

**Legislature
to revisit
issue of
photo ID
for voting/3**



CAROLINA JOURNAL

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

North Carolina	2
Education	7
Local Government	10
From Page 1	13
Higher Education	17
Books & the Arts	20
Opinion	24
Parting Shot	28

February 2013 Vol. 22 No. 2

STATEWIDE EDITION

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

New Era Dawns in N.C. Politics

2013 kicks off with
GOP-led legislature
and GOP governor

By BARRY SMITH
AND DAN WAY
Associate Editors

RALEIGH

Gaveln in both the House and the Senate fell at noon Jan. 30 as the General Assembly began its 2013 session in earnest.

Gone is the ceremonial first day, when lawmakers trekked to the state capital three weeks early to elect their leadership and take care of ceremonial duties.

Legislators began to tackle a \$20 billion General Fund budget, reform the tax code, and push through new election laws that are almost certain to include a photo identification requirement to cast a ballot.

Also expect efforts to reform the state's education system in a way that focuses on technical education and more options for parents and local schools. Mix in further regulatory reform and you'll have a good preview



For the first time in more than a century, North Carolina has a Republican governor, Pat McCrory, left, a Republican House speaker, Thom Tillis, right, and a Republican Senate leader, Phil Berger (not shown). (CJ photos: McCrory by Rick Henderson and Tillis by Don Carrington)

of what to expect out of Raleigh by the time lawmakers adjourn, likely around the middle of the year.

"We're going to continue to focus on, I believe, policies that are going to help us grow the economy and hopefully continue a positive path toward economic recovery in the state," sec-

ond-term House Speaker Thom Tillis, R-Mecklenburg, said Jan. 29 at a press conference.

"First and foremost, we've got to worry about the budget," Tillis continued. "But we don't have to worry near

Continued as "New," Page 14

N.C. Revenue
assessment notices
resemble tax bills

By BARRY SMITH
Associate Editor

RALEIGH

A stint as a prosecutor in a South Carolina county ended up earning Eric Rowell a notice of failure to file a North Carolina income tax return for 2008. Rowell neither lived nor worked in North Carolina that year. But that didn't keep the N.C. Department of Revenue from sending him an automated notice of intent to assess taxes for that year.

As it turns out, Rowell isn't the only person who received such a notice. His wife got one, too, as did another acquaintance of his.

In fact, a Department of Revenue spokeswoman says that 147,800 "Notices of Intent to Assess" have been sent out since the department began sending out such notices in 2010.

"It's not an actual bill," Beth

Continued as "Thousands," Page 13

Competing Tax Plans Seek to Spur Growth

Efforts under way
to eliminate the tax
on personal income

By DAN WAY
Associate Editor

RALEIGH

Efforts are under way to make North Carolina the first state since Alaska in 1980 to eliminate taxes on total personal income. Competing proposals also would launch a pro-growth tax reform renaissance that would scrap corporate income taxes that discourage capital investment and savings.

The John Locke Foundation in-



roduced a plan including those elements, along with a repeal of estate taxes and the retail sales tax at the state level. Researchers at the Tax Foundation, a nonpartisan Washington, D.C.-based tax research group, are among those lauding the JLF plan.

"The whole point is economic growth. It's not just to reform the tax code for the heck of it. It's to get rid of a major drag on the economy," said Roy

Cordato, vice president for research and resident scholar at JLF. An independent review of the plan concludes it has the potential to create 80,500 new jobs and increase the state's economy by \$11.76 billion in the first year.

"Our main plan gets rid of the [state] sales tax also. We replace all of the state's major tax sources of revenue. We think we get rid of the ones that are most damaging to the economy and replace them all with this Unlimited Savings Allowance plan, which is our term for it, the USA tax," Cordato said.

"It's a consumption tax" or consumed income tax and would be levied at a flat 8.5 percent of money withdrawn from the account for taxable

Continued as "Competing," Page 15

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

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

CAROLINA JOURNAL

Rick Henderson
Managing Editor

Don Carrington
Executive Editor

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

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

Joseph Chesser, Hubert Papes
Mathew Schaeffer, Daniel Simpson
Interns

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

Jon Ham
Vice President & Publisher

John Hood
Chairman & President

Herb Berkowitz, Charlie Carter
Jim Fulghum, Chuck Fuller
Bill Graham, Assad Meymandi
Baker A. Mitchell Jr., Carl Mumpower
David Stover, J.M Bryan Taylor
Andy Wells
Board of Directors

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



©2013 by The John Locke Foundation Inc. All opinions expressed in bylined articles are those of the authors and do not necessarily reflect the views of the editors of CJ or the staff and board of the John Locke Foundation. Material published herein may be reprinted as long as appropriate credit is given. Submissions and letters are welcome and should be directed to the editor.

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

State Bar Solicits Lawyer Help to Pay for New HQ

By DAN WAY
Associate Editor

RALEIGH

The North Carolina State Bar expects to complete its \$18 million office in downtown Raleigh by March. But some legal observers have raised red flags over its capital campaign through a proxy foundation seeking high-dollar donations from lawyers to help pay for construction.

The State Bar created the North Carolina State Bar Foundation, a 501(c)3 charitable corporation with its own board and director. Its original goal was "to raise \$2.5 million, and I understand they now have contributions and pledges in excess of that number," said Thomas Lunsford, State Bar executive director.

The State Bar is a state government licensing and regulatory agency that oversees lawyers and conducts disciplinary hearings for those who run afoul of state laws and judicial canons. Lawyers pay mandatory dues to the agency to fund its operations.

"Any time you hear about anybody who's been reprimanded, or disciplined, or disbarred, that's done by the State Bar," said Jeanette Doran, executive director and general counsel of the North Carolina Institute for Constitutional Law.

Because of the State Bar's power to prosecute attorneys before its Disciplinary Hearing Commission, Doran and others are leery of the Bar soliciting lawyers for donations to help underwrite the costs of the new four-story building — some of which are in the \$100,000 to \$200,000 range — and granting naming rights for various rooms in it.

One concern is whether accepting the donations might open the State Bar to the suspicion that it might base disciplinary actions against lawyers on the amount of money firms gave to the building project. The bar might go easy or not act at all on an infraction by a large-scale donor, or penalize lawyers whose law firms declined to donate to the building project.

"I think it's something where there's enough sunshine, and we've got a lot of good media coverage. I think those sorts of things would make it unlikely that any one donor would receive special treatment. But it is the sort of thing I think the public could fairly question," Doran said.

"I think we should be careful that this isn't the sort of thing that causes public concern, that in-kind donors don't get special treatment from the State Bar," Doran said. "I would emphasize that I don't think that has happened. But it does raise the question if that appearance has happened."

If a law firm makes a large cash contribution to an agency that regulates it, "people just instinctively think" it might be receiving favorable treatment, said Bob Phillips, executive director of Common Cause North Carolina.

"Even if it's not true, there is the perception. Is there a favor, is there a threat, is there some punishment" for law firms or lawyers who either donate or rebuff solicitations, Phillips asked.

He said Common Cause is concerned with the increase of organizations in North Carolina using nonprofits to further their agendas.

It is "something that is all legal, but something that we wish wasn't happening so much," Phillips said.

Perry Newson, executive director of the North Carolina Ethics Commission, said the Ethics Commission does not have jurisdiction over the State Bar, but does have authority

over its Disciplinary Hearing Commission.

Despite that, the Ethics Commission issued a favorable opinion to the State Bar to allow the nonprofit North Carolina State Bar Foundation to raise funds from attorneys and law firms.

"I don't think we've ever faced that before, not saying it's right or wrong either way, it's just something we haven't addressed," Newson said of an agency creating a nonprofit organization to launch a donation and naming rights effort, which he called "fairly common practice" in capital campaigns.

Asked if that scenario presents, at a minimum, the potential for appearance of a conflict, Newson said, "There isn't an appearance-of-conflict provision in the [state] Ethics Act."

But, he said, "It's not out of the realm of reasonableness" that a donor to the State Bar's capital campaign might get favorable treatment because of the cash gift, but "it's a bit of a stretch."

"We were certainly advertent to the possibility that there might be an issue in regard to our soliciting our members, and because of that we decided to pose the question to the state government Ethics Commission, and actually receive advice that there was not a problem, and there would be no reason why we could not go forth with the fundraising effort," Lunsford said.

"I couldn't speak for every member of our board as to what their personal feelings might have been. Ours is a large board, and there's quite a diversity of opinion, [but everyone] was quite comfortable" once the ethics decision had been received, Lunsford said.

Further, he said, naming rights to the courtrooms where disciplinary hearings will take place are restricted to retired lawyers and law firms that are no longer active.

Construction of the 60,000-square-foot building at the corner of Edenton and Blount streets should be completed around the first of March, with move-in shortly thereafter. In the meantime, the State Bar is leasing the building it formerly owned at 208 Fayetteville Street, which is about half the size of the new building.

"We have had to rent space in various other downtown office buildings because we couldn't house everybody under our roof," Lunsford said of the need for a 60,000-square-foot building.

"We know that over the last 10 years or so the [legal] profession in North Carolina has been growing at about 3 or 4 percent a year. We know that the law schools are full. Indeed, they are oversubscribed, and it would appear that condition will continue at least into the foreseeable future," Lunsford said.

There were between 7,000 and 8,000 licensed lawyers in North Carolina when he joined the State Bar's legal staff in 1981, Lunsford said. Now the number is "approaching 25,000," and internal projections show that could double in another 20 years.

Meeting rooms in the new building will accommodate the 68 members of the State Bar Council, the Bar's governing body. In the past, the council had to rent meeting space.

Of the \$18 million construction cost, \$12 million was borrowed from First Citizens Bank "on very favorable terms," Lunsford said. "We have realized something in excess of \$2 million from the sale of our current building." The balance will come from cash reserves and the capital campaign. CJ



Some legal observers are questioning the capital campaign being used by the State Bar to fund its new building at the corner of Blount and Edenton streets, saying soliciting funds from lawyers, over whom the State Bar has disciplinary power, creates a conflict of interest. (CJ photo by Don Carrington)

General Assembly to Take Another Pass at Photo Voter ID Bill

By BARRY SMITH
Associate Editor

North Carolinians should expect the General Assembly to pass a strict voter-identification bill in 2013, and it will withstand federal and judicial scrutiny, a chairman of the House Elections Committee said.

"We're going to get a bill that requires a photo ID to vote," said Rep. David Lewis, R-Harnett.

Democrats and liberal activists contend that a photo ID requirement would disenfranchise poor, elderly, and minority citizens who lack proper identification documents. Moreover, they say a recent report by the State Board of Elections showing a large number of voter records don't match Division of Motor Vehicles data would lead to major hassles when North Carolinians show up at polling places.

Lewis minimized those concerns, though he noted that voter ID laws in several other states have been struck down in court. To prevent that outcome, he said North Carolina's law likely would be modeled after one passed in Georgia that has been precleared by the U.S. Department of Justice under the federal Voting Rights Act.

"We want to do it in a way that it becomes a reality," Lewis said. "It would be a neglect of the legislative

process if we did not take into account the recent Department of Justice rulings that were handed down in South Carolina and Texas."

Republicans in the General Assembly are hoping for success after former Gov. Bev Perdue vetoed a measure passed in 2011.

This year, Republicans hold veto-proof majorities in both chambers of the General Assembly. And a Republican now holds the governor's office, though GOP Gov. Pat McCrory has said that he would consider a voter ID bill that did not require voters to present a photo ID at the polls.

Democrats were solid in their opposition to such a bill during the previous General Assembly. And although Democrats' numbers have dwindled, they continue to say such a measure is unnecessary.

Rep. Deborah Ross, D-Wake, said a strict ID requirement would dilute voters' rights.

"It smacks of voter suppression, which more than a few proponents of voter ID have cited as a reason why they want voter ID," Ross said.

Lewis said that the photo ID required would have to be issued by a

government agency or an Indian tribe.

The documents allowed in the bill would include a driver's license, state-issued ID from the Division of Motor Vehicles, a state employee ID card, a University of North Carolina system ID card, a military ID card, a passport, or a tribal ID card.

Ross believes other forms of identification that lack photos should be acceptable, such as the forms that are allowed when citizens register to vote. Those forms include utility bills, bank statements, tax bills, and payroll statements.

"Whatever you're allowed to use to register to vote should be sufficient to vote," Ross said.

Lewis said he and a number of other Republicans felt that photo IDs were necessary to prevent voter fraud.

"Many of us are very concerned because, frankly, my 12-year-old with a laser-jet printer can forge a Progress Energy light bill," Lewis said. "We think you should have a photo ID to present at the polls to vote."

Lewis said that he knows some voters don't possess a photo ID.

A recent analysis by the State Board of Elections found that many

voter registration records did not match DMV and driver's license ID data. The board examined registration documents of the state's 6.5 million voters and was unable to match 612,955 records. Those included 506,763 active voters and 106,192 inactive voters. Inactive voters are citizens who have not voted in the past eight years.

Veronica Degraffenreid, an elections liaison for the State Board of Elections who conducted the analysis, said the state board isn't saying that all of those voters don't have a driver's license or photo ID.

"What we're saying is that we have no information to suggest that they do have a DMV ID," Degraffenreid said.

The analysis noted that nearly two-thirds of those without a match are women and that women are more likely to change their last names based on marriage or divorce, which could account for the high number.

Lewis questioned the number. Moreover, he said the General Assembly must "figure out how to get them a photo ID [at no cost] to have any chance at all to make sure that our bill is precleared, that our bill can become law," Lewis said.

Ross questioned how the state would find the money in tight budget times.

CJ



Visit the John Locke Foundation's Regional Blogs

In addition to our statewide blog, The Locker Room, the John Locke Foundation has five regional blogs that keep an eye on local officeholders, watch for waste of taxpayers' money, and search for incidents of public information being kept from the public's eye. Be sure to visit the one that covers your region.

RIGHT ANGLES

The Triangle Blog: <http://triangle.johnlocke.org/blog>

The Meck Deck

The Charlotte Blog: <http://charlotte.johnlocke.org/blog>

Piedmont Publius

The Triad Blog: <http://triad.johnlocke.org/blog>

THE WILD WEST

The Western N.C. Blog: <http://western.johnlocke.org/blog>

Squall Lines

The Wilmington Blog: <http://wilmington.johnlocke.org/blog>

State Briefs

Easley law license

Former Gov. Mike Easley, a Democrat, has asked the N.C. State Bar to restore his law license. Easley's license was suspended as part of a felony plea Easley accepted in a probe of his campaign's finances. Easley is the first governor in North Carolina history to be convicted of a felony as the result of actions taken while in office.

The State Board of Elections fined Easley's campaign \$100,000 for failing to report a helicopter flight that was provided by former N.C. State University board member McQueen Campbell, a contributor to Easley's campaigns. The campaign did not pay the fine. Following that, Easley pleaded guilty to a felony charge of filing a false campaign report. He was fined \$1,000 and served no jail time.

The State Bar suspended Easley's law license until December 2012, saying he had expressed remorse and taken responsibility for the false campaign report. In January, Easley's attorneys formally requested reinstatement of the license. At press time, it was not clear how soon that might occur.

N.C. State prof defamation

A 4-2 majority of the N.C. Supreme Court reversed an appellate court decision and ruled against a professor at N.C. State University who in 2007 sued his department head over an unfavorable annual review.

Robert Trew, who headed the electrical and chemical engineering department at N.C. State, listed "specific instances of unprofessional behavior" in the annual review of associate professor Mark White and said White had "engaged in extremely disruptive behavior and conduct."

White sent a "rebuttal letter" saying he was defamed by the review, which included "false and malicious" statements that were available for other faculty to read. No action was taken on White's behalf. White sued the university, claiming defamation, and won before the state Court of Appeals.

The Supreme Court rejected the appellate ruling, saying that Trew was protected by sovereign immunity, which prevents government employees from being sued as individuals if they're acting in their official capacity. The court said supervisors are expected to maintain personnel records which can be reviewed by other managers, and threw out the case. CJ

JLF Report Criticizes Occupational Licensing

BY CJ STAFF

RALEIGH

North Carolina's aggressive approach to occupational licensing raises prices and protects current members of a profession more than it protects consumers. That's a key finding in a new John Locke Foundation Spotlight report, which compares occupational licensing to outdated "medieval guilds."

