction in the large role it has come to play. CJ

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



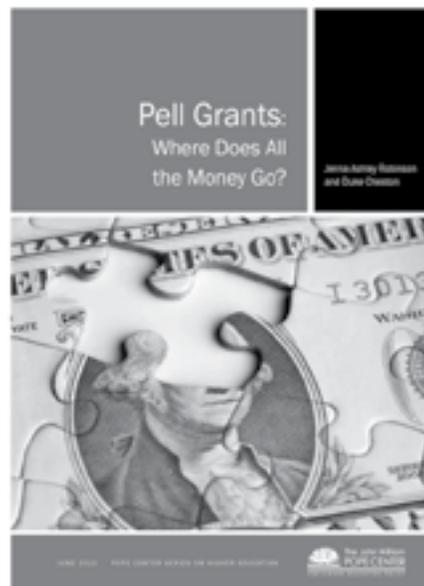
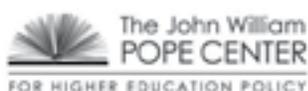
**GEORGE
LEEF**

Are Pell grants going to those who need them?

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From the Liberty Library

• The 2012 election will be one of the hardest-fought in U.S. history. It also may be one of the closest, highlighting serious concerns about voter fraud and bureaucratic incompetence in the conduct of elections. If we don't take notice, we could see another debacle like the Bush-Gore Florida recount of 2000.

In *Who's Counting?*, John Fund and Hans von Spakovsky expose serious problems with our election system, from voter fraud to a slipshod system of vote counting. Voter fraud is a well-documented reality in American elections. We will pay the consequences in 2012 if a close election leads us into partisan battles and court fights that will dwarf the Bush-Gore recount wars. More information at www.encounter-books.com.

• In her stunning new exposé, *Fast and Furious: Obama's Bloodiest Scandal and Its Shameless Cover-Up*, Townhall editor Katie Pavlich blows the lid off a scandal that just might bring down the Obama administration. While other scandals cost money, *Fast and Furious* cost lives, including those of Border Patrol agent Brian Terry and Immigration and Customs Enforcement agent Jaime Zapata, who were gunned down with weapons that our federal government put in the hands of Mexico's narco-terrorists.

Pavlich explains exactly what the *Fast and Furious* operation entailed, who was involved, and how the White House will stop at nothing to advance its anti-gun agenda. Learn more at www.regnery.com.

• Popular culture has divorced itself from the life of the mind. Who has time for great books or deep thought when there is "Jersey Shore" to watch, a txt 2 respond 2, and World of Warcraft to play?

At the same time, those who pursue the life of the mind have insulated themselves from popular culture. It wasn't always so. *Blue Collar Intellectuals* vividly captures a time in the 20th century when the everyman aspired to high culture and when intellectuals descended from the ivory tower to speak to the everyman.

Author Daniel J. Flynn shows us how much everyone has suffered from mass culture's crowding out of higher things and the elite's failure to engage the masses. More at www.isi.org/books. CJ

Book review

Tyrrell's Liberalism Obit A Fun Read, Even If a Bit Hasty

• R. Emmett Tyrrell Jr., *The Death of Liberalism*, New York: Thomas Nelson, 2012, 168 pages, \$19.99.

By DAVID N. BASS
Contributor

RALEIGH

In September 2009, journalist Sam Tanenhaus published a book titled *The Death of Conservatism*. Conservatives proved his obituary embarrassingly wrong a year later by routing liberals at the state and federal level in the 2010 midterm elections.

In the same vein, I fear that R. Emmett Tyrrell's opus to liberalism's death is greatly exaggerated — much as I want to believe it.

At a tidy 168 pages, *The Death of Liberalism* is a brief but rollicking criticism of contemporary progressives. (In the book, Tyrrell is careful to capitalize "Liberalism" to distinguish it from classical liberalism, but I use the standard lower case in this review.)

Tyrrell's characteristic biting and witty style delivers plenty of chuckles, and his thesis is supported with good evidence. But like Tanenhaus' tome, it might prove premature.

"Conservatives have grown in numbers, and liberals have stagnated," Tyrrell writes. "I estimate that today there are more bird-watchers than liberals in America, and possibly more nudists. If trends continue, there will undoubtedly be more nude bird-watchers."

More Americans do self-identify as conservative than liberal, and have for quite some time. Alas, that doesn't mean liberalism, as a political philosophy, is deceased. To the contrary, although Americans increasingly trend toward the conservative position on issues such as taxes and abortion, in other areas liberalism has made significant strides (think entitlements).

As I write this book review, the Republican-appointed chief justice of the U.S. Supreme Court has just upheld the core of President Obama's health care reform law. Liberalism dead? Hardly. But conservatives certainly have the upper hand, and there is reason for optimism. Tyrrell's diagnosis shows that liberalism is dying, though not yet dead.

That issue aside, Tyrrell gives the reader a jolly good time in the rest of his book. Those familiar with *The American Spectator*, of which Tyrrell is founder and editor-in-chief, will recognize his cuttingly clever prose immediately.

The most humorous chapter, "Liberalism's Origins: A Capriccio of Nonsense," discusses the intellectual origins of liberalism. Tyrrell singles out the Genevan philosopher Jean-Jacques Rousseau and communist theorist Karl Marx for stinging scorn.

"Rousseau was rude, antisocial, megalomaniacal, quarrelsome, occasionally given to bizarre dress, and mentally ill," Tyrrell writes. Rousseau also "suffered a mysterious dysfunction that gave him the need to urinate with embarrassing urgency."

On the other hand, Marx "had a bad diet," drank too

much strong ale, was "extremely dirty," and secretly impregnated his housekeeper. He also had "outbreaks of boils all over his body, and had them "on his bottom when he was writing *Capital*, which doubtless added to the tome's irritable tone and disorderly structure."

Playing off his critique of Rousseau and Marx, Tyrrell makes the point that conservatives have a rich ideological heritage, while liberals can't legitimately make the same claim.

"The liberals really have no formidable ancestors to claim — certainly no [Edmund] Burkes, not even a couple of the Founding Fathers," he writes. "Maybe Jean-Jacques Rousseau or more recently Saul Alinsky, but the first is lost in his dithyrambs and the second probably stole hubcaps or maybe whole cars."

In other chapters, Tyrrell recounts two periods of "civil war" within liberalism. The first, between 1946 and 1948, followed on the heels of President Franklin Roosevelt's death. The battle pitted the more edgy liberal Henry Wallace (FDR's vice president until 1944) and the less edgy liberal Harry Truman (who replaced Wallace as veep).

In the 1948 election, Wallace ran on the third-party Progressive ticket on a platform of Soviet appeasement. Truman, running as a Democrat and taking a tough stance toward the evil empire, trounced him. Radicalism lost.

Not so during liberalism's second civil war, according to Tyrrell. He puts it during the 1972 election. Although George McGovern lost in a landslide to Richard Nixon, radicalism was now entrenched in the Democratic Party.

"With it came the arrogance, the moral superiority, the insularity of those privileged to partake of the most advanced thoughts," Tyrrell writes, "thoughts that continued to evolve all these years: black equality, then black affirmative action; women's equality, then women's privileges; gay rights, then gay marriage."

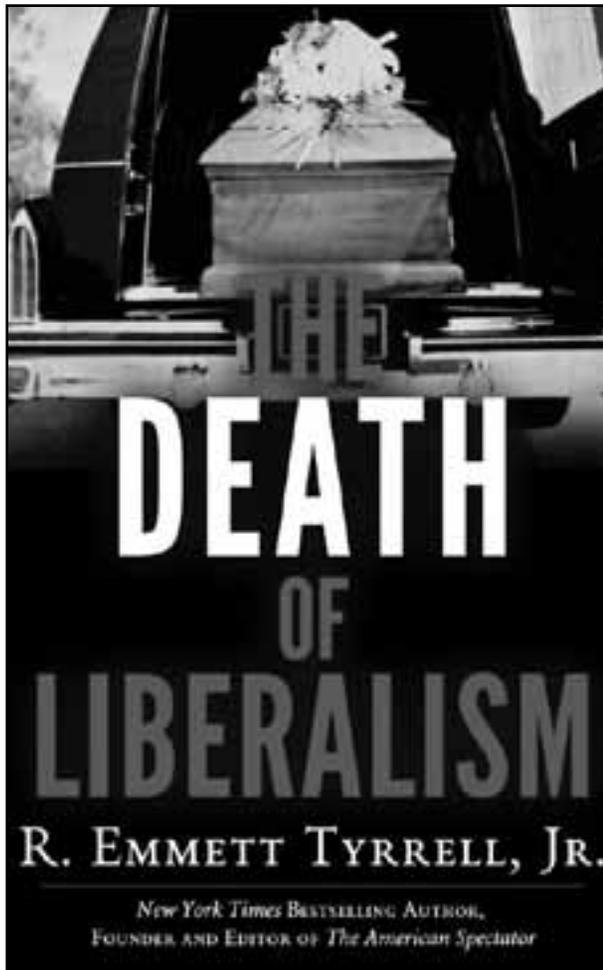
In the end, Tyrrell argues that President Obama is America's first chief executive to be a "stealth fascist," and that he has

ushered liberalism to its grave.

"No, not until now has anyone made the case for calling Obama a pallbearer, but from the preceding chapters it is clear: Obama is the pallbearer of American liberalism," Tyrrell says. "Others rang up huge debts on the government's tab, but the great Republic could always manage. Not now — the outstanding debt to the Baby Boomers is overwhelming, and all that the zombies led by Obama can do is appropriate a trillion here and a trillion there."

The 2010 midterm election indeed showed that conservatism is alive and kicking. Liberalism took a major blow. But will 2012 be a repeat? Given the dynamics of the economy, political historians would expect Obama to be down by double digits in the polls. He's not. Liberalism, though wounded, is still alive.

Even if its thesis could prove hasty, Tyrrell's *The Death of Liberalism* is lots of fun. CJ



Ramsour's Mill an Underappreciated Revolutionary War Victory

Among significant Revolutionary War battles, Ramsour's Mill (June 20, 1780) shows up on few people's lists. The engagement near modern-day Lincolnton, however, ensured that the invading Lord Cornwallis would be deprived of much Loyalist assistance in North Carolina. During the rest of the Southern campaign, Cornwallis' inability to generate Loyalist support, or profit from it, led to the British general's ultimate surrender at Yorktown.



**TROY
KICKLER**

The end of the British invasion started with Cornwallis' overconfidence and his assumptions regarding overall Tory support during the war. Indeed, Tories (also known as Loyalists) fought for the British crown against Patriots (also known as Whigs). In February 1776, 1,100 Patriots defeated 1,600 Loyalists — many of them Highland Scots from what is now the Fayetteville area — at Moore's Creek Bridge approximately

18 miles north of Wilmington. During the war, Randolph Countian David Fanning and his band of men had conducted raids throughout Piedmont North Carolina. A prime example was the heavy skirmish at House in the Horseshoe in Lee County.

Cornwallis knew of these events. After South Carolina fell into British hands in May 1780, Cornwallis and his men were in no hurry to capture North Carolina in the stifling Southern humidity. Besides, Cornwallis thought, Loyalists would provide support once his troops entered North Carolina.

To be fair, Cornwallis' estimation was justified. Once North Carolina Loyalists learned about the fall of Charleston, S.C., they anticipated Cornwallis' arrival and planned retribution against Whigs who had inflicted harm and indignities on them for being loyal to the crown. British sympathizers started gathering in Lincoln County; the plan was to disperse the smaller Patriot population in the county and then descend on the Patriot force near Charlotte.

Neither Cornwallis nor the reenergized Tories anticipated the Battle of Ramsour's Mill.

When large groups assemble,

people notice. Gen. Griffith Rutherford was alerted that 1,300 North Carolina Tories had assembled. Not wanting to abandon his strategic post at Waxhaw, he ordered Col. Francis Locke to gather local militia and engage the Loyalists. At least 400 Patriots — some sources estimate the number between 500 and 600 — quickly answered the call. By any count, the Patriots were outnumbered at least 2-to-1.

On June 19, Adam Reep, a well-known scout from Lincoln County, assembled 30 of his neighbors and friends at midnight, with muskets in hand. Reep and his band scouted the area for Locke and later relayed information to him concerning the Tories' position and strength.

Using the experienced scout's reports, Locke planned a three-pronged attack — a daring feat for a greatly outnumbered force. But the Patriots had superior intelligence, the element of surprise, and the cover of an early-morning, heavy fog. All three flanks attacked simultaneously, and some of the bloodiest hand-to-hand fighting of the war ensued.

Imagine, as the fog slowly lifted, neighbors and relatives shooting and clubbing each other. According

to one report: "Dead men here and there, broken skulls, a few were seen with gun locks sunk into their heads; disabled men moving about seeking help, men with shattered shoulders, broken arms and legs, while others were breathing their last breath." According to historian John W. Moore: "It was a struggle between neighbors and old friends and carried bitterness and sorrow to many North Carolina firesides."

The Tories initially fled but rallied on a hill, temporarily checking a pursuing Patriot cavalry. One mounted Tory commander, Nicholas Warlick, was overheard encouraging his men: "Never let it be said ... we were whipped by a handful of Whigs." A Patriot sharpshooter soon found its mark, and Warlick fell from his horse. Once Patriots arrived on foot, the Loyalists were routed, and Cornwallis would be denied their assistance.

The overlooked Battle of Ramsour's Mill occurred at an important juncture and was a turning point in the Southern campaign. *CJ*

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

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Short Takes on Culture

An Orthopedist's Tale

• *A Bonehead Speaks: What You Need to Know About Your Orthopaedic Surgeon and Your Orthopaedic Surgery*; Kurt Ehlert, M. D., Miffin Street Publishing.

Because of an injury or the need for joint replacement, "Most people will need the services of an orthopedist sometime in their life," writes orthopedist Dr. Kurt Ehlert, which is why he wrote the book *A Bonehead Speaks*.

Dr. Ehlert was the orthopedic surgeon who repaired my badly broken ankle, so I was eager to read his book.

The book is written for patients, not physicians, and provides practical advice on what to expect should you need orthopedic treatment. Ehlert provides detailed information on and pictures of common injuries and joint replacement surgeries. From how the billing process works to pain and pain management, the information in the book is invaluable.

Ehlert's book also is the story of his personal decision to leave private practice and work as an independent contractor in a hospital emergency room.

As a patient, I never guessed that Ehlert struggled with the doctor-patient relationship. He says he is an excellent orthopedic surgeon and provides competent care, but his tendency to be task-oriented interferes with providing what he terms "caring care."