The report recommends six ways to "de-guild" North Carolina's economy. Those recommendations include cutting the number of licensing boards and licensed job categories.

"Consumers would benefit from lower costs, more competition, a wider range of service levels, and more reliance on private review and certification processes," said report author Jon Sanders, JLF director of regulatory studies. "Aspiring members of a profession would be able to enter it easily, potentially bringing new ideas that would transform the industry or helping contribute to a larger menu of service choices for consumers."

"Society would benefit from more human and entrepreneurial liberty, as well as from greater employment access for the poor, the less educated, and older career changers," added Sanders, whose study of occupational licensing marks the latest installment in his series of "Carolina Cronyism" reports.

North Carolina features more than 50 occupational licensing boards, Sanders said. "The state licenses more occupations than most other states," he said. "A recent report ranked North Carolina in a tie with Massachusetts at No. 15 in the nation for most licensed job categories at 154. Among neighboring states, only Tennessee licenses more. Virginia licenses half as many jobs as North Carolina, and crossing the border from North to South Carolina reduces licensed occupations by two-thirds."

Researchers also find that North Carolina is "one of the more aggressive states" in licensing occupations that often employ the poor or less educated, Sanders said. "This state licenses 48 of 102 lower-income occupations highlighted in a recent study," he said. "Such occupations are ideal entry points into the job market, and their importance to a state's economy is not insignificant."

An occupational license is a "grant of permission" from the government to an individual to enter the field of work he desires, Sanders explained. The supposed purpose is to

ensure safety and quality. "Research is mixed over whether licensing actually has a positive effect on safety or quality."

"In practice, occupational licensing tends to be motivated more to protect current members of a profession from competition and thereby make them wealthier," Sanders added. "One study suggests licensing boosts earnings for current practitioners by 15 percent. In higher-wage licensed occupations, the wage premium can reach as high as 30 percent. Instead of being a case of the state versus the professionals, licensing actually helps the two sides work in concert against the interests of new competitors and consumers."

Licensing has grown "tremendously," Sanders reports. "In the 1950s, nearly one in 20 workers needed a government license, and now that number is approaching one in three."

As recently as the 2011-12 legislative session, North Carolina lawmakers filed bills to license musical therapists, naturopaths, herbalists, personal trainers, X-ray technicians, and others. None of these bills won legislative approval.

Sanders offers a response to those who fear the potential impact on safety and quality if North Carolina scales back its licensing regime. "Private providers will offer reviews and even certification for consumers who seek that information," he said. "Competition and market forces will expose and winnow out shoddy providers. The government will still be there to

enforce safety and quality through the courts."

The first of Sanders' six recommendations involves reducing the number of state licensing boards and licensed job categories. "Legislators could adopt a 'last in, first out' rule of thumb for licensing boards," he said. "If a practice just recently came to be viewed as needing state oversight, it is likely that need wasn't that obvious."

The report also recommends reforming and merging existing licensing boards, along with encouraging reciprocity with similar licensing boards in other states.

A fourth recommendation involves applying a principle of the "least-cost state." "Where another state's licensing standards are less burdensome on prospective workers in terms of fees, training, or ongoing license renewal, North Carolina should adopt the less burdensome standard," Sanders said.

Fifth, all licensing boards should face sunset provisions. That would ensure these boards face a periodic review to justify their ongoing existence. Sixth, lawmakers should enact "sunrise" provisions for any future licensing board. "Creating a new licensing board should happen only after it has been demonstrated that there is a decided health, safety, or quality issue in the market that warrants licensure to solve."

North Carolina needs to reverse its aggressive approach to occupational licensing, Sanders said. "As with toppling medieval guilds in Europe, removing occupational licensure is an essential step lawmakers can take toward restoring freedom in North Carolina." CJ



BOOKS AUTHORED BY JLF STAFFERS



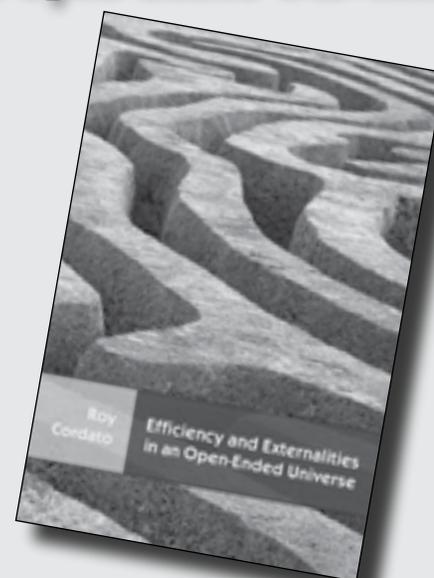
By Roy Cordato
Vice President for Research
John Locke Foundation

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

Israel Kirzner
Cato Journal

www.mises.org

Efficiency and Externalities in an Open-Ended Universe



N.C. Raw Milk Consumers Use Out-of-State Suppliers for Product

BY SARA BURROWS
Contributor

RALEIGH
Selling unpasteurized milk has been illegal in North Carolina for three decades. But that hasn't stopped growing numbers of families around the state from going to extreme lengths to obtain it.

Some travel to South Carolina, where it's legal to sell raw milk, and bring it home. Others contract with Pennsylvania farmers, secretly arranging delivery to dozens of "drop sites" in cities including Raleigh, Durham, and Cary. So heavy is the demand that one private food club is in the process of establishing drop sites in eight new cities, including Asheville, Charlotte, and Wilmington.

Growing demand

The growing demand from North Carolina has been a boon to farmers in nearby states. For example, an Amish farmer from Pennsylvania has seen his raw milk sales increase 25 percent over the past two years, in part because North Carolina has become one of his largest sources of customers.

The sale of raw milk for human consumption has been illegal in North Carolina since 1983, and in 2004 the state outlawed cow-shares, which allowed people to purchase joint ownership in a cow and share its milk. Since then, local producers of raw milk have become scarce, and those that remain have become extremely careful about selling to customers they don't know.

South Carolina and Pennsylvania are two of 25 states where selling raw milk is legal to some degree — either from a farm, in farmers' markets, or in grocery stores. An increasing number of North Carolinians are obtaining unpasteurized milk from those states.



The sale of raw milk, meaning unpasteurized milk straight from the cow, has been illegal in North Carolina since 1983, and cow-sharing, the practice of families joining to buy a cow and share its milk, was outlawed in 2004. (Photo courtesy of <http://chicmummy.blogspot.com>)

Public health officials warn of potential dangers from consuming unpasteurized milk, including the risks of contracting debilitating bacterial and intestinal infections. But consumers say raw milk offers a healthier alternative to its pasteurized counterpart. And critics of the ban on raw milk sales say individuals should be able to decide which risks they are willing to accept.

Pennsylvania

The Amish farmer wishes to remain anonymous. *Carolina Journal* interviewed his brother, who works on the farm and also asked not to be named. The brother said the farm sells to nearly 150 customers in North Carolina. Consumers in the Tar Heel State have banded together to cover the cost of sending a refrigerated truck to pick up goods from the farm once a month, which in addition to raw dairy prod-

ucts include meats, vegetables, and bread. The truck delivers to a central location, where volunteers divvy up the food and deliver it to their hometowns.

The farmer, like many who sell raw milk, has seen other Amish farms raided and sometimes shut down. The U.S. Food and Drug Administration prohibits the interstate shipment of raw milk, and even though he's not transporting it, he could be prosecuted for participating in an illegal enterprise.

The farmer, producing food the way his family has done for generations, does not meet the profile of the typical "criminal." His customers see him as a hero, participating in an underground railroad of sorts, giving modern-day people access to good, old-fashioned food.

He understands FDA regulations prohibit people from buying his milk and taking it across state lines for resale, but he believes people have a constitutional right to do so. He said laws against selling raw milk are "quite corrupt."

"We're excited about the future, and trust in God, that if it's His will, the government will leave us alone so we can continue to provide the real food," he said.

North Carolina

North Carolina has some of the nation's strictest laws against the sale of raw milk. It cannot be sold at grocery stores or other retailers. Nor can farmers' markets or dairy farms sell raw milk for human consumption. Raw milk can be sold as "pet's milk," but few farmers do so because they say the label sends red flags to regulators.

Those willing to take the risk tend to keep their operations small so they do not attract attention from law enforcement. The organizer of one underground buying club in the Triangle area has roughly 80 members. A Triad-

area farmer said he recently purchased four more dairy cows from Pennsylvania to meet growing demand. He said he sells about 170 gallons a week to customers all over the state.

Consumers say they are willing to go to great lengths — including making long drives and paying high shipping fees — for raw milk because they believe it has a much higher nutritional value than most foods available today and can help with a host of ailments, including allergies, digestive problems, and heart disease.

State health director Jeff Engel and Agriculture Commissioner Steve Troxler disagree that raw milk has a higher nutritional value than pasteurized milk and warn of its dangers to consumers, including the risk of bacterial infection and even death.

"Raw milk may contain a wide variety of harmful bacteria — including Salmonella, E. coli, Listeria, Campylobacter, and Brucella — that may cause illness and possibly death," they said in a Department of Health and Human Services press release.

"The harmful bacteria in raw milk can be especially dangerous for pregnant women, the elderly, infants, young children, and people with weakened immune systems," the release said.

Pasteurization, the officials said, eliminates harmful bacteria and slows microbial growth.

Risk vs. reward

But many North Carolina mothers said they don't believe the warnings about harmful bacteria. They argue that raw milk from healthy cows is loaded with beneficial bacteria that actually fight off any harmful bacteria that may be present in the milk.

CJ surveyed several mothers who are members of the North Carolina Alliance for Raw Milk — who did not wish to be identified in this story — about why they use raw milk.

Many said their children cannot digest conventional milk. They said their children begin to tolerate lactose, which is altered by the pasteurization process, when they drink raw milk. Some mothers said they used raw cow or goat milk to supplement a low breast milk supply, against their physicians' advice, if their babies could not tolerate store-bought formula.

Other critics of the raw milk ban say that people should have the right to decide if the risks of consuming raw milk are worth the potential benefits. Former Rep. Glen Bradley, R-Franklin, proposed legislation last year legalizing raw milk, but it died in committee.

In Congress, legislation allowing the interstate shipment of raw milk has been introduced every year but received little support. Meanwhile, a large raw milk dairy in California is suing the FDA over its ban on the interstate shipment of the product. *CJ*

Interested in N.C. history?

Visit the North Carolina History Project's
Web site at <http://www.northcarolinahistory.org/>



The North Carolina History Project is a project of the John Locke Foundation

Legislative Leaders Want Review of 'Nagging' Medicaid Problem

Oversight committee must authorize a program review

BY DAN WAY
Associate Editor

RALEIGH

As a growing number of skeptics question the fiscal soundness of North Carolina's centerpiece Medicaid program, there is a push for a legislative review of the system.

In a recent press conference, state Senate leader Phil Berger, R-Rockingham, spoke of "a continuing and a nagging problem" with Medicaid overspending.

"Quite frankly, we're concerned about whether we're getting accurate information from the Department of Health and Human Services about the level of spending that we are committed to at this point," Berger said.

Free-market advocates contend Community Care of North Carolina, a nonprofit organization that runs the state's Medicaid program, has contributed to the \$1.17 billion deficit in Medicaid that has occurred over the past three years. They say CCNC is not held accountable for cost overruns and simply passes unbudgeted expenses on to state taxpayers.

Yet separate studies commissioned by the state claim CCNC has generated savings of \$984 million from 2007-10, and \$1.5 billion from 2007-09. Critics have called those savings wildly optimistic.

"We have received a request to look into that," said John Turcotte, director of the General Assembly's Program Evaluation Division, which reviews state programs for effectiveness and efficiency. "I think it's a worthwhile project."

Turcotte is confident "there will be a project proposal at least. But until that proposal gets in front of the Joint Legislative Program Evaluation Oversight Committee and we approve it, there won't be a project."

"It's a small but positive step forward that the Oversight Committee for the legislature's Program Evaluation Division may consider authorizing a credible evaluation of the CCNC program," said Michael Cousins of Clayton. He is a nationally recognized expert in evaluating programmatic health care outcomes.

"Since tens of millions in North Carolina taxpayer money has been spent on CCNC — and the previous evaluations are marred by flaws — the Oversight Committee should take the next step and approve an evaluation that uses credible methods," Cousins said.

Cousins first wrote about his concerns with the CCNC evaluative reports in 2009.

He said his concern grew since then because methodologies used in more recent evaluations commissioned on behalf of CCNC "are so weak, the conclusions so flawed, that the funding decisions made by [the N.C. Division of Medical Assistance] based on these reports has, by definition, resulted in misguided appropriations."

Al Lewis, an instructor of health policy at Brandeis University who formerly taught economics at Harvard, agrees that the wrong evaluation tools were used to look at CCNC's costs.

"There's a lot of state taxpayer money being spent with impossible results being claimed," Lewis said.

But state Rep. Nelson Dollar, R-Wake, co-chairman of the Joint Legislative Oversight Committee on Health and Human Services, is a staunch advocate of CCNC. He steadfastly has defended studies of the program's spending and savings.

If the Program Evaluation Division "wants to look at CCNC and evaluate, I think I am quite confident they would come away extremely impressed," Dollar said.

"In my view, CCNC has been an outstanding asset for the state and has been an outstanding asset for our citizens and for our health care community, and I think they continue to expand their capability," Dollar said.

The CCNC system has improved structurally to take on more projects, which "have done extremely well, saved the state money," Dollar said. With 95 percent of the state's general practice doctors affiliated with CCNC, Medicaid recipients don't have health care access issues like those in some other states, he said.

"I think there are a lot of states that would love to have a network like CCNC," Dollar said.

"I support CCNC and think the feds are going in the right direction to copy it," said state Rep. Verla Insko, D-Orange, also a member of the HHS oversight committee.

"Other states will tweak the model and find ways to improve it" in an atmosphere of beneficial competition, Insko said.

Meantime, advocates of reforming Illinois' Medicaid system hope to pull the plug on its program, modeled after CCNC's "medical home" plan. They say it hasn't lived up to its national hype in reducing costs in the

Land of Lincoln.

The CCNC primary care case management model, "unfortunately, is not working," said Jonathan Ingram. He is senior health care policy analyst at the Illinois Policy Institute, a free-enterprise research and education organization.

The CCNC approach assigns each Medicaid recipient to a primary care physician. It is an enhanced, coordinated, fee-for-service plan, meaning, basically, every time a patient shows up for care, the fee is paid.

Such regular, ongoing, and monitored care — a medical home — is intended to reduce more costly hospital admissions and emergency room treatment due to preventable episodes, thus saving money.

Illinois' goal has been to get 50 percent of Medicaid recipients into a primary care medical home to reduce costs.

"They haven't actualized any reduction in costs by moving those people yet," Ingram said.

In response, the Illinois State Medical Society is moving forward "to basically draft a plan and waiver to the federal government to do more choice and competitive reform here in Illinois," Ingram said.

Ingram said the Illinois Policy Institute is proposing, separately, a complete transformation of Illinois' Medicaid system. It would replace its

CCNC-like fee-for-service model with a program that helps to pay premiums for private insurance plans and, ultimately, deflate costs.

"We would give eligible individuals premium support and then also a medical savings account, kind of like a health savings account," with a number of private market options, he said. The goal would be to help the recipients eventually move off the tax-subsidized program into the private insurance market.

"Basically, it injects both choice and competition into a market that's dreadfully lacking," Ingram said. The proposal is a policy quilt woven from the best ideas showing the most promise in multiple states.

"Right now, bureaucrats here in Springfield and Washington control everything," Ingram said. "Consumers are very smart. They know what they need, and right now government's just being in the way."

Illinois faces a number of government hurdles in dealing with Medicaid reform. Then-state Sen. Barack Obama helped to usher into Illinois' Medicaid program "multiple aspects" of what later became part of the federal Affordable Care Act, Ingram said.