This new type of practice allows him to focus on his skills as a surgeon. It also allows him time for his love of writing, and he has written a great handbook for anyone needing or seeking orthopedic treatment.

— MELISSA MITCHELL

• "The Sword of Peace"
By William Hardy
Snow Camp Outdoor Theatre

Nestled in the woods of a small village in southern Alamance County is an amphitheater that hosts a historical drama about the Quakers who settled in Snow Camp and their struggles during the Revolutionary War era.

"The Sword of Peace" chronicles the internal strife of the Quakers, many of whom had a distaste for both the British crown and the colonial government, while also holding deep religious convictions against fighting.

Much of the William Hardy play, now in its 39th year, revolves around the family of Simon Dixon, a Quaker miller who moved from

Pennsylvania to Snow Camp in 1749. He is considered the patriarch of Snow Camp. The amphitheater and surrounding grounds are located on land that was once Dixon's farm.

Dixon took in a young boy named Thomas Hadley after Hadley's father died. Hadley worked on the farm and was raised as a Quaker. When the American Revolution approached, Hadley decided to leave the Quaker meeting and join the forces of the Colonial army led by Gen. Nathanael Greene, himself a former Quaker.

The Snow Camp Historical Drama Society, which produces the play, also produces "Pathway to Freedom," a play that recounts area Quakers' role in the Underground Railroad in the decades leading up to the Civil War.

The two plays alternate and are performed Thursday through Saturday nights through Aug. 17.

— BARRY SMITH

• "Magic Mike"
Directed by Steven Soderbergh
Warner Bros.

"Magic Mike" is sure to be a hit with most women, especially the female college demographic. While the trailer suggests that this movie is solely about male strippers and lacks a true plot, it is much more than that. This is no "Inception" — there are no twists and turns that will leave you trying to piece together everything that happened. But it is funny, has a decent story line, and to top it off, the actors are nice eye candy.

In this sexy comedy, Magic Mike (Channing Tatum) shoves Adam (Alex Pettyfer) out on the stage of the strip club Xquisite when one of the regular strippers is unable to perform. This lands Adam a job, and as Mike and Adam become better friends, Mike becomes attracted to Adam's sister, Brooke. Brooke, however, is not impressed with Mike or his career choice. Mike sets out to convince her (and himself) that his true goal is to become an entrepreneur by saving enough to start his own custom-furniture business. The movie offers a subtle theme of entrepreneurship, and, intentionally or not, shows that in a free-market economy you can succeed and work your way up from any background, through a multitude of means, and eventually become an independent business owner. I recommend "Magic Mike" to any of my female friends — single or married.

— SIGNÈ THOMAS CJ

Book review

Brooks: Capitalism the Moral Choice

• Arthur C. Brooks, *The Road to Freedom: How to Win the Fight for Free Enterprise*, New York: Basic Books, 2012, 224 pages, \$25.99.

By ELIZABETH LINCICOME
Contributor

RALEIGH

The future of America's free-enterprise system is both a central theme in this year's race for the White House and part of the larger national debate about how to revitalize an anemic economic recovery. In his latest book, *The Road to Freedom*, American Enterprise Institute President Arthur Brooks argues that the free-enterprise system that defines our country is under attack from policymakers who support the explosion of big-government policies. Only a moral defense rooted in the principles of equal opportunity, earned success, charity, and basic fairness will win this debate.

In the opening, Brooks notes that 81 percent of Americans are dissatisfied with the way the nation is being governed, but that when left with lousy alternatives to the status quo, most citizens are paralyzed into inaction.

As Brooks writes: "Average Americans are thus too often left with two lousy choices in the current policy debates: the moral left versus the materialistic right. The public hears a heartfelt redistributionist argument from the left that leads to the type of failed public policies all around us today. But sometimes it feels as if the alternative comes from morally bereft conservatives who were raised by wolves and don't understand basic moral principles."

The Road to Freedom is an intellectual yet compelling read. Brooks divides his book into two parts: first, making the moral case for free enterprise, and second, applying the moral case for free enterprise. He uses many personal experiences, often tying in humorous, endearing anecdotes about his wife and three children, to demonstrate key points and keep the reader engaged.

Brooks spends a lot of time talking about the link between happiness

and entrepreneurship. According to years of polling by the Gallup organization, entrepreneurs rate themselves as being the happiest among all other professional groups. Their secret, Brooks says, is that they are allowed to earn their own success.

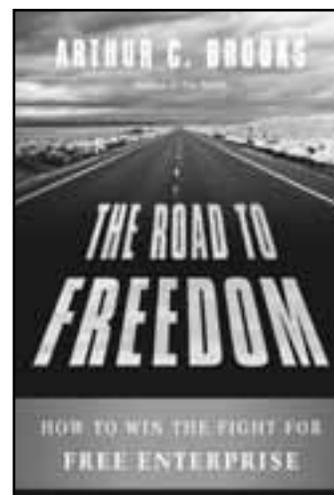
"To earn your success is to define and pursue your happiness as you see fit," he writes. "It's the freedom to be an individual and to delineate your life's 'profit' however you want. For some, this profit is measured in money. But for many, profit is measured in making beautiful art, saving people's souls, or pulling kids out of poverty. ... Free enterprise is therefore not an economic imperative; it is a moral imperative."

Brooks highlights current public policy measures that have created huge barriers to entrepreneurship by creating uncertainty. He suggests clear-cut solutions to these problems, such as fixing the tax code, lowering regulatory barriers to business, and cutting and capping government spending. "Repeal of Obamacare and Dodd-Frank [financial regulations] would help economic growth dramatically, as would extending the so-called 'Bush tax cuts' while starting real tax reform efforts."

What ails the country cannot be fixed by one individual policy or election, Brooks says. But America faces many important choices this election cycle, and by far the most important is a choice between two ideas of America. The first idea is an America in which the key to our success rests with the government

and we need government programs to pursue happiness. The second is an America in which the key to our success lies in free enterprise; this is an entrepreneurial idea that limits government to its proper role.

As *The Road to Freedom* illustrates, "free enterprise teaches us to earn success, not learn helplessness. It rewards merit, which is the fair thing to do. And in the end, it is the only system that can improve the lives of literally billions of poor people — here and around the world." In *The Road to Freedom*, Brooks makes a persuasive case that these are the reasons free enterprise is the only moral choice for our country. CJ



Most think the country is on the wrong track, but are paralyzed into inaction

Book review

'Most Trusted Man in America' Didn't Always Deserve That Mantle

• Douglas Brinkley, *Cronkite*, New York: Harper, 2012, 819 pages, \$34.99.

BY LLOYD BILLINGSLEY
Contributor

In the 1976 movie "Network," news broadcaster Howard Beale hears a voice telling him to oraculate like some mad prophet. Beale asks "why me?" and the voice says, "because you're on television, dummy."

Walter Cronkite was one of the first to hear that line, in a private screening of "Network" with director Sidney Lumet, who had worked with Cronkite on a TV show. Cronkite laughed at the movie, in which his daughter Kathy plays the Patty Hearst character, but he also considered the story prophetic. Douglas Brinkley says the film "hit close to home" and that "much about TV newsgathering was a sham." *Cronkite* gets into that, and a lot more.

Readers familiar with the trusted sage will meet a "lackadaisical" student who missed classes, never learned a foreign language, and squandered his chance at a college education. Cronkite caught the news bug, hooked up with United Press, and got the call to cover World War II. As a news correspondent in Europe, he played by the rules.

"Many of his dispatches from Eindhoven were propagandist," Brinkley writes, "claiming that the U.S. paratroopers had routed the Germans when they hadn't. Arnem stayed in German hands no matter how Cronkite spun it." He would have other opportunities to spin the news on television, where he served as host of a quiz show and also became the first "anchor-

man," a position with true star power.

"A theatergoer might see the magnetic Richard Burton once a year on Broadway or the charismatic Edward G. Robinson at the movies twice a year," Brinkley writes, "but Cronkite was going to be on five nights a week." The timing was right.

A full 30 million people saw the televised hearings on organized crime that made a star of Sen. Estes Kefauver. Media types and politicians alike took notice. Political conventions were also an ideal forum for television. Cronkite wound up coaching John F. Kennedy about makeup, dress, and diction. "Getting across" on television, Cronkite told JFK, "was all in the eyes." It might have been an acting instructor teaching the Method.

Cronkite believed that television itself had an X-ray quality to reveal insincerity. Brinkley, who has read cultural critic Neil Postman, knows that "the power of truth itself belonged to cameramen as they chose their shots; it belonged to the network news producers; and at CBS, it belonged to Cronkite in his role as managing editor." In that role he proved creative.

Long before the Nixon administration bugged the Democratic National Committee office at the Watergate Hotel in 1972, Cronkite "orchestrated the secret tape recording of the Republicans' credentials committee meeting." Before he became the most trust-

ed man in America, Cronkite "had a CBS technician wire the committee room under the shady rationale that the covert act was good for democracy." Brinkley includes the view of CBS news boss Sig Michelson that "ethical considerations did not deeply disturb us." That lapse was also evident in the treatment of Lyndon Johnson.

After an interview with LBJ, CBS reshot Cronkite making different facial expressions, a ruse intended to convey, and elicit, a different response. Media types called it "reprehensible," and Brinkley says "it was a real black eye to Cronkite." He was not fired and prevailed as a symbol of trust despite occasional cases of foot-in-mouth.

"He's got one of the best brains of anybody I've known." Cronkite said of Jimmy Carter, a president not known for profundity. The anchorman also told *Playboy* that "I think newsmen are inclined to side with humanity rather than with authority and institutions. And this sort of pushes them to the left."

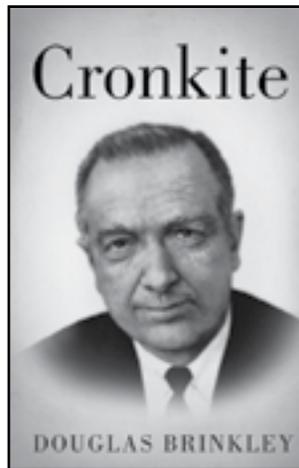
Brinkley could use more skepticism toward the "smelly orthodoxies" (Orwell's phrase) of his time. He gives Cronkite credit for opposing the Red Scare (upper case his) by proxy and for working with blacklisted writers such as Walter Bernstein and Abe Polonsky. But the author provides none of their Stalinist back story.

Some viewed Cronkite as a Cold

Warrior who changed his tune after reporting from Vietnam, the first conflict in American history, as David Halberstam put it, whose end had been announced by a commentator. After the Cold War ended, Cronkite was claiming that the USSR "wasn't ever a dangerous threat" and that "fear of the Soviet Union taking over the world just seemed as likely to me as invaders from Mars." The newsman sometimes forgot his ability to be "pontifical and wrong."

Brinkley bundles in the history from D-Day and the Nuremberg Trials through the Kennedy assassination, Vietnam, the Apollo Missions, the first Earth Day, the Iranian hostage crisis, and more. Cronkite may prompt further study on these themes and also serves as a helpful TV Guide. Don Hewitt, Eric Sevareid, Dan Rather, Mike Wallace, Andy Rooney, Connie Chung, Roger Mudd, Christiane Amanpour, Morley Safer, Bill Moyers, and many others jostle in these pages. Their snits and quarrels offer some comic relief from the generally worshipful tone.

Walter Cronkite was the only wealthy television celebrity to gain "a respect that surpassed even that of some U.S. presidents." Brinkley's massive work confirms it while providing evidence that Cronkite, in the role the British call a "news reader," did not deserve such respect. He may have wrapped his regular broadcast with "that's the way it is," but sometimes it wasn't. As one wag put it, when you watched Walter Cronkite you not only saw CBS, you heard it too. *CJ*



BOOKS AUTHORED BY JLF STAFFERS



By John Hood
President of the
John Locke Foundation

Selling the Dream

Why Advertising is Good Business



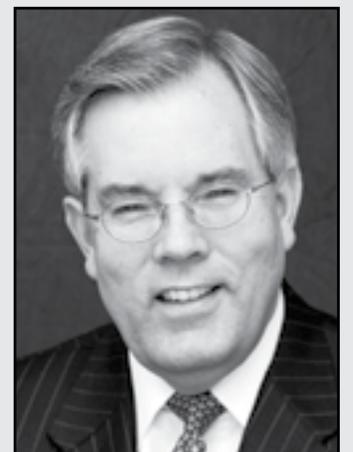
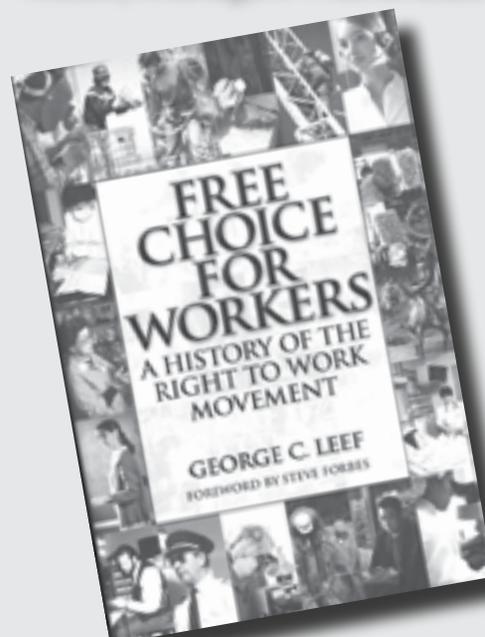
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COMMENTARY

The 'High-Poverty' School Ruse

Defenders of the public education status quo like to claim that kids from low-income communities in North Carolina get the short end of the funding stick when compared with kids who live in higher-income areas. They throw out the phrase "high-poverty schools" when discussing everything from student assignment and teacher performance to class size and testing.

Their funding accusation isn't accurate — one visit to the Department of Public Instruction's website debunks the claim — but it's a convenient way to tar a policy opponent as uncaring, while shifting attention away from lackluster student achievement and fending off innovations deemed a threat to the bureaucracy.

The notion that poor kids are treated unfairly by those who dole out the cash makes for startling headlines — as it should, if it were true. A look at the state's K-12 funding model shows why it isn't.

In North Carolina, only about 25 percent of each child's public education check is derived from local governments' property tax revenues. Nearly two-thirds come from North Carolina taxpayers. The remaining 10 percent or so is given to North Carolina from federal tax revenues. The ratio shifted slightly when federal "stimulus" dollars increased the federal portion.

This funding ratio means combined state and federal dollars account for 75 percent or so of each child's tuition check to a public school. That serves to limit the negative impact of a modest neighborhood's lower property values.