"They all led to worsening care to the most vulnerable," he said.

States that choose to expand their Medicaid rolls under the Affordable Care Act "are going to be dumping thousands — and here in Illinois it's going to be more than a million people — into a broken program," Ingram said.

"There's just so much the program will be able to take before it collapses," he said. CJ



Visit
Carolina Journal Online



<http://carolinajournal.com>

Freshman Lawmaker Proposes Letting Districts Go All-Charter

By BARRY SMITH
Associate Editor

RALEIGH

While the Republican leadership is talking education reform — including offering more choices for parents and students — a freshman GOP representative is putting forth a new twist on charter schools.

Rep. Donny Lambeth, R-Forsyth, would like to give entire school districts the option of converting to charter school districts.

Lambeth, who was chairman of the Winston-Salem/Forsyth County Board of Education for 18 years, said that school officials often discussed charter schools and their flexibility.

"It often came up that charter schools have an advantage because they don't have to follow the same rules and regulations that we follow," Lambeth said.

He said in his discussion with other educators, the concept evolved that traditional public schools and charter schools should cooperate more.

"Charter schools make public schools better," Lambeth said. "Competition makes everybody better."

Charter schools are public schools that generally don't have to comply with as many regulations as traditional public schools. They generally operate independently of local school boards and have their own governing board of directors.

Charters get government funding, which is usually comparable to what is spent per pupil for operating expenses in their local area. However, they don't receive additional capital funds to pay for school buildings the way traditional schools do.

Lambeth said that over the past several months, the idea of giving traditional public school systems more flexibility continued to evolve.

"What if we changed and allowed a district to operate under the same guidelines and rules as a charter school?" Lambeth asked. "Would that allow them to be more creative and more innovative?"

Lambeth is drawing some support for the concept from the superintendent of the Winston-Salem/Forsyth school system.

Donald Martin, the superintendent, said that having the ability to have a charter school district would

give local boards of education more flexibility than they currently have.

"I think there are several districts in the state that would be interested in exploring that," Martin said.

"This would be charting new waters for the state," said Joel Medley, director of the N.C. Office of Charter Schools.

Medley said that it's a safe assumption that there would need to be clarifying legislation for a school district to convert entirely to a charter school district.

Judith Rizzo, executive director of the James B. Hunt Jr. Institute for Educational Leadership and Policy, said that there is potential for such a concept to move forward, "even if this just creates a forum for folks to identify what's in the way." Rizzo notes that a lot of educators feel "overwhelmed by paperwork."

Martin has pushed for the ability for local school boards to have more authority in issuing charter schools. He produced a white paper for school superintendents on the issue.

Currently, all charters have to be granted by the State Board of Education.

Allowing local school boards to grant charters would give both local school administrations and charter schools the ability to prepare students better, his report says.

"We can provide some infrastructure and work with the charter school," Martin said.

School systems could help provide things such as transportation and school lunches, Martin said. He noted that the inability of some charter schools to provide meals and means of getting to school can become barriers for some parents who want to send their children to charter schools.

Lambeth said that he had originally thought about introducing legislation that would just convert the Winston-Salem/Forsyth County Schools into a charter district. But he said since the idea has surfaced, other legislators and school districts have discussed the possibility of allowing charter school district pilot projects across the state.

He has not written the legislation, Lambeth said. "It is a concept," he said. "We're just going to think through all the implications."

He noted that any move to convert a local school system to a charter school system would be voluntary. *CJ*

Would school districts be more innovative if they were under charter rules?

COMMENTARY

Head Start Shenanigans

What were you doing the Friday before Christmas? Many of us were buying last-minute gifts, embarking on trips to visit family and friends, or making other preparations for the holiday season.

But if you were a senior official working for the U.S. Department of Health and Human Services, you were releasing one of the most important, and damning, studies of the Head Start preschool program to date, the "Third Grade Follow-up to the Head Start Impact Study."

Why would HHS choose to release an important report the Friday before Christmas? Call me cynical, but I think it had something to do with the unwelcome (for HHS) but largely predictable conclusion of the report. Researchers concluded that Head Start, an \$8 billion program that enrolls approximately 21,000 low-income children in North Carolina and 1 million nationwide, delivered almost no lasting benefits to participating children.

Head Start, nicknamed Project Rush-Rush, was one of the signature initiatives of President Lyndon Johnson's War on Poverty. It was the federal government's first and largest foray into early childhood education and services. Since its introduction in 1965, Congress has poured approximately \$123 billion into Head Start programs for nearly 30 million low-income children.

Apparently, there was no rush-rush to release the Head Start Impact Study. Researchers completed data collection in 2008, and it took two years for HHS to release its initial findings. The 2010 report concluded that the average preschooler enrolled in Head Start did not maintain academic and social gains through first grade.

By early 2012, HHS continued to sit on a follow-up report that tracked Head Start children through third grade. Sen. Richard Burr, R-N.C., and four of his colleagues sent a letter to HHS Secretary Kathleen Sebelius demanding the release of the follow-up report. The agency released it — Friday, Dec. 21, 2012.

The Head Start Impact Study was rigorous, to say the least. Over a six-year period, researchers randomly assigned 5,000 newly

entering 3- and 4-year-old children to Head Start and non-Head Start programs through their third-grade year. Random assignment, also called experimental design, is the unequivocal "gold standard" in social science research.

Researchers examined several developmental areas, including measures of cognitive, social-emotional, language and literacy, and health outcomes. They found that Head Start improved the preschool experience of participating children, but the program provided few

benefits beyond kindergarten. Researchers concluded, "[T]here was little evidence of systematic differences in children's elementary school experiences through 3rd grade, between children provided access to Head Start and their counterparts in the control group." Head Start Director Yvette Sanchez-Fuentes issued the classic Orwellian response, "Children who entered the program 10 years ago clearly benefited from their Head Start experience."

Proponents of preschool programs like Head Start argue that "investments" in early learning provide long-term benefits to children, families, and the community. Preschool advocates contend that spending a dollar on early intervention programs will save several dollars down the road. They maintain that those who receive state-subsidized preschool education and services will require less remediation in school, commit fewer crimes, and have higher salaries than those who do not. There is some evidence this is true for a small number of destitute children in high-quality preschool programs. But these children are the exception, not the rule.

In his 2010 State of the Union Address, LBJ's ideological successor, Barack Obama, declared, "The idea here is simple: Instead of rewarding failure, we only reward success." The president is right. It is a simple idea. But it is easier said than done. By continuing to pour billions into programs like Head Start, the federal government chooses to reward failure. *CJ*



TERRY STOOPS

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

Regulators Flooded With 154 New Charter Application Letters

BY DAN WAY
Associate Editor

RALEIGH

Potential charter school operators, including two that would operate online, flooded the state with 154 letters of intent to open in fall 2014, punctuating a growing appetite for alternatives to traditional public education.

But some education observers worry that the State Board of Education is signaling an eagerness to impose regulations that would defeat the innovation that makes charters an attractive option for parents.

Critics contend that regulations just rolled out by the State Board of Education for digital distance-learning providers are more restrictive than necessary, and that the board's "unprecedented" refusal to allow a Pamlico County charter to add high school grades to its class offerings is "worrisome."

"We were expecting quite a few, [but 154] was not what we were expecting," Joel Medley, director of North Carolina's Office of Charter Schools, said of the huge volume of letters of intent received by the Jan. 4 deadline. Formal applications are due by noon March 1. (Initial reports said 161 applications were filed, but that number was overstated because of a database glitch.)

Mecklenburg a surprise

"One of the things that we did not expect was as many as we saw in Mecklenburg County," from which there were 30 applications, including the two virtual schools, Medley said. Multiple letters of intent also were sent from the Greensboro and Raleigh areas.

"There were even some in smaller counties that currently do not have charter schools, so there is a possibility of breaking some new ground in some new areas," Medley said.

Darrell Allison, president of Parents for Educational Freedom in North Carolina, a Raleigh-based school-choice advocacy organization, said with 30,000 North Carolina families on charter school waiting lists, he was not surprised to see 154 letters of intent.

"This is proof that that demand and desire is there," he said.

However, he cautioned: "When they open up that application packet and see what's in it, trust me, you will not have 154 applications. It's hard work, and there will be some, I'm sure, that will pull off to the side of the road and take a break."

More choices, regulations

Terry Stoops, director of research and education studies at the John Locke Foundation, said as the charter

school movement grows, so does the creep of the State Board of Education's regulatory vines.

"I think it's absolutely worrisome that since 2005 the number of charter school regulations passed by the State Board of Education has accelerated," Stoops said.

Charters "should be free from regulation, and they should be given a measure of autonomy that allows them to be innovative and experiment with new approaches," Stoops said.

"If we continue to regulate them, in fact, over-regulate them, then they just become like any other district school," and it defeats the purpose of creating them, he said.

"What we have to do is get rid of the lists and lists of regulations, controls, and other impediments that just get in the way of teaching," Rep. Thom Tillis, R-Mecklenburg, said after being re-elected speaker of the House.

"We must find meaningful ways to deregulate K-12 public schools to put the power back in the schools and back into the classroom," he said.

Tillis recounted a recent discussion with a superintendent of "one of the largest school districts in the state." He was considering applying for a charter school because of the added flexibility to create innovative programs.

"And I asked him, 'Rather than giving you one or two schools in your district that have that flexibility, why don't we work on what we have to do to give every school in your district that flexibility,'" Tillis said.

Board barriers

Some, like Stoops, believe the State Board of Education is not only a key hindrance to removing regulatory barriers to education reform, but also the architect of the hurdles. He cited the board's new guidelines for online charter schools as an example.

"They're very stringent guidelines," Stoops said. They include enrollment restrictions, limiting offerings to K-12, and prescribing "ways the money is doled out," he said.

"What [the State Board of Education] is doing is they have a monopoly right now with the [state-run] North Carolina Virtual Public School, and they're limiting competitors," Stoops said.

Last year, the board's president, Bill Harrison, unilaterally decided the

state would not accept applications for virtual charter schools. His action is now the subject of a lawsuit.

Allison said he would reserve any comment about the virtual school guidelines until the General Assembly takes up the proposal.

"Before we rush into the details, I want us all to step back and take note of what happened [Jan. 10] from a big point of view," Allison said.

Until now, virtual schools were "never part of the conversation, never given even a second of deliberation," he said. "I think this is the first step, but I think it's a major step," and demonstrated a landmark shift in

thinking on a State Board of Education whose members were appointed by previous Democratic governors.

Arapahoe denial

Stoops also criticized the board's Jan. 10 decision to deny Arapahoe Charter School permission to expand its kindergarten through ninth-grade model to include grades 10-12 "based solely on the fact that they felt that Arapahoe had too large of a market share," Stoops said. "This is really unprecedented."

Arapahoe "is extremely popular in Pamlico and surrounding counties," Stoops said. "This is an arbitrary cap placed on charter schools by the State Board of Education based on some ar-

bitrary tipping point they decided to come up with."

Medley said he viewed the Arapahoe decision as a case-by-case vote based on the merits.

"I can't really speak for the state board, but I believe the concern rested with the impact it would have on the [school district]," Medley said.

Changes on the board

Gov. Pat McCrory could swing the 13-member State Board of Education to a majority that's sympathetic to his perspective by March. The governor will make three appointments that were held over from the last session of the General Assembly, terms will expire for three others in March, and reform-minded Republican Lt. Gov. Dan Forest sits on the board as an ex-officio member.

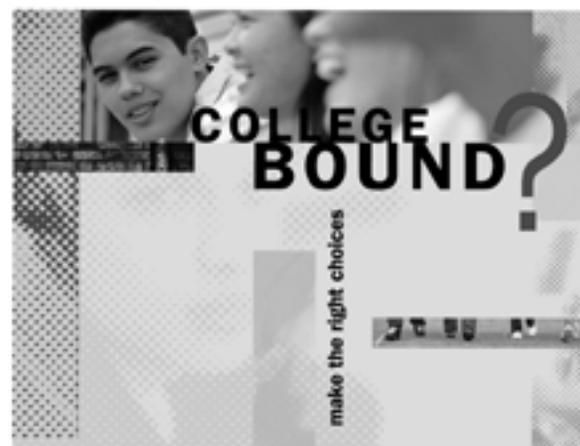
Stoops said the new General Assembly and new State Board of Education "will have to answer the question of what type of regulations do we want on charter schools, especially with regard to how fast they're growing, are there limits to how many students they should be enrolling or no limits. I'm inclined to say there should be no limits, but the regulations are there to limit the enrollment in charter schools, and I don't think those are going to go away."

Formal applications received by March 1 will go to subcommittees of the 15-member North Carolina Public School Advisory Council for review before being voted on by the full council for recommendation to the State Board of Education.

"They'll get their preliminary approval sometime in July or August," Medley said. CJ



If you know high school students considering college . . .



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

Should they go?

How will they pay?

What will they study—or will they party?

The John William
POPE CENTER
FOR HIGHER EDUCATION POLICY

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

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

JLF Book Promotes Reforms to N.C. Public Education

Proposals target Common Core and teacher tenure

By CJ STAFF

RALEIGH

North Carolina should break free of the so-called Common Core State Standards, which are tied to attempts to nationalize public school education requirements. That's one of the key recommendations the John Locke Foundation's new book makes for traditional district-run public schools.

First in Freedom: Transforming Ideas Into Consequences for North Carolina devotes a full chapter to reform measures for traditional public schools. Other recommended reforms target the state's existing testing system, teachers' credentials and pay, tenure, and the way state taxpayers fund public schools.

"While lawmakers should feel free to sever North Carolina's ties to the Common Core State Standards, a number of the structural reforms outlined in this chapter address some of North Carolina's most deeply embedded, and in some cases deeply cherished, practices," said Terry Stoops, JLF director of research and education studies. "Indeed, one should not 'take a stab' at changing teachers' salary schedule, tenure, or the state funding system. It will require surgical precision to restore the health of our public schools."

Stoops leads his examination of district-run public schools with the Common Core State Standards. Devel-

oped by two Washington, D.C.-based groups, Common Core picked up the federal government's endorsement in 2010. The feds urged states to adopt Common Core standards in return for a better chance at winning education grant money.

"Critics of the Common Core standards remind us there is no constitutional or statutory basis for national standards, national assessments, or national curricula," Stoops said. "There is no consistent evidence that a national curriculum leads to high academic achievement. Plus the national standards on which the administration plans to base a national curriculum are inadequate."

The Common Core standards face other objections as well, including one that affects the state's bottom line, Stoops said. Estimates suggest North Carolina might need to spend \$525 million over seven years, or \$75 million a year, to adopt the standards.

"There is no money," he said. "Given continuing fiscal pressures, states such as North Carolina can ill afford to appropriate tens of millions of dollars a year for new standards and tests."

Since Common Core would require North Carolina to give up control of its public school curriculum and testing programs, at great expense and with "growing evidence that the quality of the standards is low," Stoops concludes that North Carolina does not

need Common Core. "North Carolinians should insist that our schools use world-class standards, curricula, and tests — nothing less."

Speaking of world-class tests, Stoops devotes attention to North Carolina's existing testing program. While he reserves judgment of a new state-developed READY Accountability Model, Stoops endorses North Carolina's use of national tests that will allow state-to-state comparisons.

Turning his attention to teachers,

Stoops suggests it's time to scrap the uniform teacher salary schedule North Carolina has used for a century. "A growing number of lawmakers and school officials are working to discard the one-size-fits-all salary schedule and implement comprehensive teacher pay programs that attract and reward excellence."

First In Freedom critiques the state's current

teacher pay plan, including pay hikes tied to National Board Certification. Stoops also questions the benefits of the cumbersome state teacher certification process.