But there's another safeguard for less affluent areas. It comes in the form of additional funding from special pots of federal and state money. Because policymakers have decided that living in a low-income county presents a particular challenge, the district that teaches each affected child receives additional money for each one.

The result is that some of North Carolina's poorest and smallest counties receive the biggest per-pupil tuition check.

DPI's February 2012 budget highlights document lists the numerous circumstances that trigger

the appropriation of extra dollars above and beyond what other children are allotted. DPI also lists the amount of the additional funding.

It's an eye opener.

From state coffers, additional funds are handed out for students from a low-income family (\$357.64); with special learning issues (\$3,649.02); from a small county (\$693.95); who are disadvantaged (\$240.55); from one of North Carolina's 69 counties deemed low-wealth (\$291.47); with limited English

proficiency (\$756.06); who are intellectually and academically gifted (\$440.54); seeking career and technical vocation (\$744.54); and who participate in Learn & Earn (\$52.19).

From federal coffers, additional funds go to each North Carolina student from a low-income family (\$1,180.56); with a special learning issue (\$1,691.69 or \$2,437.87 depending on grade);

having limited English proficiency (\$3,443.14); and seeking career and technical education (\$27.86).

The impact of these additional dollars is substantial, according to DPI. In the case of a K-3 academically gifted student from a low-income family living in a small, low-wealth county, DPI reports the district receives an additional \$2,964.16, for a total of \$8,406.88 to educate that child.

In the case of a disadvantaged K-3 child from a low-income family living in a small, low-wealth county and with limited English proficiency and special learning issues, DPI reports the district receives an additional \$13,050.26, for a total of \$18,492.98 to educate that child.

Those who push the "high-poverty schools" line either know it's not true or haven't bothered to review DPI's documents.

By choosing to focus primarily on money, progressives and like-minded bureaucrats divert time and brainpower away from private and public-sector innovations to ensure kids achieve. In North Carolina, these kids face many challenges, but being at a funding disadvantage because they're poor isn't one of them. CJ

Donna Martinez is co-host of Carolina Journal Radio.



DONNA MARTINEZ



EDITORIAL

Political Investment Fund

If you're a North Carolina taxpayer, public school teacher, government employee, or anyone with a vested interest in the state's pension system, beware: State Treasurer Janet Cowell could be gambling with your money (and, potentially, your retirement) to satisfy a political agenda.

Cowell's spokeswoman Julia Vail told *Carolina Journal* that the treasurer has sent letters to the boards of several companies that hold investments from the state's pension funds — Nike, Devon Energy, and Halliburton — requesting that they "provide full disclosure of political spending, including contributions made to 527s [political committees] and trade associations, as well as develop a board oversight policy" regarding disclosure of political spending.

Her reasoning? "In light of the Supreme Court's *Citizens United* decision, the treasurer believes that companies involved in political activities should disclose their political spending and board oversight policies to make sure that these expenses are in the best interests of shareholders," Vail wrote in an email.

This could be a violation of Cowell's fiduciary responsibility to the 800,000 members of the \$60 billion state pension plans.

By state law, the treasurer is the sole fiduciary of pension investments. She decides where members' contributions reside. The law also says the treasurer's duty is to serve "solely in the interest of the participants and beneficiaries" of the pension plan, and "may consider benefits created by an investment in addition to investment return *only* if the treasurer determines that the investment providing these collateral benefits would be prudent even without collateral benefits" (emphasis added).

In other words, the law demands that the treasurer put the fiscal

health of the pension fund first. As a shareholder, Cowell has the right to ask whether the companies she has invested in are engaging in political activities that undermine the value of her portfolio.

But if that political activity has no effect on the company's value in the marketplace — and she's using that information to decide where to put the retirement system money — then she's traveling a dangerous path indeed.

Cowell cites an outfit called the Center for Political Accountability, which is prodding shareholder groups and large pension managers to demand more "transparency" from publicly held companies in their political spending.

As *The Wall Street Journal's* Kim Strassel reported in June, the center is using shareholder proxy requests to force corporations to publicize their spending on political causes, letting liberal activists target boycotts against the ones that support conservative or free-market policies.

Cowell's responsibilities are to maintain the financial health of state pensions, not serve as judge and jury of companies' political activities.

The General Assembly could relegate this political investing to the history books. Most states have independent, appointed investment boards. These boards control where pension funds are invested. And while they aren't immune from political influence, they represent more than a single person's instincts and biases.

Next year's legislature should consider forming such a board, for the betterment of the public employees who depend on a pension for their retirement, and for the taxpayers of North Carolina, who'll have to bail out the pension fund if the next treasurer picks the wrong horse, for whatever reason. CJ

EDITORIALS

UNC's Bad Grade

North Carolina's university system is inefficient

Over the past three decades, public universities have become bloated, outdated institutions that fail to deliver their core service — undergraduate education — in an efficient manner. Many North Carolina leaders long have thought of the UNC system as an outlier from the national trend. They were correct: UNC actually was worse than the average public university system in cost-effectiveness.

A recent report from the U.S. Chamber of Commerce graded every public university and community college system on six criteria: 1) student success (chiefly the graduation rate), 2) efficiency and cost-effectiveness, 3) meeting labor-market demand, 4) transparency and accountability, 5) policy environment, and 6) innovation.

The UNC system received mediocre grades on the labor market, transparency, and policy environment criteria. It got a split decision on innovation. In student success, UNC's six-year graduation rate is still below 60 percent, but that's actually a bit higher than the national average, so the system got a B.

In the area of efficiency, however, UNC flunked. Its grade of F stands in stark contrast to other university systems that also outperform the nation in graduation rates. Virginia got

an A for student success and an A for efficiency. Florida, California, Illinois, and New Jersey got As for student success and Bs for efficiency. Maryland got a B for student access and an A for efficiency. And South Carolina, Michigan, and Mississippi each got Bs for student success and Cs for efficiency.

Fiscal realities have forced the UNC system to adopt some of the more-efficient practices of its competitors. Tenured professors at N.C. State are teaching 15 percent more credit hours than they did in 2008. Campuses are delaying costly new programs or projects to focus on their core missions. Administration has slimmed down a bit.

It took a budget crisis to begin this process because UNC is different from most other systems in another key respect: North Carolina taxpayers still pay the majority of the operating cost for undergraduate education.

Our biggest productivity problems are found in services such as education and health care where consumers don't shoulder or even know the price at point of sale. Without price competition, there are few incentives to pursue efficiency and productivity.

Now UNC has such an incentive.

CJ

Politics Too Inexpensive

Too many seats are safe for incumbents

American politicians, parties, and interest groups spend relatively little on their electoral campaigns. The side that spends the most money doesn't always win. And if we really want to improve our political system, we'll know we're succeeding if total spending on campaigns goes way up.

Over the past seven federal campaign cycles, dating from 2000, the Center for Responsive Politics has found that spending on federal politics has increased, but it remains a small fraction of the economy and of total spending on advertising and marketing communication. American firms in 2010 spent about \$131 billion on print, broadcast, billboard, and Internet ads. To that number, add billions for other marketing techniques.

By comparison, the \$3.6 billion spent on federal campaigns in 2010 is hardly a shocking number. We're not

talking about toothpaste or hamburgers. We're talking about who will acquire the power to tax, spend, and order us around.

Looking at individual races, the candidate who raises the most tends to be the winner. But in a distressing number of cases, gerrymandering virtually assures that either the Democratic or Republican nominee in a particular district will win in November.

We long have favored a neutral, rules-based redistricting process that would increase significantly North Carolina's number of swing seats for Congress and the legislature. If that happened, of course, the number of candidates raising big money to win big races would go up, as would total spending on politics.

Which would be fine with us. One reason politics costs so little is that it offers too few competitive races. Let's create some more.

CJ

COMMENTARY

A Rewrite
To Restore Justice

For the activists who have spent years fighting to abolish North Carolina's death penalty, the just-completed legislative short session was a crushing disappointment. Their chief accomplishment, the Racial Justice Act of 2009, was rewritten substantially. Both chambers then voted to override Gov. Bev Perdue's veto of the rewrite.

The Racial Justice Act was the latest in a series of initiatives used by death penalty foes to maintain a de facto moratorium on executions in North Carolina, as nearly every death row inmate had filed RJA claims to convert their sentences to life in prison. The newly rewritten RJA, however, is no longer so easy to abuse. Rather than use old or irrelevant data to assert racial bias in sentencing, murderers on death row now must cite recent statistics from the counties or prosecutorial districts where their sentences were imposed, as well as other evidence directly related to the handling of their cases.

For many North Carolinians opposed to the death penalty, the RJA's obvious flaws were beside the point. They believe capital punishment to be immoral, and are willing to try just about anything to suspend or abolish executions. In the past, they tried to manipulate medical licensing as a means to their end. In this case, they attempted to use sweeping claims of racial bias. They ended up stretching those claims beyond the breaking point.

No one doubts the continued presence of prejudice in the criminal justice system. Over the past several decades, racism among the public at large has diminished but not disappeared. As a social institution, the criminal justice system inevitably reflects society's virtues and vices. If you look for perfection here, your search forever will be fruitless.

Still, by refusing to recognize either the limits or the implications of their own statistical evidence, death penalty foes set themselves up for failure. First, while the activists themselves know very well that

there is no statistical support for the notion that North Carolina's death penalty is biased against black criminals, they nevertheless allowed others to make the claim incessantly without clarification or rebuttal. This weakened the movement's credibility among state lawmakers who might have been open to persuasion.

More significantly, death penalty foes tried to make the statistical claim for which they do have some evidence — that prosecutors and juries are more likely to seek executions of those who kill white people than of those who kill black people, regardless of the race of the killer — into a compelling argument against capital punishment. But it isn't.

You see, the theory behind this claim is that prosecutors and juries put a greater value on the lives of white victims than on black ones. If a murder victim is white, states this theory, folks tend to be more outraged and to view the death penalty as a just punishment. But if the murder victim is nonwhite, there are fewer social, cultural, and

political motives for prosecutors to pursue the ultimate punishment, and for jurors to approve it.

Assume for the sake of argument that this racial-bias claim is true. What is its

implication? That the more North Carolinians value the lives of victims, the more they favor executing murderers.

This is a rhetorical problem for those seeking to abolish capital punishment. They are asking us to choose a lesser penalty, life in prison, for those who commit the most egregious crimes in our society. Given their own assumptions about their racial-bias claim, their argument sounds like they are asking us to place a lower value on the lives of murder victims. That argument is unlikely to persuade many North Carolinians.

John Hood is president of the John Locke Foundation.



JOHN HOOD

Death penalty opponents weakened their credibility among state lawmakers

EDITORIAL BRIEFS

Social Security
Disability

Over the past three years, the number of Americans receiving Social Security Disability Insurance payments has increased by more than 1 million. Few workers ever return to the labor force after going on SSDI, writes Pamela Villarreal for the National Center for Policy Analysis.

Currently, 10.8 million people receive SSDI — roughly one of 18 working-age, non-retired Americans. Estimates suggest only 0.5 percent to 2.8 percent of SSDI beneficiaries are expected to return to the labor force within 10 years.

The low rate of individuals returning to work is due to disincentives in the system, writes Villarreal. Tax oversight often allows those whose condition improves to continue to receive disability payments. Many recipients who could work part time choose not to do so for fear of losing benefits. Being on disability also makes recipients eligible for other benefits, including Medicaid, food stamps, Section 8 housing, and student loan forgiveness.

The increasing number of workers on disability eventually will exhaust the program's fund balance. SSDI expenditures increased by 22 percent between 2008 and 2011. By 2011, the payroll tax that funds the program covered only 79 percent of benefit payments.

"The current Social Security disability system is fraught with poor incentives, high costs, and an unsustainable future," says Villarreal.

"Prefunded personal disability accounts, as an integral part of overall entitlement reform, would reduce costs and promote a more efficient system that encourages individuals to work to the extent they are able."

The shrinking wage gap

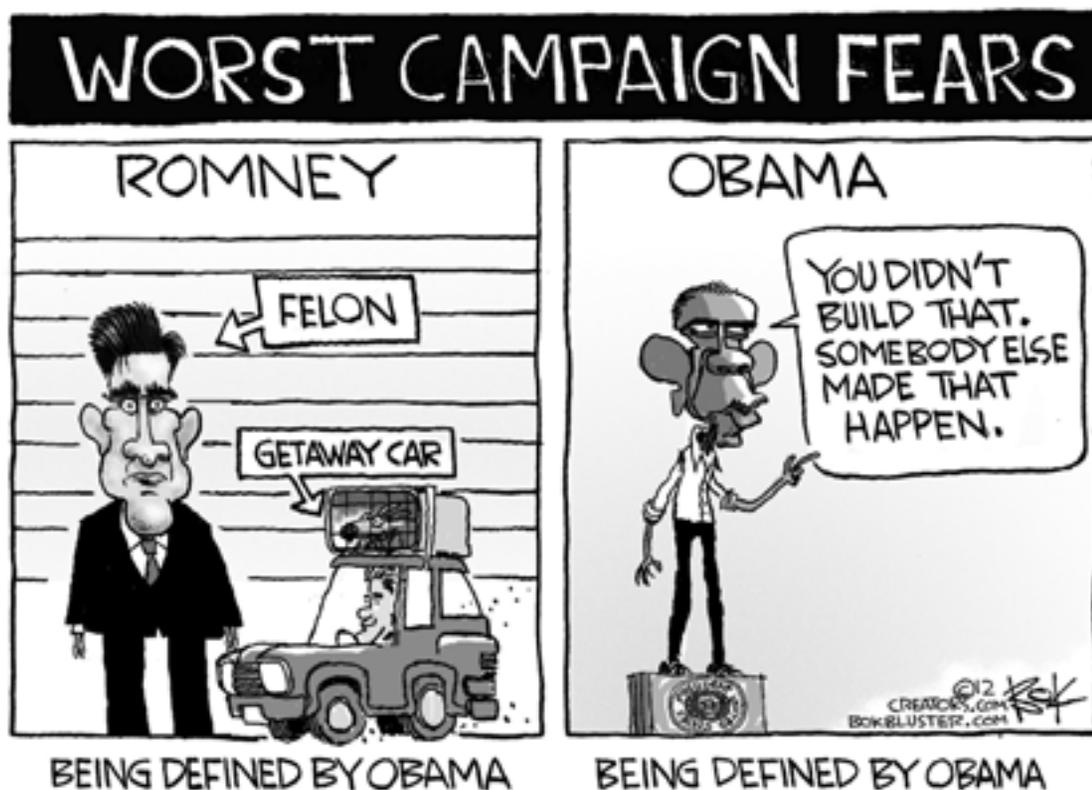
The disparity in wages between men and women is likely to be a campaign issue this fall, with Democrats pushing something called the Paycheck Fairness Act to address the disparity. June O'Neill, former director of the Congressional Budget Office, wrote for the National Center for Policy Analysis that the gap virtually disappears when proper adjustments are made.