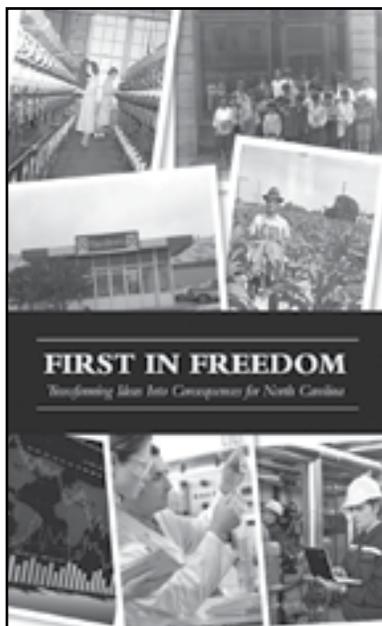
A section on instituting performance pay for teachers urges the state to focus on an existing resource. "North Carolina should select parts of the state's new teacher evaluation

system to use for a performance pay component," Stoops said. "School and district administrators in our state have used the state's Education Value-Added Assessment System, or EVAAS, since 2007. If the state wants to identify and reward the best teachers in the state, EVAAS data is the best place to start."

The book documents nationwide efforts to reform public teachers' tenure. Stoops highlights several recommendations for North Carolina from the National Council on Teacher Quality. "NCTQ criticizes North Carolina for failing to base tenure on student performance or teacher effectiveness," he said. "Recommended improvements including ensuring evidence of teacher effectiveness, setting out a clear tenure process, and requiring a longer probationary period."

Stoops also recommends improving the way North Carolina funds traditional district-run public schools. "Rather than asking whether the state allocates 'enough' resources to provide children a quality education, we should be asking 'how' public schools spend their money."

North Carolina should work to improve existing schools, even as it pursues school choice options outlined in a separate *First In Freedom* chapter, Stoops said. "Most parents will continue to choose to send their children to district-run schools," he said. "As such, ensuring that all children receive a high-quality education requires much more than school choice. It requires rethinking the way that our traditional public school system delivers instruction, employs teachers, and allocates resources." CJ



FIRST IN FREEDOM

Transforming Ideas into Consequences for North Carolina

In *First in Freedom* the John Locke Foundation's president and research staff apply the timeless ideas of 20th-century conservative thinkers to such 21st-century challenges as economic stagnation, tax and regulatory burdens, and educational mediocrity.

First in Freedom contains practical suggestions and advice for North Carolina's new governor and General Assembly.

To get your copy, go to JohnLockeStore.com.

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



Town and County

Durham crime lab

Durham city and county officials are frustrated with slow responses when the SBI State Crime Lab tests evidence in pending criminal cases. One solution could be for one or both of the localities to pay the state to hire more people to work only on Durham cases, reports the *Durham Herald-Sun*.

It often takes more than six months to get test results from the state, resulting in suspects being jailed longer than necessary. The situation has gotten worse in the last few years, as Supreme Court rulings have required technicians to spend more time away from the lab testifying in court.

"The leadership at the state level is not there," said City Councilman Eugene Brown, "putting the burden back on cities and counties."

The idea of building a crime lab in Durham was considered but rejected as too expensive. Attention now is focused on paying the SBI to hire additional staff for Durham cases. The SBI originally opposed the idea, but after Acting District Attorney Leon Stanback got involved, the agency was willing to go along.

The question remains whether the city or county will provide the required funds.

High-speed wireless

Winston-Salem is among the communities in the state that may benefit from the N.C. Next Generation Network, a university-led effort to establish ultra-high-speed wireless service, reports the *Winston-Salem Journal*.

Wake Forest University, Duke University, N.C. State University, and UNC-Chapel Hill have formed NC NGN as part of the GiG.U initiative. The idea is to use unassigned television frequencies to increase the area served and capacity of wireless networks. The universities are big Internet users, and the signals also would service surrounding communities.

"Connectivity speed is the key to all of this," said Rick Matthews, an associate provost for technology and information systems at Wake Forest.

Internet service providers "are interested in ultra high-speed service, but because it is such an expensive process, they want assurance that there will be viable customer bases."

The hope is that NC NGN will attract one or more ISPs to provide that service, perhaps in 2014. *CJ*

Ban Has Not Ended Sweepstakes Operations

By DAN WAY
Associate Editor

ROANOKE RAPIDS

Players continue to plunk cash down to play online sweepstakes games at the former Randy Parton Theatre in Roanoke Rapids despite a state Supreme Court ruling banning the electronic diversions.

Indeed, even after calls by the governor and attorney general's office to enforce the court's decision, several hundred Internet cafés remain open across North Carolina as their operators reconfigure their games in a manner they say complies with the law.

"There are some of the Internet sweepstakes cafés in this area that have closed, and there are some that are still operating. The theater is continuing to operate under some new types of gaming machines," said Roanoke Rapids Mayor Emery Doughtie.

Texarkana, Ark.-based HSV Entertainment principals leasing the theater "have been very forthcoming" about the machines they are operating in the newly named Royal Palace Theater, Doughtie said. "They in no way have done anything to undermine or circumvent the law."

City Attorney Gilbert Chichester sent an opinion letter to local law enforcement agencies differentiating, in his view, between machines that violate and comply with the state law. Numerous attempts to obtain a copy of that letter and an interview with Chichester were unsuccessful.

Amid the fast-changing and muddy legal landscape, law enforcement agencies are deciding, jurisdiction by jurisdiction, whether to crack down or back off.

"Our attorneys are fielding questions from local law enforcement and district attorneys about how to enforce the recent Supreme Court ruling and how the law applies to changes the sweepstakes industry claims to have made to games," said Noelle Talley, spokeswoman for Attorney General Roy Cooper.

"We're recommending that law enforcement investigate video sweepstakes operations in their area to determine what games are being played, and then take any enforcement action they think necessary against violators," Talley said.

"We believe the law and the ruling are clear, and we're ready to defend their enforcement," she said.

"The court has ruled, and they need to enforce the law," then Gov.-elect Pat McCrory said at a Jan. 3 news conference.

"These things keep getting reappealed based upon a new definition. This is getting ridiculous," McCrory said. "I'm going to have discussions with the leadership in the Senate and the House on this issue."

Eddie Caldwell, executive vice president and general counsel of the N.C. Sheriffs Association, said he anticipated the software change. "The drug dealers, the prostitutes, all kinds of criminals, are constantly trying to find some technicality around the law," he said, adding he expects enforcement to become more vigorous as more departments get familiar with the law.

"So much of that law right now is [open] for interpretation. There's no clear definition of what is acceptable and what is not acceptable except for what the city attorney wrote," said Roanoke Rapids deputy police chief Tommy Hathaway.

"We are being guided by the district attorney of Halifax County. At the present time, we have not been given any kind of notification of enforcement," Hathaway said.

"Our establishments have been notified and checked by law enforcement. Anybody that had a noncompliant in-

strument in their facility voluntarily removed them," Hathaway said.

Attempts to contact Halifax County District Attorney Melissa Pelfrey were unsuccessful.

"We are working to find a business model that will meet the guidelines that the Supreme Court set and comply with the statutes of the state of North Carolina," said Brad Crone, a consultant with the Internet Based Sweepstakes Organization that represents a majority of the state's Internet parlor owners.

"The operators and IBSO will be working with the new legislature and the governor to take a look at the future of the industry," Crone said.

The Supreme Court ruling has taken a toll on the industry, which had about 1,000 operators statewide in December, he acknowledged.

"Probably 70 percent of operators have shuttered their sweepstakes rooms until they get a clear indication of what's going to happen with the law," Crone said. Each Internet café employed, on average, six full-time and eight part-time workers.

The sweepstakes games are free add-ons to the purchase of Internet or phone time on an Internet parlor's computers. But the Supreme Court held that winnings

could not be revealed on an entertaining display as part of a game or simulated game.

In a recent blog, Christopher McLaughlin, assistant professor of public law and government with the UNC School of Government, wrote that some mechanisms using a "pre-reveal" program could comport with the law.

The pre-reveal operating system tells a player before a game in a "nonentertaining" fashion, such as a blank background, whether a purchase of phone time or Internet time includes a prize.

"[I]t's real unclear to me what's going to happen going forward" with the machines, said state Rep. Jeff Collins, R-Nash, who sponsored legislation in the last session allowing the state to collect taxes on sweepstakes operations. "If they're going to stay around, then I'll probably try to resurrect the legislation," Collins said.

He was considering levying state business privilege taxes on each machine and using that revenue to offset other taxes, such as the one on gasoline.

Collins views sweepstakes parlors as "gambling halls that prey on the poor. My position is if they're legitimate business operations, let's regulate them the way we regulate other things."

For now, Roanoke Rapids is receiving tax revenue from the machines at the city-owned theater, although some illegal devices were removed.

The amusement devices are taxed at \$2,000 for the first five, and \$1,000 for each machine after that, up to a cap of \$80,000 total.

Repeated attempts to contact the principals of HSV Entertainment were not successful. It has a two-year lease with a \$7.25 million option to buy the property.

"As the mayor, it's been just such a relief for us to have those rental payments coming in to us and we not have to take care of the day-to-day upkeep on that facility," Doughtie said.

The city owes about \$1.7 million a year on the theater, which equals about 25 percent of all taxes the city generates.

The \$21 million theater initially opened and failed under the management of country musician Randy Parton, brother of the more famous Dolly Parton. It then was sold to Chicago businessman Lafayette Gatling and bought back by the city before the lease with HSV Entertainment. *CJ*



This is the exterior of one of the sweepstakes parlors in Hillsborough. It is located on Churton Street in the Maxway Shopping Center. Another one remains open at The Shops at Daniel Boone. (CJ photo by Dan Way)

Charlotte Puts Stadium Funding On Its 2013 Legislative Agenda

By MICHAEL LOWREY
Associate Editor

RALEIGH
Charlotte City Council has voted in closed session and with no advance notice that the issue was on its agenda to provide \$125 million to the Carolina Panthers for improvements at Bank of America Stadium, where the team plays and which the team owns. The upgrades would be paid for by doubling the prepared food tax, an idea that had not been debated publicly, reports *The Charlotte Observer*.

What is now called Bank of America Stadium opened in 1996. The team has been working on a retrofit package, though details, such as what the improvements might involve and the cost, have not been announced. The Queen City's leaders, both elected and in the business sector, had feared that the team might move to Los Angeles, which has no National Football League franchise.

City Council voted in October to begin negotiating with the team, though there were no public updates about the talks before the Jan. 14 vote.

"By acting in closed session, the City Council has endorsed a plan which excludes both the industry and citizen input," wrote Brad Hurley, chair of the N.C. Restaurant and Lodging Association, in a letter to Charlotte Mayor Anthony Foxx.

"There are many unanswered questions, including the analysis of total cost and the possible sources of funding. There should be an open public debate."

The current 1 percent prepared food tax in Mecklenburg County, primarily on meals in restaurants, brings in \$24 million a year. Doubling the tax would collect much more than the amount needed to cover \$125 million in stadium upgrades. The city has not stated what it intends to do with the extra revenue or whether the tax would end when the stadium upgrades are complete.

The tax increase requires the approval of the General Assembly.

Union pays to exit swaps

In the mid 2000s, many local governments entered into complex bond deals aimed at securing lower interest rates. Union County is the latest locality that is trying to undo some of these "interest rate swaps" as too risky, reports *The Charlotte Observer*.

Between 2004 and 2007, Union

County issued \$94.8 million in bonds, mainly to fund school construction. The county used interest rate swaps to get what it hoped would be lower interest rates over the life of the bonds. The strategy worked at first, but things turned sour in 2008 and 2009, when the county was hit with \$2.1 million in unanticipated interest-rate costs.

Now officials are worried that if conditions should change in the volatile bond market, the swaps could again wreck havoc on the county's budget.

"Our concern is we are exposing the county to risk in a very uncertain market," said Union County Finance Director Jeff Yates of the swaps.

The county estimates that ending the swaps would result in a \$4.2 million net loss over the remaining 16-year life of the bonds.

Union County is not the first North Carolina locality to pay a significant premium to get out of the riskier swaps. Charlotte, Greensboro, Fayetteville, and Mecklenburg and Guilford counties have paid millions in recent years to end swap arrangements.

About 25 localities have engaged in swaps since 2003, when the state first allowed the financing method.

Beach rules

In November, Wrightsville Beach voters approved banning smoking on the beach. There's only one problem with the ban: The town may not actually have the authority to enact a comprehensive ban, reports the *Wilmington Star-News*.

Ocean beaches in North Carolina generally are considered state property, meaning local governments have only as much authority to regulate activity on most beaches as the state has given them. That authority may not include banning smoking.

"We need them to basically create special legislation to give us that authority," said Wrightsville Beach Town Manager Tim Owens. "Our attorney will work with our local delegation, and hopefully it will be brought before the General Assembly to give us clarification on this and other rules and laws."

The issue also extends to Carolina Beach, which in August passed an ordinance banning smoking on the beach. Its ordinance is subject, however, to obtaining approval from the state legislature to enforce the ordinance. *CJ*

Cherokee

to

Currituck

COMMENTARY

Internet Sweepstakes Two-Step

The libertarian bumper sticker — "Don't steal from the government; it hates competition" — takes on added meaning every time North Carolina officials try to shut down Internet sweepstakes operations.

Sweepstakes opponents — including supporters of the N.C. Education Lottery's would-be gambling monopoly — thought they had the upper hand in December, when the N.C. Supreme Court upheld a state ban on Internet sweepstakes machines, saying they were not protected by the First Amendment to the U.S. Constitution. The justices said the General Assembly's ban regulated conduct rather than speech, so the First Amendment did not apply.

Even so, several hundred Internet cafés continue operating in the state — among them, the infamous venue formerly known as the Randy Parton Theatre — as vendors modify their software to make the devices operate more like an arcade game than a slot machine.

Every time lawmakers or the courts have tried to outlaw the sweepstakes parlors, the vendors have developed a variation of the games that are not covered by the law. And the dance continues.

It shouldn't.

I lived in Las Vegas for four years, and I came to appreciate that gambling is not merely a harmless form of entertainment. In excess, it undermines essential foundations of a self-governing civil society — industry, thrift, patience, the concept that "working hard and playing by the rules" leads to financial, social, and spiritual benefits, among others. Gambling can prey on the poor, who can come to believe that it's better to dream of an easy payday than gain the dignity from earning a paycheck at an honest job.

The gambling moguls do pretty well for themselves, too. Steve Wynn and Sheldon Adelson did not build billion-dollar casinos because their patrons came home winners. And don't get me started on the bank of slot machines that greets you every time you walk into a Walgreens or Kroger/Ralphs supermarket in Nevada.

But I'm not here to preach

against gambling, or to call for an end to the sweepstakes business. Plenty of other risky forms of entertainment are legal, too — including many extreme sports and physical contests — and should remain that way. Adults should be treated as responsible individuals.

That said, the state's campaign against video sweepstakes operators is sheer hypocrisy. North Carolina does not merely operate a lottery, it pimps for it regularly, enlisting onetime celebrities like Ric Flair to pitch individual games and — more shamefully — public school teachers and administrators to promote the allegedly wonderful programs made possible only by the sale of those lottery tickets.

State lawmakers are considering legislation that would bring tax revenues from sweepstakes operators to Raleigh.

Good. The previous session of the General Assembly expanded the gambling options at the Harrah's Cherokee casino, citing its "economic development" potential, though lawmakers should have captured more revenues from the expansion.

Local jurisdictions also appreciate the revenues they're receiving from the sweepstakes parlors. The former Randy Parton Theatre was a \$20 million white elephant before Roanoke Rapids leased the city-owned facility to HSV Entertainment, an Arkansas-based company that operates sweepstakes terminals and books live entertainment there. The lease includes an option to purchase, which will become more likely if the sweepstakes parlor remains open and profitable. Meantime, the city is collecting tax revenues from each sweepstakes terminal in the theater.

If a government-run lottery is to continue, state policymakers must come to grips with the existence of legal private gambling, and determine ways to regulate it and get tax money from it. Otherwise, the government looks like little more than a mobster determined to strong-arm competitors out of his territory. *CJ*

Rick Henderson is managing editor of Carolina Journal.



**RICK
HENDERSON**

High Court: Search of Car During Traffic Stop Not Unreasonable

By MICHAEL LOWREY
Associate Editor

The Fourth Amendment of the U.S. Constitution prohibits unreasonable searches and seizures. Can a search be reasonable and thus constitutional, if it comes about because of a police officer's misunderstanding of the law? The answer, according to a divided N.C. Supreme Court, is "yes," in a case involving a sheriff's deputy who stopped a car for an offense that did not violate state law.

On April 29, 2009, Sergeant Matt Darisse of the Surry County Sheriff's Department pulled over a Ford Escort on Interstate 77 for having a right brake light that didn't work. As he was giving the driver a warning ticket for the brake light problem, Darisse came to suspect that the car might contain drugs. During a search of the vehicle,

the officer found cocaine; the driver and passenger were arrested and charged with trafficking in cocaine.

At trial, Nicholas Heien, the car's passenger, sought to suppress the cocaine that Darisse had found, contending that the officer's stop was improper. The judge at trial did not agree, and Heien ultimately was convicted and sentenced to between 20 and 24 months in prison.

That did not end the matter, however, as Heien appealed. The N.C. Court of Appeals sided with Heien, noting that a single functioning brake light satisfies state motor vehicle laws. Based on this, the appeals court or-

dered his conviction overturned as a violation of the Fourth Amendment.

The N.C. Supreme Court accepted the state's request to consider the matter. But the justices were not asked to review all of the matters discussed in the appeals court's ruling. The state did not challenge the appeals court's determination that state law required only a single functional brake light. Instead, the state limited the scope of its appeal to the conclusion that the search was necessarily unreasonable and thus unconstitutional after the car was pulled over for something that was not a violation of the law.

"After considering the totality of the circumstances, we hold that Sergeant Darisse's mistake of law was objectively reasonable and that he had reasonable suspicion to stop the vehicle in which defendant was a passenger," wrote Justice Paul Newby for a

four-justice majority of the high court.

Newby said the search was not unreasonable, noting that different federal circuit courts of appeal have come to different conclusions on the issue. Newby and his colleagues found the 8th U.S. Circuit's reasoning more compelling.

"To begin, that rationale seems

to us, as it did to the 8th Circuit, to be consistent with the primary command of the Fourth Amendment — that law enforcement agents act reasonably," Newby wrote. "An officer may make a

mistake, including a mistake of law, yet still act reasonably under the circumstances."

Newby explained that this conclusion would have significant public safety benefits. "Indeed, because we are particularly concerned for maintaining safe roadways, we do not want to discourage our police officers from conducting stops for perceived traffic violations," he wrote.

"A routine traffic stop, based on what an officer reasonably perceives to be a violation, is not a substantial interference with the detained individual and is a minimal invasion of privacy."

Chief Justice Sarah Parker and Justices Robin Hudson and Patricia Timmons-Goodson dissented from the majority holding, finding that an officer's mistake of law cannot be the basis

for a reasonable suspicion in a traffic stop.

"The flaws in the majority's opinion are perhaps most apparent in its single statement that '[p]olice officers should be entitled to interpret our motor vehicle laws reasonably when conducting routine traffic stops,'" wrote Hudson.

"Separation of powers doctrine dictates otherwise: It is the legislature's job to write the law and the judiciary's job to interpret the law. The job of the police is to enforce the law as it has been written by the legislature and interpreted by the courts. Proper enforcement of the law requires accurate knowledge of the law; as the 11th Circuit cogently noted in *United States v. Chanthasouvat*, to decide otherwise is to endorse 'the fundamental unfairness of holding citizens to the traditional rule that ignorance of the law is no excuse while allowing those entrusted to enforce the law to be ignorant of it.'"

Hudson also noted that most federal appellate courts had adopted reasoning similar to that of the 11th Circuit, while the 8th Circuit was alone in its view.

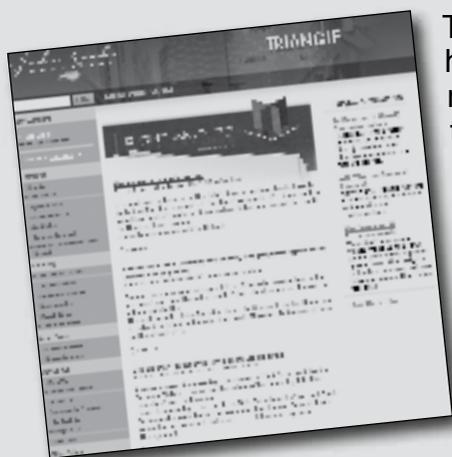
The case is *State v. Heien* (380PA11). CJ



Court rules an officer can make a mistake of law and still be acting reasonably

Visit our Triangle regional page

<http://triangle.johnlocke.org>



The John Locke Foundation has five regional Web sites spanning the state from the mountains to the sea.

The Triangle regional page includes news, policy reports and research of interest to people in the Research Triangle area.

It also features the blog Right Angles, featuring commentary on issues confronting Triangle residents.

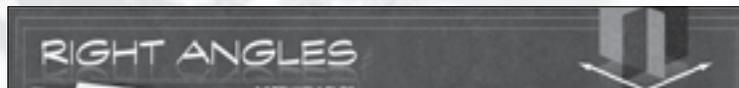
The John Locke Foundation | 200 W. Morgan St., Raleigh, NC 27601 | 919-828-3876

Stay in the know with the JLF blogs

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



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



Right Angles is the JLF's blog in the Triangle. Several JLF staffers blog on this site to keep folks in Durham, Raleigh, and Chapel Hill up to date on the latest info: <http://triangle.johnlocke.org/blog/>



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



Squall Lines is the JLF's blog in Wilmington. Chad Adams and a few coastal friends keep folks on the coast updated on issues facing that region of the state: <http://wilmington.johnlocke.org/blog/>



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



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

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

Thousands Get Revenue Notices That Look Like Bills

Continued from Page 1

Stevenson, a spokeswoman for the N.C. Department of Revenue, said.

But the notice does not declare that it is not a bill. Nor were the letters reviewed by Revenue Department employees before they were mailed.

"I believe that if a private business sent consumers a notice that looked as much like a bill as the 'Notice of Intent' does, it would violate unfair and deceptive trade practices and other consumer protection laws," said Jeanette Doran, executive director of the N.C. Institute for Constitutional Law. "The Notice of Intent lists a total amount due and a due date. People would have a very hard time recognizing that the notice is not actually a bill they have to pay."

Information from IRS

The notice tells the recipient that the N.C. Department of Revenue has obtained information from the federal IRS regarding the recipient's income. It details the income information, including income from W-2 and 1099 forms.

In a section titled "Substitute for a Return," the form calculates taxable income, deductions, late payment interest, and penalties. The last line in that section lists the "Total Amount Due."

The bottom of the page provides a payment voucher for the recipient to fill out.

The second page offers options for paying the due amount, tells the recipient that action is required within 30 days, and lists four different actions the recipient can take. Those actions are:

1. Pay the total amount due, if the recipient agrees with the statement.

0603EE99-8049-4DFD-A94E-031EF109D9E0 www.dormc.com

Pat McCrory Governor Lyons Gray Secretary

NC Department of Revenue, P.O. Box 871 Raleigh, NC 27602-0871
NOTICE OF INTENT TO ASSESS FOR FAILURE TO FILE NORTH CAROLINA RETURN

CHARLOTTE NC 28210-4484

Date of Notice	1/19/2013
Case ID	JRMP
Taxpayer ID	
Tax Type	Individual Income
Tax Year	2008
Due Date	2/9/2013

REASON FOR NOTICE
 The North Carolina Department of Revenue has obtained INCOME SOURCE information from the Internal Revenue Service for the tax year indicated above (pursuant to Section 6109(d) of the Internal Revenue Code). Our records indicate that you have not filed a North Carolina individual income tax return for the above tax year. The SUBSTITUTE FOR A RETURN section below explains how tax has been calculated. Failure to reply to this notice within 30 days from the date of this notice will result in a Notice of Proposed Assessment for the amount due plus additional interest. You may obtain more information at 1-877-819-1019 (after project code 10015). See additional instructions on the next page for the action required. Your action is required within 30 days from the date of this notice.

INCOME SOURCES

WG 1099-B	CHESTERFIELD COUNTY COUNCIL	\$
1099-DIV	CHARLES SCHWAB & CO. INC.	
1099-DIV	CHARLES SCHWAB & CO. INC.	
	THE INCOME FUND OF AMERICA-A	

SUBSTITUTE FOR A RETURN

Federal Taxable Income \$
 Additions to Federal Taxable Income
 Deductions from Federal Taxable Income
 North Carolina Taxable Income
 North Carolina Income Tax
 Less: Net Tax Paid and/or Withheld
 Tax Due
 Late Payment Interest - Through 2/24/2013
 Underpayment of Estimated Tax
 Penalty G.S. 105-236 (3), G.S. 105-236 (4) and G.S. 105-236 (5b)
Total Amount Due \$

BY COMPLETING ONE OF THE PAYMENT OPTIONS LISTED ON THE NEXT PAGE, YOU AGREE WITH THE TOTAL AMOUNT DUE ON THE SUBSTITUTE FOR A RETURN SECTION ABOVE.

PAYMENT OPTIONS AND ADDITIONAL INFORMATION REGARDING THIS NOTICE ARE ALSO AVAILABLE ONLINE AT OUR WEBSITE (WWW.DORNC.COM). SPECIFIC PAYMENT OPTION INSTRUCTIONS ARE LISTED ON THE NEXT PAGE.

2008 Form D-400V Payment Voucher Substitute For A Return
 North Carolina Department of Revenue -JRMF

Your SSN: 4 7 0 5 Spouse SSN: _____
 (You must enter your social security number(s))

Spouse's name, if applicable: _____

Enter the amount for your payment
 Use blue or black ink. Do not use red ink.
 \$ _____

Mail to NC Department of Revenue, P.O. Box 25000, Raleigh NC 27640-0640

This is the first page of the notice sent out by the N.C. Department of Revenue. It tells the recipient that the N.C. Department of Revenue has obtained information from the federal IRS regarding the recipient's income.

2. Fill out an appropriate form and make a payment if the recipient agrees that a return is due, but disagrees with the amount due.

3. Furnish a copy of the recipient's tax return (or the exact name, address, and Social Security number) if the recipient has filed a return.

4. Attach an explanation of why the recipient isn't required to file a return to a copy of the notice and return it to the Department of Revenue.

Burden on the innocent

Rowell questions why he should have to go to such great lengths to respond when he wasn't required to file a return.

"Why is the burden placed on the innocent party to justify the error of the state Department of Revenue?" Rowell asked.

He also wonders how many of the notices go out in error.

Stevenson said that of the 147,800 notices sent out, 81,300 cases have resulted in billed assessments.

"How many of those payments represent excessive payments or duplicative tax payments?" Rowell wonders.

Revenue Secretary Lyons Gray declined to be interviewed for the story.

Stevenson said that she was responding on Gray's behalf.

"We are always willing to evaluate our practices and find ways to better communicate with our taxpayers," Stevenson said. "Altering the heading in our Notice of Intent to Assess, in this case, would fail to communicate the importance of the document to a taxpayer. However, these notices do include detailed explanations, instructions, and contact information for a taxpayer to speak directly with our staff to resolve the situation."

'This is not a bill'

Doran said she disagreed that inserting a statement, such as, "This is not a bill," would make the document any less important.

"Common sense would tell you that any notice that you get from the Department of Revenue is important," Doran said.

"We receive large volumes of data from the IRS ... allowing us to identify revenue rightly due the state of North Carolina, Stevenson said. "We generate thousands of notices each month. We do spot checks of those documents to ensure accuracy; however we do not have the resources or employees to manually review each notice before mailing.

"Each individual, business, company, etc. ... in North Carolina should file and pay their fair share of taxes as the law dictates. These notices are a tool to make sure everyone is held to the same standards and accountability in their tax obligations." CJ

Subscribe to JLF's Research Department Newsletters

Go to http://www.johnlocke.org/key_account/ to sign up



Vice President for Research and Resident Scholar Roy Cordato's weekly newsletter, **Environment Update**, focuses on environmental issues, and highlights relevant analysis done by the John Locke Foundation and other think tanks, as well as items in the news.



Director of Research and Education Studies Terry Stoops' weekly newsletter, **Education Update**, focuses on the latest local, state, national, and international trends in pre-K-12 education politics, policy, and practice.



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



Director of Fiscal Policy Studies Sarah Curry's weekly newsletter, **Fiscal Update**, discusses issues concerning North Carolina government's revenues, budgets, taxes, and fiscal projections.

New Era of N.C. Politics Dawns with GOP Governor and Legislature

Continued from Page 1

as much about the budget as we did two years ago when we had a structural deficit approaching \$3 billion."

Both Tillis and Senate leader Phil Berger, R-Rockingham, say North Carolinians should expect lawmakers to adopt major tax reform this year.

"We intend to move forward this time with a tax reform package," Berger said during a separate press conference.

"Our tax is antiquated," Tillis said. "It's probably approaching — some of the fundamentals of it — 50 years old."

The exact form that tax reform will take hasn't been revealed.

However, parameters mentioned by GOP leaders include broadening the sales tax to include services while reducing or eliminating corporate and personal income taxes.

Tillis said that legislators and new Republican Gov. Pat McCrory will have to make sure the new tax system doesn't replace one complex system with another that's filled with complexity.

Unemployment insurance debt

Lawmakers are expected to tackle changes in the state's unemployment insurance program quickly. A proposal approved by an interim committee in early January was to be finalized in early February, after press time. It would shorten the number of weeks unemployed workers could receive benefits and reduce the maximum weekly amount of benefits.

Sen. Floyd McKissick, D-Durham, has said he hopes some form of compromise would be worked out before the new unemployment insurance proposal becomes law.

This year, the GOP-dominated General Assembly also will not have to face a governor from the opposing party as it did for the past two years. Former Democratic Gov. Bev Perdue chose not to seek re-election. McCrory, who lost to Perdue in 2008, was elected governor last fall.

New governor's agenda

Energy exploration, jobs initiatives, and regulatory reforms are high on McCrory's agenda for coming months, and he plans to issue some executive orders to pursue those aims.

In a Jan. 29 telephone interview with *Carolina Journal*, the governor gave few specifics about his ambitious agenda, deferring details to a State of the State address he plans to deliver in mid-February.

"At that time I'll be discussing in detail some specifics of how I'm going to implement some of the goals we have in the areas of education, energy, tax reform, [and] regulatory," he said.



The North Carolina House of Representatives gathers for the 2013 General Assembly's first full day of business on Jan. 30. (CJ photo by Don Carrington)

Three weeks into his first term, the Republican governor said his administration is working to extinguish "short-term, operational fires of a very broken system of state government" and reverse systemic neglect and decay of government infrastructure that hinders progress.

Obamacare decisions

A scathing performance audit of the state's Medicaid system released Jan. 31 led McCrory to announce that, for now, he would not expand Medicaid enrollment under the federal Patient Protection and Affordable Care Act. At a joint press conference with State Auditor Beth Wood, McCrory said Medicaid accountability issues had to be resolved before he would consider any expansion of coverage.

"The dilemma with the feds is they don't understand their own bill that they passed, and they're kind of making it up as they go along," he said in the earlier interview with *CJ*. "These are multibillion-dollar decisions which will have ramifications for decades, and I want to make sure I have all the facts and information before I make a recommendation to the legislature."

McCrory said he has asked Wood to launch other performance and financial audits to identify problem areas. And he took a swipe at Perdue over her inaction in that realm.

"I've asked [Wood] to do as many audits as she can as quick as possible to help us evaluate where the breakdowns are in the system, something that the previous governor was attempting to dissuade the auditor from doing," McCrory said.

"I'm doing just the opposite. We

want someone to dig down deep, ... and there are more audits to come," McCrory said. Some administrative audits are complementing Wood's work.

"We're uncovering things every day. My Cabinet secretaries as they're getting their feet on the ground are uncovering things in every department, some budget transfers, some total information systems breakdowns and inefficiencies," he said. "The system was much more broken than we ever anticipated."

But as he attempts to shore up a government foundation, McCrory is making progress in some areas. He nominated three people to serve on the State Board of education, including former U.S. Rep. Bill Cobey, a Durham Republican, to chair the board.

He said he also would nominate four or five people for the N.C. Board of Transportation in early February.