It's commonly stated that women earn 79 cents for every dollar men make. That figure does not account for a number of critical factors. Women typically have less work experience than men. As child rearing and household management fall more heavily on women, they tend to seek professions and employers that offer additional flexibility, even if that comes with somewhat lower pay. Accounting for these factors, the wage gap shrinks to 3.3 cents.

Even that may overstate the difference. In 2000, the average wage of a woman age 35 to 43 who never had a child was 8 percent higher than her average male co-worker.

"This comparison implies that any wage gap is rooted more in social trends and tendencies than malicious discrimination by employers," says O'Neill.

"It undermines the justification for government intervention to eliminate the wage gap." CJ



Are Jobs Coming? And Where?

Two recently-released reports focus on the No. 1 issue in the economy today: jobs. Both give some much-needed perspective and direction to today's challenging labor market.

The first publication is the new 10-year employment forecast from the U.S. Department of Labor. It's jam-packed with all kinds of numbers and projections about jobs over the next decade, and, though only a forecast, the numbers do represent the best thinking of many economists.

The Labor Department expects 20 million payroll jobs to be created during the next 10 years. While this sounds like a lot, it boils down to 167,000 per month, which is subpar in the eyes of most experts. So, if anything, the Labor Department appears to be cautious in its forecasts.

According to the report, the top five industries for job gains are expected to be health care, professional and business services, construction, retail trade, and state and local government — each adding more than 1.5 million positions.

Perhaps the most important part of the government's projections are the training and educational requirement of future jobs. Here, there may be — to some — a couple of surprises.

Jobs requiring a high school degree or less will continue to constitute the majority of all jobs. However, jobs requiring a worker with a four-year college degree or more will expand faster — increasing about 25 percent faster than high school jobs.

But what really stood out to me in the report was what it predicted for jobs requiring a technical or vocational degree — that is, training beyond high school but needing less than a four-year college degree. The government economists projected jobs needing this kind of training would increase, and — indeed — would grow at a rate faster than the rate for all jobs.

The second report — from the consulting firm McKinsey — takes a more global approach to the future job market. The report first notes that most of the labor market trends observed in the U.S. econo-

my — like machines replacing workers in factories, increasing demand for college-educated workers, and rising income inequality — also are happening worldwide.

The firm makes three public policy recommendations, each addressing one of the three levels of training: high school, technical/vocational schools, and four-year colleges and universities.

To meet the increased demand for college graduates, McKinsey argues for an increased use of information technology — such as online education, distance learning, and digital platforms — to reach more students more efficiently. The firm sees lower costs, wider access, and individualized learning as pluses for this approach.

The big challenge for technical and vocational colleges — according to McKinsey — is aligning programs, certificates, and degrees with rapidly changing business needs. Tech and vocational institutions will need to keep in constant contact with local firms to monitor how specific job outlooks are changing.

At the same time, McKinsey thinks expanding technical training options in high schools has two advantages. First, for students who know they want a technical career, it will get them trained and into the work force faster. Second, for high school students unsure of their vocational future, it will broaden their training options in high school and perhaps lead to heightened interest in school and reduced dropout rates.

Still, the reality is that millions of students — for a variety of reasons — won't finish high school or acquire technical or academic skills. Therefore, McKinsey says, it's important that the economy creates as many jobs as possible for these individuals. To do so, both federal and state regulations should be studied for statutes that inhibit job creation, especially for unskilled workers. Also, social "safety net" programs should be analyzed to make sure they preserve incentives for employment and self-improvement.

Together, these two reports portend a challenging future for the job market. Still, they suggest some credible ideas for improvement. CJ

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MICHAEL
WALDEN

EU's Woes Could Portend Problems for U.S.

It wasn't supposed to be this way. When Jean Monnet and Paul-Henri Spaak conceived of the European Economic Community in the mid-1950s, they may not have wanted a European superstate. But surely they would have approved of the 1992 Maastricht Treaty that bound the continent tightly and established the euro. They would have liked the 1985 Schengen Agreement that allowed for the free flow of people within the European Union.

Open trade, few internal barriers to migration, a common and international reserve currency, cultural collaboration, and social harmony today characterize the European project they initiated. And until a few years ago, it was going swimmingly. Now many of the European Union's 27 members are faced with crushing public debt and huge borrowing costs that make, for several of the 17 that use the monetary system, exit from the euro very tempting. All are looking at years of economic stagnation, political turmoil, and a general lack of confidence in the future.

What went wrong? Quite a lot. First, the euro was predicated on faulty assumptions. Monetary union

without fiscal discipline was bound to cause problems sooner or later. Growth in such a large and diverse system inevitably is uneven. Struggling countries want lower interest rates and expansions in the money supply, while those doing well desire the opposite to avoid excessive inflation. Cultural differences play a role, too. Southern Europeans are used to devaluing their way out of problems; the Germans were so scarred by the role the mark's rapid decline played in Hitler's rise to power they shudder at the thought of even small increases in prices.

Take away national central banks' ability to manipulate monetary policy, and governments must rely on fiscal solutions. We know how good individual EU countries are at coming up with those. Huge debt burdens as a result of large welfare states mean most of them neither can cut taxes nor increase spending to stimulate expansion.

Second, most western European countries have tremendous "legacy" costs, financial liabilities in the form of future payments into public pension and health care programs. Some governments made generous promises to workers, particularly in the public sector. Demography is another contributor. Most EU countries will have about two workers per retiree in 2040; the United States will have three. Regardless, France and Germany reportedly have committed future resources

to government pension funds that exceed 450 percent of GDP.

Third, excessive regulation is crippling European industry. Comparative national studies are not always reliable. But a good rule of thumb is that regulation costs European businesses about twice as much as it does their American counterparts.

Finally, Europe has a population crisis. Germany, its economic powerhouse, is projected to lose about 10 million people by 2050. The populations of countries like France and Italy essentially will stagnate. Compare this to the United States, which is predicted to grow by about one-third by the middle of the century, to approximately 425 million.

It's not just the number of people. Europe's population is graying rapidly, adding to its pension and health care challenges. Its immigration model also threatens economic health. The U.S. generally has done a good job recruiting talented and productive people in the prime of their lives who accept liberal democratic values. At least until very recently — and as a product of their imperial histories, geography, and policies — many European countries admitted a disproportionately large number of migrants from Africa and the Middle East, men and women whose cultural and religious values are incompatible with and sometimes hostile to modern Western life. Many of these immigrants were unskilled and came with

extended families — young children and elderly relatives who consumed social services and did not add much economic value.

Could this happen to us? There are significant differences in the basic situations, of course. U.S. policymakers have much greater control over economic outcomes. We are lucky the dollar is the world's currency so we hardly pay conversion costs for international transactions, and, as bond yields reveal, the federal government spends very little to borrow and service its debt.

But there are warning signs. At just over 100 percent of GDP, U.S. public debt is greater than that of France, Germany, and Spain. Rather than investing in critical public goods like infrastructure and education, policymakers are plowing resources into welfare programs that incentivize behavior with little social value. Regulation, which sometimes is necessary and can be beneficial if employed intelligently, has become a tool of political retribution. Debates about immigration rarely consider the host country's interests.