No federal extension

McCrory is recommending the state not accept a federal extension of unemployment insurance benefits, but rather pay back a \$2.5 billion federal loan as quickly as possible.

He said an extension would increase the debt, "which has put a tremendous pressure on small businesses to pay those taxes," and has not helped to reduce unemployment.

His deputy budget director, revenue secretary, legislative liaison, and policy experts are working with teams from the House and Senate on a tax reform recommendation, which could come by the middle of February, McCrory said.

"We'll probably be issuing some

executive orders" on regulatory reform at the Department of Environment and Natural Resources, and in the area of energy exploration, he said.

McCrory wants to create a compact with South Carolina and Virginia to establish a process for offshore gas and oil exploration, and "speed up a parallel track for inland gas exploration," policy development, and identification of business connections to determine the marketplace potential.

Voter ID, education reform

While McCrory has said he could accept a voter ID bill that falls short of calling for a strict photo ID requirement, both Tillis and Berger say that they expect the ID card to require a photograph.

"The mechanics that we're putting into place are ones that will allow easy access to a government-issued ID at no cost to the citizen," Tillis said.

Education reformers can expect a sympathetic ear in the state capital this year. Berger, who pushed through some of his proposed education reforms last year, said that he'd like to see some reforms in the state's teacher tenure law. Tillis spoke of looking at ways to help traditional schools transition into charter schools or even remove some of the red tape that traditional public schools must navigate.

Lawmakers also could have a handful of proposed constitutional amendments on their plate this year. Among those are measures protecting property owners from eminent domain abuse and making a worker's desire not to join a labor union a constitutional right. *CJ*

Competing Tax Reform Plans Seek to Spur Economic Growth in State

Continued from Page 1

purchases, Cordato said.

"North Carolina officials are asking the right questions, and they're heading in the right direction," said Joe Henchman, vice president of legal and state projects at the Tax Foundation.

The foundation was asked by the Carolina Business Coalition to evaluate the state's tax structure and propose alternative options. It issued a report in late January suggesting four pro-growth tax alternatives:

- Repealing business taxes while lowering the personal income tax rate and broadening the sales tax to include services.

- Assessing a 5 percent rate on corporate income, individual income, and retail sales.

- Increasing the retail sales tax to 8.75 percent and eliminating all income taxes.

- Imposing a consumed income tax at a 10 percent rate and eliminating other state taxes.

Republican Gov. Pat McCrory and Senate leader Phil Berger, R-Rockingham, have expressed interest in taking up tax reform early in this session of the General Assembly.

State Sen. Bob Rucho, R-Mecklenburg, is exploring with the Raleigh-based Civitas Institute a separate tax reform plan drawn up by Arthur Laffer, an economist who championed supply-side economics during the Reagan era.

The JLF plan would plow new ground.

"It's something that's taught to students, and it's in the books on the theory of income tax. But it would be brand new if it were to be implemented in North Carolina," Henchman said

of the consumed income tax. "I think the theory is sound."

Civitas plan

The Civitas model would eliminate the personal and corporate income taxes, and the business franchise tax.

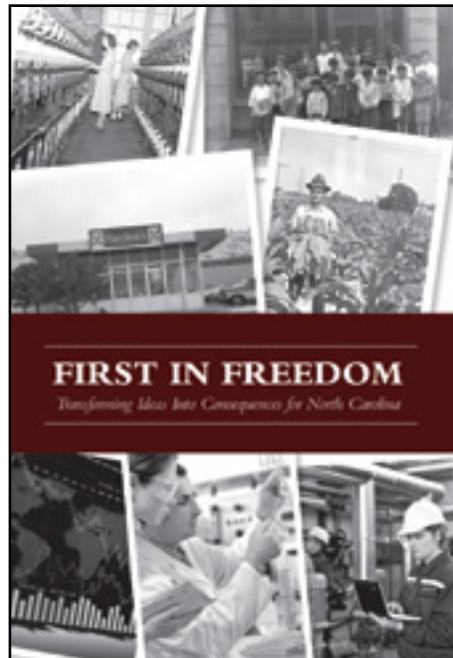
In their place would be a state retail sales tax assessed at a rate of 6.53 percent instead of the current 4.75 percent. The sales tax would be expanded to include all services currently taxed in at least one state and would close loopholes that give preferred rates to some goods. In addition, there would be an expanded 1 percent tax on commercial and residential real estate transactions, and all businesses would be levied a business license fee, similar to the current franchise tax but assessed at a much higher rate.

The business license fee would be, by far, the highest in the nation and generate some \$4 billion, according to the Tax Foundation. That would represent nearly 22 percent of the \$18.5 billion in state tax revenue collected in the 2011-12 fiscal year. Tax Foundation data say North Carolina generated only 6 percent of its revenue in 2010 from corporate income taxes.

The idea behind both the JLF and Civitas plans "is to reduce the tax burden on investment and job creation, and there's plenty of economic evidence tying taxes on capital, taxes on economic activity, to lower economic growth," Henchman said.

He views both plans as workable "for the most part" and suggests both would achieve "very similar" pro-growth results. He declined to state which plan he would prefer.

JLF consumed income tax



The John Locke Foundation's proposal for tax reform is detailed in Chapter One of the just-published book, *First In Freedom: Transforming Ideas into Consequences for North Carolina*. The book can be purchased at JohnLockeStore.com.

Economist Steve Entin, who reviewed the proposals being pitched in North Carolina, said he favors JLF's consumed income tax plan.

"If I were king for the day, I'd have the federal government go to a consumed income tax and have North Carolina piggyback on that," said Entin. He is former president and executive director of the free-market public policy organization Institute for Research on the Economics of Taxation. Prior to that he was deputy assistant secretary for economic policy at the U.S. Treasury Department, and was a staff economist with the Joint Economic Committee of Congress.

The consumed income tax is "a little problematic because the feds don't have one," so new tax-return forms will need to be created, Entin said. "That would be an administrative quirk."

Henchman agreed and said the JLF plan needs more detailed information about how the USA tax would be administered.

The "drawback" to the Civitas plan, Entin said, is the business license tax, which he views as a property tax that "can chase business right out of the state" because companies would be stuck paying it whether they have a good year or a dismal year.

"I'm a little leery of that portion of the Civitas proposal," he said. "It seems to me the consumed income tax ... would be the better thing."

Henchman also raised red flags about the Civitas business license fee.

"How they see it is a tax on busi-

ness assets, manufacturing, equipment and so forth, which is similar to the existing franchise tax," he said. But it would be raised from the current 0.15 percent to 1.05 percent and broaden the tax to all businesses, not just the C corporations that are generally large companies taxed separately from their owners. Every business would pay at least \$500 annually.

"This would be the highest rate anywhere. It would raise about \$4 billion a year. The franchise tax right now raises about \$700 million," Henchman said.

"We call them capital stock taxes, but they call them franchise taxes in North Carolina. Right now the highest [rate] is in Connecticut, and that's 0.31 percent," Henchman said. That means North Carolina's would be more than three times higher.

Need to build capital

"The way I look at it is the South's historic problem economically is being able to accumulate capital and investment," Henchman said. "The Civitas plan, on one hand, gets rid of the [personal] income tax and the corporate income tax, and that gets rid of a lot of obstacles" to building capital and investment.

But the business license fee "will deter a lot of investment," he said. "The goal of tax reform in North Carolina is to create a tax system that doesn't discourage capital formation."

Brian Balfour, a Civitas policy analyst, argued that the study supporting the Civitas plan shows major benefits.

"One of the things they did in the study that I thought was interesting was to remodel the trajectory of North Carolina's economy since 2000," Balfour said.

"If we had used this new tax plan instead of the tax plan we actually had in place, they found,

for instance, total personal income in the state would be as much as \$25 billion more," Balfour said. "Job growth would have been as high as 378,000 more relative to what we have today."

Regardless of which reform approach gains favor — both are designed to be revenue-neutral — he believes there will be stiff opposition.

"I suspect [the opposition] will be largely partisan," Balfour said.

"There's a couple differing kind of political philosophies on taxation. The left side of the aisle often looks at personal income tax as welfare redistribution [that] enables a social goal they have for evening out income," Balfour said. Liberals "are going to fight really hard to preserve that." CJ

Gov. McCrory and legislative leaders say they want to pursue tax reform

YOUR HOME ON THE WEB FOR NORTH CAROLINA PUBLIC POLICY

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

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

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



Salam: Serious Entitlement Cutting Runs Up Against Self-Interest

BY CJ STAFF

RALEIGH

Conservatives and libertarians spend a lot of time talking about freedom: free markets, limited government, personal responsibility. Reihan Salam, author of National Review Online's domestic policy blog, "The Agenda," says much less of the discussion focuses on translating the principles of freedom into practical policies. During a recent visit to Chapel Hill, Salam discussed these issues with Mitch Kokai for Carolina Journal Radio. (Head to <http://www.carolina-journal.com/cjradio/> to find a station near you or to learn about the weekly CJ Radio podcast.)

Kokai: Would you agree that conservatives often shy away from the practical part of linking their principles to real policies?

Salam: Yeah, I think it's a challenge, partly because when you're looking at these policy questions, they're immensely complicated, and you've got a lot of winners and losers, from any reform that you're going to launch. And some of those losers might be people who are Republican constituents. And the thing about an affluent society is that an affluent society gets very loss-averse. No one wants to give up their piece of the pie.

So, for example, when you think about entitlement reform, well, look, any entitlement reform that's really going to save money over time is going to be something that is going to disadvantage some people — whether they're medical practitioners, whether they're perhaps some beneficiaries. Even the most well-designed reform is going to generate some losers as well as some winners. And that is immensely difficult for any politician, whether they're ostensibly conservative or liberal.

Kokai: So it's difficult, but we still have to translate ideas into policies. How do we do that?

Salam: Well, what you try to do is identify win-win solutions, to the extent possible. There's an economist, Jacob Vigdor, at Duke who's done a lot of fascinating work, as you know, about teacher salaries, teacher compensation in North Carolina. Now, you know, for a conservative or libertarian, your impulse might be, you know, gosh, we really need to introduce market principles in this space, and that's certainly something I believe. But between here and there, you know, there are a lot of students who are in public schools and who, I think, have good reason to want those schools to be of better, higher quality. So what are some incremental things that we can do that are not necessarily too threatening, but that can improve the workings of, you know,

"I think that when you have compromise, we should approach it somewhat differently. So, for example, Republicans should not enter a negotiation preemptively saying, 'Of course we're going to embrace tax increases.' That's silly because you're giving up your leverage."

*Reihan Salam
Author of National Review Online's
domestic policy blog,
"The Agenda"*



our schools at the margin? That's a kind of thing that Republicans need to think about more seriously.

One issue with small-government Republicans is that, you know, we oftentimes talk in these very big, ambitious, sometimes even apocalyptic ways. And I think the problem is that, well, yeah, you can say, "I want small government," but then say nothing about the actual workings of the public schools and Medicare and what have you. And really, you know, then you're not really relevant to people's lives. And so then it sounds a lot like hot air, rather than like the kind of thing that's really going to be bettering the lives of your average middle-income voter.

Kokai: Do conservatives and libertarians spend too much time making the perfect the enemy of the good?

Salam: Yeah, absolutely. And I understand why. Because the thing is that there are a lot of folks who think, "Well, look, if we get stuck in this incremental stuff then we're just entrenching the system." You know, the idea that Newt Gingrich called Bob Dole the tax collector for the welfare state, very memorably. And I think that's an anxiety a lot of folks have. It's like, wait a second, we don't want to compromise, because by compromising we're just legitimating big government. And I understand that, and it's not an unreasonable argument. The problem is that you actually have to persuade people. And the surest way to persuade people is, again, by demonstrating that your ideas, when put into practice, actually deliver results.

Kokai: Given where things stand today, what needs to change for the conservative movement, the Republican Party, or both?

Salam: I have a somewhat idiosyncratic view about this. One of the things that I believe is that we actually need stronger political parties. So one issue that you have, in our current system, is because of campaign finance regulation, or what other folks call campaign finance reform, we have a very candidate-centered system. And so a lot of folks, a lot of candidates, aren't all that accountable to their political party. They're really primarily interested in getting re-elected, and that actually makes them kind of risk-averse a lot of the time. Whereas if you have a stronger political party, my sense is that it's going to do a better job of making trade-offs between achieving your long-term ideological goals and winning elections, and, frankly, disciplining candidates.

So, you know, here in the South, in a state like North Carolina, a state like Florida, you have quite a lot of Republicans who go off the reservation on issues like school choice and what have you because they think, "Well, I'm representing my constituents," and fair enough. But the thing is that if you have a stronger political party to guard its brand, it might say, "Well, actually, no. Maybe you personally want to be aligned with the public-sector unions, but you're going to have to do that on your own time, and you're going to have to do that outside of the boundaries of this political party because our movement is about public-sector efficiency."

So I think that actually stronger political parties would be a good thing. Now, of course what most people say is that, "Oh, our political parties are too strong. The system is too polarized." And I actually don't think that's right. I think that having a clear distinction between the parties is actually a really good thing, because it actually helps clarify issues for voters, and it actually

also helps advance really constructive, substantive policy goals as well.

Kokai: If the parties are more ideologically pure, how do you ensure that conservatives can actually get things done when they don't have the White House or enough votes in Congress?

Salam: That's a really, really good question. And I'd say that there are a lot of folks who buy into what you might call the Simpson-Bowles model — you know, the idea that, hey, let's just kind of reconcile what are the basic principles of these two sides and sort of make it work from there. I've got to say, I think that doesn't quite work. I think that, you know, I would think about let's look at reforming the filibuster in the Senate, you know, let's look at building a coherent program among members of one party or the other, before you get into office, so that you can really move the football down the field. I think that might be a better way to do it, and then you have a clear choice for the electorate.

I think that when you have compromise, we should approach it somewhat differently. So, for example, Republicans should not enter a negotiation preemptively saying, "Of course we're going to embrace tax increases." That's silly because you're giving up your leverage. But, on the other hand, if you have a sufficiently strong party, someone like a John Boehner can say, "Look, you know, I believe that we've actually managed to extract some significant concessions, and so we are willing to play ball." But you need to have a united caucus to do that, and you need mutual trust within that caucus, and that goes back to the importance of having strong political parties. You need that trust. CJ

Critics Question State's Customized Job Training

By DUKE CHESTON
Contributor

RALEIGH

The state of North Carolina's Customized Training Program, run by the state's community colleges, has come under fire lately. Some prominent critics contend that it is — at least in part — a wasteful way to promote economic development in the state.

Each year, the CTP program spends \$12.4 million in state tax money to train North Carolinians to work at specific companies. The training is conducted at community colleges and consists of two parts. One trains employees who already work for the companies, working to improve their efficiency, knowledge of safety procedures, or other skills.

The second part, "pre-employment training" or "realistic job previews," is for people who are not working at the company; it is part training and part extended job interview.

Potential employees are trained to work for companies that may or may not decide to hire

them. Both types of CTP projects typically last 12 to 24 hours — two or four hours per day spread over one to two weeks. Most of the time, community college instructors conduct the training sessions, but outside contractors sometimes are called in when special expertise is needed. According to program officials, the average cost per trainee last year was \$370.91.

Each time CTP sets up a "realistic job preview" to assist a company, it assigns a training budget assuming that only one in four trainees will be hired. This has led critics such as *Triangle Business Journal* editor Sougata Mukherjee and John Locke Foundation president John Hood to complain that because many potential employees are trained but never hired, both tax dollars and the time of the trainees are being wasted. "If an official says that a 25 percent success rate is the best the program can do," wrote Mukherjee, "that official loses all credibility with me."

It turns out that a slightly higher proportion ends up being hired. According to Maureen Little, associate

vice president of CTP, roughly 3,500 North Carolinians attended pre-employment training last year, and fewer than 1,200 found employment — a 34 percent hiring rate.

This means that thousands of North Carolinians are being trained every year to work in jobs that they never will get.