Fortunately, warning signs are not self-fulfilling prophecies. Unless we change our ways, however, they might seem remarkably prescient. *CJ*

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**ANDY
TAYLOR**

The Sad Plight of the Father of the Bride

I've been going to a lot of weddings this summer. I've learned that being the father of the bride is very much like being a taxpayer in North Carolina. You hear about big plans, and you're told what you think is important, but it isn't. Your job is to pay for everything.

It starts out with a set of events you have little control over. You may have been asked for your permission or not. It doesn't matter. The event is moving forward. There may be a budget; but again, that doesn't matter. Whatever it is, they will exceed it, and you will pay it.

As plans get under way, you deal directly with the bride and her mother, but the stakeholders in the event quickly grow. Soon, there is your mother-in-law, your mother, the groom's mother, a florist, a caterer, bridesmaids, and people you don't even know. They will confer, make

deals, and come up with a package that makes them happy. You will not be included in any of these decisions. But you will pay for all of them.

You know several other girls who are planning weddings. Georgia and Virginia think they can compete, so it's important that you outdo them, you are told. Your bride has incomparable natural beauty, so the \$5,000 wedding dress is worth every penny. An open bar and a live band are musts to entertain the movers and shakers in your town. The premier venue, valet parking, and imported flowers will impress the out-of-towners. In the long run, this extravagance will help you boost your business connections, you're told.

Following the ceremony, you can't have anyone going away hungry, can you? Someone suggests a carving station. Perhaps ham. Or roast beef. You suggest meatballs — they'll get

the job done and make a more economical choice for so many guests. They agree: Meatballs it is. AND the carving stations for ham and roast beef. Oh, yeah, the groom's family is from Chapel Hill, so a couple of vegetarian selections are on the menu. And speaking of the groom's family, they've added 50 guests to the list.

More decisions are made; you write more checks. Your bank account is empty, your savings have been depleted, and you've taken out another loan. The big day is just weeks away. You think the worst is

over.

Then the bride wants to go over the rules. Rules? There are rules, too? Well, you have to wear a tuxedo. You don't want to wear a tuxedo. It's uncomfortable, it'll cost another couple hundred bucks, and you have a perfectly good suit. The bride says a study conducted across Southeastern states found that all summer wed-

dings require a tuxedo, and that's that. You aren't allowed to drink too much, have to dance with sweaty Aunt Bernice, and give a speech declaring all of this has been a pleasure for you.

You've finally had enough. No, you say. The rules are stupid, and I'm not going to comply. The mother of the bride calmly informs you that you don't have to do anything you don't want to. But if you don't comply with the rules, there are penalties you will pay. You have lived with this woman your entire adult life and, on occasion, have paid a penalty. It slowly sinks in that, like it or not, you will be complying with the rules.

Having spent all your money and obeyed all the rules, you realize you're never going to get that fishing boat you'd been saving for but have high hopes for the newlyweds. You hope things don't turn out like they did for that couple up the street who live in that weird house, the Solyndras. Nasty divorce.

And I hear her father spent a bundle on that wedding. *CJ*

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



**BECKI
GRAY**

**It's tough
trying to
keep up with
the Solyndras**

Duke Energy Develops Novel Opt-In Fund Repayment Plan (a CJ Parody)

By R.K. WATT
Energy Correspondent

RALEIGH

Duke Energy chief executive Jim Rogers has devised a plan to allow customers to help pay for the company's controversial \$45 million severance payment to former Progress Energy chief Bill Johnson and its \$10 million loan guarantee for the Democratic National Convention.

"I have stated several times we don't expect customers to pay for these decisions, but I also have heard from shareholders, and they don't want to pay for them, either," Rogers said in a July 10 exclusive interview after his testimony to the North Carolina Utilities Commission.

Under the plan, beginning with their October electric service bills, customers will have the option of contributing \$5 per month to the Bill Johnson Golden Parachute Fund or the Democratic National Convention Shortfall Fund.

"It is a done deal that Johnson is out, and this is a way for customers of the newly merged company to show how much they trust me," Rogers said.

Rogers also is a member of the DNC Host Committee and has pledged a \$10 million Duke Energy loan guarantee toward the convention's goal of raising \$36 million for Charlotte to serve as host of the 2012 convention.



Yes, I want to help!

- Please enroll me as a monthly donor to the Bill Johnson Golden Parachute Fund.
- Please enroll me as a monthly donor to the Democratic National Convention Shortfall Fund.
- I do not wish to donate to either one of these funds. By declining, I understand that periodic power outages do occur, many of them during key games of the ACC basketball season. I understand that these are acts of God and that I should not hold Duke Energy responsible.

This opt-in form soon will begin appearing on bills for Duke Energy customers. (CJ spoof graphic)

"The DNC fundraising is way behind," he said. "I am predicting Duke Energy will have to cover a \$10 million loss for this event."

The commission gave final approval July 2 to the merger between Charlotte-based Duke Energy and Raleigh-based Progress Energy, creating the nation's largest public utility. The merger plan specified that Johnson would become CEO of the new company.

But within hours of the approved merger a newly configured Duke Energy board of directors voted to fire Johnson and install Rogers as CEO of

the merged companies. Rogers said that Johnson was a "control freak" and didn't fit well into the culture of the Charlotte business community.

Caught off-guard and embarrassed by Rogers' apparent overthrow of Johnson, the Utilities Commission held special hearings in July, questioning Rogers, Johnson, and some board members.

"We know we were scammed, and our investigation is mostly for show, but we now have one big power company unifying North Carolina," commission member Susan Rabon told CJ.

Rogers said that cash-strapped electric service customers who want to support either the Johnson buyout or the DNC loss can participate through a new peak load restriction program.

"It's similar to that little box you can check on your state and federal taxes if you're dumb enough to want to pay for someone's political campaign," Rabon explained.

For those electing this option, Duke Energy will install a remote-control device on the customer's electric meter allowing the company to cut off electric service to the customer for 30 minutes between the hours of 6 p.m. and 7 p.m. two nights a week selected at random by Duke officials.

Customers would receive a \$1 credit for each cutoff event, Rabon said. The credits will not reduce the customer's bill, but they will be converted to cash through a Peak Energy Mitigation Bank operated by the utility. The cash would be applied to the customer's chosen payoff program.

The new "smart meters" that will be used can tell Duke Energy officials what television programs a customer happens to be watching, but officials said this information would never be consulted.

Rogers told CJ the Utilities Commission approved the mitigation program last year, but acknowledged "the concept is a bit complicated." CJ

An Investment Plan For N.C.'s Economic Recovery

The ongoing debate in Washington and the upcoming national campaigns for president and Congress will offer plenty of opportunities for pro-growth politicians to craft, explain, and sell reforms of the federal budget, federal taxation, federal regulation, and federal agencies and programs.



John Hood

In the new book *Our Best Foot Forward: An Investment Plan for North Carolina's Economic Recovery*, John Locke Foundation President John Hood tells North Carolina's policymakers and citizens that economic policy is not the exclusive domain of presidents, federal lawmakers, or the Federal Reserve.

States and localities can play critical roles in economic policy — for good or for ill.

We invite you to read and share this plan for our state's recovery with your family, friends, and co-workers. Go to <http://johnlocke.org> for more information.