The "realistic job previews" represent a small part of the CTP program. In her Dec. 14 *Triangle Business Journal* guest column responding to Mukherjee's criticism, Little pointed out that only 19 companies (out of 261 involved with the program) used the "realistic job preview" service last year. The larger part of the program is post-employment training.

Mel Collins, vice president of human resources at Pharr Yarns in Gaston County, praised the program highly. Pharr Yarns has worked with CTP for about 20 years, a time of dramatic improvements in manufacturing technology. Collins said Pharr Yarns' collaboration with Gaston Community College has been helpful in keeping up with technological improvements and the industry's best practices. "It was just amazing, the level of cooperation, collaboration," Collins told the Pope Center for Higher Education Policy.

Businesses support the CTP program enthusiastically. In fiscal year 2012, 98 percent of surveyed companies rated the Customized Training Program as "very good" or "excellent." Collins also said that North Carolina's Customized Training Program is superior to similar programs in other states. Pharr Yarns has operations in North Carolina, South Carolina, and California, but he said North Carolina's program has been most helpful.

Still, although proponents claim that CTP has helped lure businesses to the state, the evidence is scanty. Proponents have not cited a single business that will say CTP was a decisive factor in its decision to locate in North Carolina. CJ

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

Critics of the program complain that too many people are trained and interviewed, but never get hired

COMMENTARY

Texas Roundup

The higher education reform world is starting to get crowded. It seems as if every time you blink your eyes, there's a new organization focusing on the reform of higher education.

There's a very good reason for that: Higher education badly needs reform. At the Pope Center for Higher Education Policy, we believe the more eyes focused on the problem, the better. We're free-market types — we like competition.

One of our newer friendly competitors is the Texas Public Policy Foundation's Center for Higher Education. In recent years, Texas has been one of higher education's innovation hothouses, implementing such concepts at the state university level as full transparency for professors — including public online posting of syllabi and student evaluations, \$10,000 bachelor's degrees, and more. TPPF has played a large part in this spirit of innovation.

Last year, the Center for Higher Education cranked up its profile by hiring former Shimer College president and National Endowment for the Humanities deputy chairman Thomas Lindsay to be its director. In December, he released a report laying out his intended areas of focus, titled "Toward Strengthening Texas Public Higher Education; 10 Areas of Reform." Lindsay is the primary author, with contributions from Richard Vedder, Richard Bishirjian, and Harry Stille.

For the most part, Lindsay's analysis of higher education's problems is spot on. One thing missing from the report, however, is any mention of one of higher education's most glaring problems: Much of higher education is unnecessary, but still is being pushed as something everybody should pursue. The educational and political establishments continue to encourage young people who have no interest in academic pursuits and who have shown little promise in high school to chase academic degrees. Furthermore, even if such students complete their degrees, they do so in programs that offer little hope for professional career-track employment. Even worse, many such students wind up deeply in debt.

Such objections aside, Lind-

say and his co-authors make many keen observations and excellent arguments for specific policies or changes of direction by higher education systems. His top recommendation aims at reversing higher education's failure to produce an informed citizenry. Many of the nation's problems would disappear if our educated elite understood the "moral and intellectual foundations of the American theory of justice." Instead, Lindsay reveals, "most colleges in the country today do not even require an introductory course in American government."

His second area of concern is what might be called the Holy Grail of higher education reform: finding meaningful outcome measures, particularly those that measure student learning.

Lindsay and his co-authors also zero in on the array of reasons driving up the cost of higher education (which are passed on to either students or taxpayers). These include faculty members' teaching loads; according to Vedder's Center for College Affordability and Productivity, "between 1988 and 2004, it is estimated that teaching loads fell 42 percent," while nonfaculty staffing — whose numbers now exceed those of professors — and administrative salaries increased "as much as 50 percent" between 1998 and 2003.

Lindsay and his co-authors also promote greater transparency — a crucial step if higher education is ever going to mend its wasteful and ineffective ways. Along with student learning outcomes, they also favor making employment outcomes public, in which state funding will depend upon "the employment and earnings of its graduates." This is quite radical and intriguing — how much of an improvement over straight enrollment funding it is remains to be seen, but at least it's an attempt to base funding on a meaningful outcome.

Lindsay and company's recommendations would go a long way toward improving academia. The question is whether any universities care about improving enough to adopt them. CJ

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



JAY SCHALIN

Campus Briefs

Assessment scores reported by the UNC system campuses:

- Appalachian State University freshmen scored 1205 on the Collegiate Learning Assessment, compared to 1278 for seniors.

- East Carolina University freshman scored 1030 on the CLA, compared to 1146 for seniors.

- Elizabeth City State University students took the ETS Proficiency Profile, but had not reported results as of Jan. 17.

- Fayetteville State University did not administer the CLA until 2010. Results will be available in 2014.

- North Carolina A&T State University students participated in the Wabash National Study, but had not reported results as of Jan. 17.

- N.C. Central University students took the Collegiate Assessment of Academic Proficiency, but had not reported results as of Jan. 17.

- N.C. State University freshmen scored 1117 on the CLA, compared to 1235 for seniors.

- UNC-Chapel Hill declined to post CLA results.

- UNC-Asheville freshmen scored 1188 on the CLA compared to 1332 for seniors.

- UNC-Charlotte freshmen scored 1054 on the CLA compared to 1138 for seniors.

- UNC-Greensboro freshmen scored 113 (out of 130) on the ETS Proficiency Profile, compared to 116 for seniors.

- UNC-Pembroke freshmen scored 992 on the CLA, compared to 1144 for seniors.

- UNC-Wilmington freshmen scored 1089 on the CLA, compared to 1201 for seniors.

- UNC School of the Arts did not administer any of the three VSA Pilot-approved Student Learning Outcomes assessments because of concerns about the time investment and because the results “were perceived as not useful or not good measures for our campus.”

- Western Carolina University freshmen scored 1073 on the CLA, compared to 1158 for seniors.

- Winston-Salem State University freshmen scored 882 on the CLA, compared to 1029 for seniors.

—JENNA ASHLEY ROBINSON

UNC Pilot Accountability Program Bearing Fruit

By JENNA ASHLEY ROBINSON
Contributor

RALEIGH

A learning accountability pilot program is bearing fruit in the UNC system.

In 2007, U.S. Secretary of Education Margaret Spellings and the Spellings Commission on the Future of Higher Education took steps toward requiring universities to show evidence that students are learning while they're enrolled. In order to fend off federal regulation, universities created a Voluntary System of Accountability, which was designed to persuade a large number of universities to publicize their success.

In 2007-08, the UNC system took several steps to meet the accountability standard. The university's General Administration covered the costs for each school to evaluate student learning as part of participating in the Voluntary System of Accountability pilot program.

The schools were expected to measure learning outcomes using one of several available assessments. They were told to provide “clear, accessible, and comparable information on the undergraduate student experience.” That information was to be posted on the VSA's website CollegePortraits.org.

Ten schools have reported learning outcomes thus far. [See Campus Briefs.] When participating in the VSA, institutions have four years after initial sign-up before they are required to report student outcomes.

For the UNC system, this is the first year its campuses are required to report results publicly. UNC-Chapel Hill declined to post its CLA results, officials said, “because campus leaders/faculty believed the test results weren't representative” even though the study used statistically sound and publisher-recommended sample sizes. Going forward, schools will update results every three years.

Schools have many options for measuring student learning, including national surveys, alumni surveys, portfolios, employer surveys, and academic performance indicators like retention, completion, and transfer rates. The VSA relies on three widely accepted standardized assessment tests. Many schools use these measures, but in the past, few made the results public.

Generally viewed as the most effective test is the Collegiate Learning Assessment — the assessment that Richard Arum and Josipa Roksa used in their book *Academically Adrift*. Arum and Roksa's work revealed that, nationally, today's college students show little to no academic progress by their sophomore year. The ten UNC campuses that have provided information on learning outcomes have done so by reporting their CLA scores.

CLA assesses students' abilities to think critically, reason analytically, solve problems, and communicate clearly and cogently. CLA is made up of four sections: a performance task, an analytical writing task, a make-an-argument section, and a critique-an-argument section.

Scores are aggregated at the institutional level to show how large groups of students are performing. After controlling for college entrance scores (SAT or ACT), freshmen's scores are compared with graduating seniors' scores to obtain the institution's contribution to students' results. Students' entrance scores help CLA to determine whether a university is at, above, or below expected performance.

In December, Microsoft founder Bill Gates endorsed the CLA method. He wrote on his blog, *The Gates Notes*, “most people would agree that skills like critical thinking, complex reasoning, and writing — the things the

[CLA] test does measure — are pretty important.”

Moreover, postgraduate outcomes mirror CLA results, Arum and Roksa found. “For example, students in the bottom quintile of CLA performance as seniors are more than three times as likely to be unemployed two years after college than graduates whose CLA scores were in the top quintile; they were also twice as likely to be living back at home with their parents,” Arum said.

The members of the Strategic Directions Committee of the UNC Board of Governors included CLA in their new five-year plan. That plan calls for another pilot study to begin in fall 2013, using a revised version of CLA. That study will involve five schools and will address the one serious drawback of CLA — the difficulty in motivating students to take the tests seriously.

Going forward, the board and General Administration will have to consider whether to require participating universities to publish learning assessment results — and how to do so. At a January meeting of the board, members of the Strategic Directions Committee and General Administration indicated that increasing transparency of student learning outcomes would be a priority in the coming years.

The Strategic Directions Committee will present its final report to the UNC Board of Governors in February. CJ

Jenna Ashley Robinson is director of outreach for the John W. Pope Center for Higher Education Policy.



Looking for the perfect college?

The Pope Center for Higher Education Policy can assist you with its new, interactive website, NC College Finder.

Visit today!

NCCollegeFinder.org

Visit the Pope Center online at popecenter.org for higher education news.

Opinion

Some New Year's Resolutions for Improving Higher Education

The New Year is still young, and we at the Pope Center have a few resolutions for 2013. Here are eight things we would like to see change about higher education this year:

1. Increase academic transparency.

Selecting classes is difficult for students, partly because they must make decisions based on very short course descriptions from the university's course catalog. If professors were required to post course syllabi online before students made course selections, or if they at least posted a moderately detailed course synopsis, things would be a lot easier. If syllabi were public, it also would make colleges more accountable to taxpayers.



DUKE CHESTON

2. Increase financial transparency.

Sunshine is the best disinfectant. To that end, the North Carolina General Assembly already has a way of increasing transparency: the Accountability for Taxpayer Investment Act, which passed the North Carolina State Senate last session but stalled in the House.

The act would require that state agencies place specific information on a public website. The information would include: a mission statement; a step-by-step model for how the

mission is to be carried out; outcomes measures and standards; organizational charts; and how programs get and spend their funds. It would be just the sort of thing to hold officials' feet to the fire.

3. Cut frivolous classes.

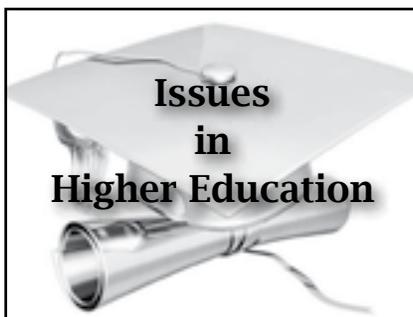
Should state taxpayers be subsidizing a class called "Pornography and Culture"? What about "Dogs and People: From Prehistory to the Urbanized Future"? These classes have been taught at UNC-Chapel Hill in recent years.

It may be going too far to dismiss classes like these as frivolous, knowing only the title of the courses, but if the course titles bear any resemblance to what is actually taught in those courses, we probably are wasting some state tax dollars.

4. Provide remedial education at community colleges only.

Remedial classes are intended to help students "catch up" and become college-ready. They don't count toward a degree, they don't count for credit, and they are expensive, often requiring intensive one-on-one instruction. They don't belong at four-year universities.

Community colleges educate students at a much lower cost to students and taxpayers. If college-bound students need remedial education, they should head to community colleges first.



5. Review faculty work loads and set higher standards.

Between 1988 and 2004, teaching loads for professors at research universities fell by about 44 percent, according to Na-

tional Center for Education Statistics data. In response to the trend, the N.C. legislature passed a 1995 law instructing the Board of Governors to monitor work loads. The board subsequently set standard teaching loads for professors, but the standards are low and apparently poorly enforced.

Teaching and research, professors' two main activities, are both important, but there is an institutional bias favoring research: promotions, tenure, and college rankings depend on it. Well-enforced teaching loads are a good way to check that bias.

6. Make the College Learning Assessment a permanent fixture at UNC.

How much are students learning in the UNC system? No one knows for sure. A standardized test by which the gains in knowledge and reasoning by students, programs, and universities can be weighed properly against each other is needed for a true evaluation. In the Pope Center's judgment, the Collegiate Learning Assessment is the best.

UNC schools have been told to report on some outcome measure, and ten have reported the results of a pilot test, although not all are using

the CLA. The UNC system should require this test and its publication in the future.

7. Cut duplication of low-enrollment courses.

One potential area for cost savings is subjects that don't attract many students. A model method for realizing these savings is an online consortium called the UNC Foreign Language Assembly.

By using the Web, students throughout the system are able to take classes even in relatively obscure languages. UNC Board of Governors member Phil Dixon estimated that pooling resources in this way could save millions. It's worth exploring.

8. Increase the minimum SAT or ACT scores required for acceptance at UNC schools.

Standardized tests are controversial, but they remain the best predictors of how well students will fare in college. The College Board estimates that students should score at least 1030 on the SAT (or the ACT equivalent) to have a decent chance at college success, but many college-bound students score well below that.

The UNC system already has a minimum SAT score: 750 for the current academic year, moving up to 800 for 2013 and beyond. We think it would be a good idea to increase it to, perhaps, 900. That would keep it below the college readiness threshold set by the College Board and ACT, but determined students could go back and take the test again. CJ

Duke Cheston is a writer for the John W. Pope Center for Higher Education Policy (popecenter.org).

Are Pell grants going to those who need them?

Jenna Ashley Robinson and Duke Cheston examine out-of-control Pell grant spending.

Read the newest Pope Center Series report, "Pell Grants: Where Does All the Money Go?" to learn exactly that.

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

The John William POPE CENTER FOR HIGHER EDUCATION POLICY

A primer on how to donate wisely to your alma mater

Learn how to make your wishes known when you donate to your college by reading the Pope Center's latest report, "Games Universities Play: And How Donors Can Avoid Them," written by Martin Morse Wooster.

A fascinating report!

To request a free copy, call 919.828.1400 or email info@popecenter.org.

The John William POPE CENTER FOR HIGHER EDUCATION POLICY

From the Liberty Library

• The media dropped the ball in covering the 2012 election, writes David Freddoso, editorial page editor of *The Washington Examiner*, and in doing so the media failed to keep politicians honest and the public well-informed. Freddoso's *Spin Masters: How the Media Ignored the Real News and Helped Reelect Barack Obama* will be the most provocative and accurate take of just how Barack Obama managed to get re-elected, and how the media helped him do it. Freddoso fills this volume with dozens of real stories that inquisitive reporters should have relished but that the liberal press didn't bother to cover. More at www.regnery.com.

• Across the Atlantic, Americans see European economies faltering under enormous debt, overburdened welfare states, governments controlling close to 50 percent of the economy, high taxation, heavily regulated labor markets, aging populations, and large numbers of public-sector workers. They also see a European political class seemingly unable to implement economic reform. Americans are increasingly asking themselves: "Is this our future?" In *Becoming Europe*, Samuel Gregg uses the idea of economic culture — the values and institutions — that inform our economic priorities to explain how European economic life has drifted toward what Alexis de Tocqueville called "soft despotism," and the ways similar trends are manifesting themselves in the United States. Learn more at www.encounterbooks.com.

• Award-winning author Paul Kennedy provides a new and unique look at how World War II was won. *Engineers of Victory* is a fascinating nuts-and-bolts account of the strategic factors that led to Allied victory. Kennedy reveals how the leaders' grand strategy was carried out by ordinary soldiers, scientists, engineers, and businessmen. In January 1943, FDR and Churchill established the Allied objectives for the war: defeat the Nazi blitzkrieg; control the Atlantic sea lanes and the air over western and central Europe; take the fight to the European mainland; and end Japan's imperialism. Astonishingly, a little over a year later, these ambitious goals had nearly all been accomplished. Kennedy uncovers the real heroes of the war, highlighting the creative strategies, tactics, and organizational decisions that made the lofty Allied objectives a reality. More at www.randomhouse.com. CJ

Book review

Forbes and Ames Show Virtues of Economic Freedom

• Steve Forbes and Elizabeth Ames, *Freedom Manifesto: Why Free Markets Are Moral and Big Government Isn't*, Crown Business, 2012, 292 pages, \$26.

BY GEORGE LEEF
Contributor

I finished reading *Freedom Manifesto* at the end of the 2012 presidential campaign. That campaign was marked by a full-throated hymn of praise to the supposed goodness and necessity of the expanding federal leviathan by Democrats. On the other hand, the losing Republicans offered voters a timorous defense of free enterprise and personal liberty.

The entire, pathetic spectacle of the campaign showed just how badly advocates of capitalism and limited government are losing the battle of ideas. We are losing because our opponents advance a quadrant of falsehoods that they have cultivated for more than a century. Those are:

- Government officials work for the public good, not profit, and thus are morally pure.
- Private action, especially by business, is driven by greed and is therefore at best morally suspect, and often morally bad.
- Private actions lead to serious societal problems, such as inequality, economic instability, and unsafe products.
- Government laws and regulations can solve the problems created by the private sector.

So-called "progressives" have worked ceaselessly, largely through their dominance in education and the media, to propound that set of beliefs. The great virtue of *Freedom Manifesto* is that it takes precise aim at those beliefs in arguing, as the book's subtitle says, "Why free markets are moral and big government isn't."

Well-known publisher and business commentator Steve Forbes along with co-author Elizabeth Ames give us a cornucopia of facts to use against big-government advocates, but also an intellectual framework for regaining the upper hand in the battle for the nation's soul.

Here is their framework — attack those four pillars of progressive ideology by showing that in truth:

- Private action through free markets (and other voluntary means) is morally good and actually raises the moral plane of society.
- Government action often is driven by base motives, using coercion to achieve greedy, anti-social ends, and as that process grows, society loses its moral compass.
- Private action is innovative and remarkably effective in solving social and economic problems.
- Government action impedes innovation and creates new social and economic problems where none would exist otherwise.

In short, Forbes and Ames argue that we need to tear down the belief structure that supports President Obama and others who relentlessly push for more government power. Every page in the book makes that case through their four counter-ideas. It's rather like a great musical theme-and-variations composition — a veritable "Goldberg Variations" for Americans who want to make the strongest arguments they can against statism.

Statism. It's worth a moment to discuss the book's vocabulary and tone. The authors refuse to adopt the eu-

phemistic language of their opponents, language that helps them shape the debate. For example, they use the word "statist" to refer to people like Obama rather than nicer-sounding but misleading terms like "liberal" or "progressive." Regaining clarity in language is part of our task, so Forbes and Ames insist on using accurate terminology.

Freedom Manifesto consistently makes the point that the big-government agenda is neither liberal nor progressive, but authoritarian. It depends exclusively on coercion. The authors keep our minds focused on the fact that all of the laws, regulations, and taxes imposed on us are done through force.

The backbone of *Freedom Manifesto* is its steady argument that the way the statists have conditioned us to think about government and the private sector is wrong. The book abounds in examples. Among them:

Do government officials work selflessly for the public good? Forbes and Ames show that very often they do not. Instead, they work for their own benefit, usually in conjunction with special interest groups. They support each other and share the gains, which come at the expense of society at large.

Among many examples is the housing bubble, which the authors show was a political debacle from start to finish, with politicians and interest groups conniving for short-run benefits. When the bubble burst, the damage was inflicted on millions of innocent people.

What about private, profit-seeking business ventures? Aren't they morally tainted? No, argue the authors. As long as people in business do not resort to force or fraud, they can prosper only if they persuade others to buy their products or services. The success of capitalism not only raised living standards for nearly everyone, but also catalyzed widespread charity to help the needy.

There is nothing morally wrong in earning profits, and capitalism brings about cooperation among people and demonstrates that mutual gains are possible

when people trust each other. Governmental coercion accomplishes none of that.

Is capitalism at fault for our social and economic problems? No, the problems blamed on it are almost always rooted in government actions that have disturbed the natural balance we find under capitalism. Health care and insurance are a perfect example. The system prior to Obamacare was quite dysfunctional, but that's only because of pervasive government meddling going back to World War II.

Finally, is government good at solving problems? Quite the opposite. Forbes and Ames point to one of my favorite illustrations, namely the college debt problem, which wouldn't exist if government didn't make artificially cheap loans available. Its "solution" (more subsidies coupled with "loan forgiveness") will make matters worse.

Freedom Manifesto aims to change the national conversation about the role of government and does so brilliantly. America will slide further and further into the statist morass unless we can get people to think sensibly about the few things government should do and the many things it should not.

Buy this book and absorb its message if you want to help change the way people think. CJ



Founders Believed Second Amendment Main Protector of Liberty

The meaning of the Second Amendment is being debated once again. Other than in general terms, few discuss the amendment's origins, the reasons for its inclusion in the Bill of Rights, or how the constitutional framers and ratifiers and early jurists interpreted the amendment. But such a discussion gets to the heart of the matter.

The Second Amendment reads: "A well-regulated militia, being necessary to the security of a free State, the right of the people to keep and bear arms, shall not be infringed."

"Gun controllers" interpret "militia" to be a professional unit such as the National Guard. The National Guard Association was not formed until 1878, however, and the wholesale nationalization and professionalization of the militia, the modern-day National Guard, did not occur until the Dick Militia Act of 1903.

Many "gun rights" Americans claim a broad, individualist interpretation: Each American has a right to

own a firearm for sport, hunting, or personal protection. (This is not absolute; for instance, felons cannot own firearms legally, and respective states, wisely or unwisely, can regulate gun ownership without violating the Second Amendment.)

What did early jurists and constitutional commentators say regarding the Second Amendment? St. George Tucker in *View of the Constitution of the United States* (1803), the first systematic commentary on the Constitution after its ratification, describes the Second Amendment to be "the true palladium of liberty."

As the preservation of the statue of Pallas in mythological Troy — the Palladium — needed to be protected for the ancient city's preservation, so the Virginian believed that the amendment ensured liberty's protection in the United States. If the nation had a "standing army" — Revolutionary era-Americans' description for a full-time, professional army — while individual Americans were denied the "right to keep and bear arms," then "liberty, if not already annihi-

lated," Tucker wrote, "is on the brink of destruction." To Tucker, the Second Amendment is the linchpin that ensures the existence of all the other liberties.

Tucker was not alone. Although U.S. Supreme Court Justice Joseph Story believed the national government should have more authority than did Tucker, both jurists interpreted the Second Amendment as liberty's safeguard. In 1833, Story noted in his influential

Commentaries of the Constitution: "The right of the citizens to keep and bear arms has justly been considered as the palladium of the liberties of the republic, since it offers a strong moral check against the usurpation and arbitrary power of rulers, and will generally, even if these are successful in the first instance, enable the people to resist and triumph over them."

These jurists repeated a widespread interpretation that had been practiced by the states. The first state constitutions — which remained unaltered and in effect after the Constitution's ratification — protected individual rights to possess and bear

arms and allowed for a state militia. The Seventeenth Declaration of Rights in the 1776 North Carolina Constitution reads: "That the people have a right to bear arms, for the defense of the state; and as standing armies, in time of peace, are dangerous to liberty, they ought not to be kept up; and that the military should be kept under strict subordination to, and governed by, the civil power." Declaration of Rights 13 in the 1776 Pennsylvania Constitution is more explicit: "That the people have a right to bear arms for the defense of themselves and the state. ..."

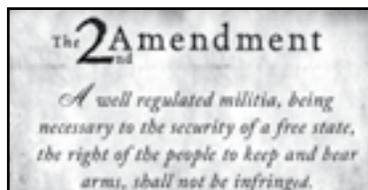
Americans, of all political stripes and regions, believed that the Second Amendment was necessary for individuals and states to ensure that other liberties were protected and to prevent tyranny from encroaching on other liberties.

For a more in-depth essay exploring the ideas of the Founders regarding the Second Amendment, please visit northcarolinahistory.org's home page. CJ

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



TROY KICKLER



MORE RESEARCH AT YOUR FINGERTIPS

at the redesigned John Locke Foundation home page

You can now search for research by John Locke Foundation policy analysts much easier than before. Our new web page design allows you to search more efficiently by topic, author, issue, and keyword.

Pick an issue and give it a try. Or choose one of our policy analysts and browse through all of their research. Either way, we think you'll find the information presented helpful and enlightening.



<http://www.johnlocke.org>

Book reviews

Phillips: 1775 Was Year That Spawned The War For Independence

• Kevin Phillips, *1775: A Good Year for Revolution*, Viking, 2012, 628 pages, \$36.

BY HAL YOUNG
Contributor

THE AMERICAN Revolution was not a crime of passion, and it should be a well-understood fact that 1776 was a milestone, not the starting point, of the Revolution. Political historian Kevin Phillips believes most of us don't appreciate that detail, and his new book *1775* is meant to explore the numerous precursor events and streams of thought which led to the more-acclaimed year of the Declaration.

Phillips believes that 1775 has been overlooked in favor of a "Spirit of '76" mythology:

Bluntly put, much of 'the history' of the American Revolution suffers from distortion and omission tied to the 20th century's excessive immersion in 1776 as a moral and ideological starting point. If July 4 of that year is truly the nation's birthday, then 1775 was little more than a number of months in utero. And this it categorically was not. ... [Rather], in many respects, 1775 was more important than 1776 [author's emphasis].

Rather than fastening on one or two keys to understanding the why of the Revolution, Phillips embraces them all. In the years 1774-75, he says, "no sweeping one-dimension explanation ... works everywhere, all of the time, or even most of the time. If anything, the upheavals of 1775 were laboratories for the complexity of local behavior and Revolutionary motivation."

Take the role of religion. Phillips notes that scholars from the 19th century onward have tried to downplay the role of religion, particularly the hard-line Calvinism common to New England Congregationalists and backcountry Scotch-Irish Presbyterians alike, as a factor in the Revolutionary movement. The level of conviction of 17th- and 18th-century believers is just incomprehensible to modern readers, they think, but Phillips says nevertheless, "Perhaps the history of religion in American war and politics needs a rebalancing."

In his argument, Phillips brings out not only the doctrinal inclinations of the evangelical churches, but also

the very important ethnic component the churches represented. "[It's] often difficult to disentangle which identity was the motivating factor," he writes. "Was being Scotch-Irish the key or being a staunch Presbyterian? Sometimes a political or military service choice might reflect both influences."

Most of the German and Celtic immigrants to America did not come to form religious colonies as such, but the natural preference to settle with people who shared a culture and a language (remembering that many from Scotland and Ireland brought their Gaelic tongue with them) tended to form pockets of Presbyterians, Lutherans, and German Reformed believers. The spread of Baptist separatists through the backcountry crossed ethnic boundaries, but in all cases, the common thread of elected leadership for churches and their surrounding communities produced a taste for democracy.

Even among the plantation-belt Anglican community, there were fractures between the high-church party which hungered for an American bishop, while the low-church congregations were well-pleased to rule themselves through vestries of elected laymen rather than ordained clergy. Efforts to call an American prelate, necessarily a representative of the king, met with surprising resistance among these "vestry Anglicans" and split the larger Established Church community.

"We can fairly say, based on the patterns of political faction, that religion — though only a collateral cause of the Revolution — played a major role in guiding its political alignments and loyalties," Phillips says. This was not a reprise of the religiously driven English Civil War, but neither was it a secular event.

The backcountry experience played a pivotal role — one that swung both ways. The royal governors, surrounded by wealthy, high-church Anglicans in their coastal cities, were confident that Patriot rabble-rousers were outnumbered by loyal king's men, and they failed to grasp the level of resentment pooling in the upcountry. Settlers

in that area largely were discontented with the present government, which had sent corrupt officials to rule them and left them often at the mercy of roving bandits and raiding Cherokee.

While the British eventually saw that inland settlers' anger toward coastal elites could be used against the Patriots, in their isolation they were unable

to recognize the unique troubles of each region; Phillips writes "only subtle and well-informed British strategy could have maximized" the situation for the Crown, which was represented by the same corrupt and inept officials who brought about tensions in the first place.

"On the other hand," Phillips admits, "five years hence in 1780 and 1781, British policymakers brought about a prolonged civil war in the two Carolinas along similar fault lines." He devotes a chapter to the question of whether the conflict rising in the 1770s was a civil war rather than a revolution, noting that "Over one-third of the colonists taking up arms for 'the rights of Englishmen' were German, Dutch, Irish, Scottish, or Scotch-Irish." In the

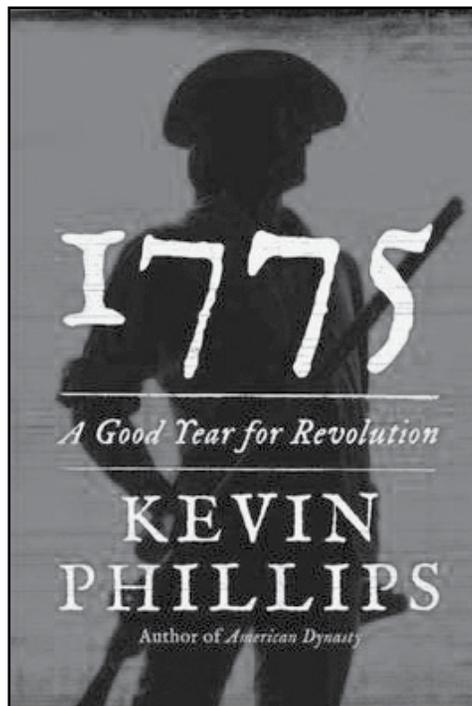
Carolinas, though, the later stages of the war had a score-settling vindictiveness which surprised both sides. The Carolina Piedmont was particularly unstable, and the divided Cape Fear region was full of Scottish loyalists, with Wilmington a hotbed of Whigs nearby. Whatever New England looked like, it was internecine war here.

In this very detailed narrative, Phillips recalls a plethora of interesting ideas. When Britain was forced to hire mercenaries, the infamous Hessians were King George's second choice; he asked the Russians first. Either way, the use of foreign troops against supposed Englishmen solidified opposition to the king in many colonial homes. Also, the success or failure of the Revolution hinged largely on the Patriots' ability to buy or capture firearms and other munitions. While the British had their own logistical nightmares, the Americans' desperate need for military supplies consumed British resources to guard or blockade them — ultimately, without success. And at every level, the economic stress that started long before the war only grew during the conflict. By 1780, Phillips says, many former colonists may have been asking if self-determination was such a great idea after all.

"Had the policymakers of 1775 better understood the economic strains and damages to follow from fighting the mother country, they might not have wanted to gamble," he concludes. "But 1775 was the year to do so, with the political, global, and military stars in alignment; it was the critical year for an American Revolution. No other would have proved so fruitful." CJ



Kevin Phillips



Share your CJ

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

Thanks.



Book review

MIT Professor's *Alone Together* Shows Dark Side of Technology

• Sherry Turkle, *Alone Together: Why We Expect More From Technology and Less From Each Other*, Basic Books, 2012, 384 pages, \$16.99 paper.

BY DAVID N. BASS
Contributor

RALEIGH
Who knew, two decades ago, that “distracted walking” would be a growing problem in the 21st century?

It’s everywhere: people walking with smart phones in hand, texting, posting a status update to Facebook, or checking the weather, oblivious to people and traffic around them. It’s concrete evidence of our hypertechnological society.

Putting aside the danger factor, many would see distracted walking as part of a larger good: gadgets that allow us to connect with our loved ones in ways unimaginable even five years ago. Yet there is a dark lining. MIT professor Sherry Turkle discusses the downsides of tech in her new book *Alone Together: Why We Expect More From Technology and Less From Each Other*.

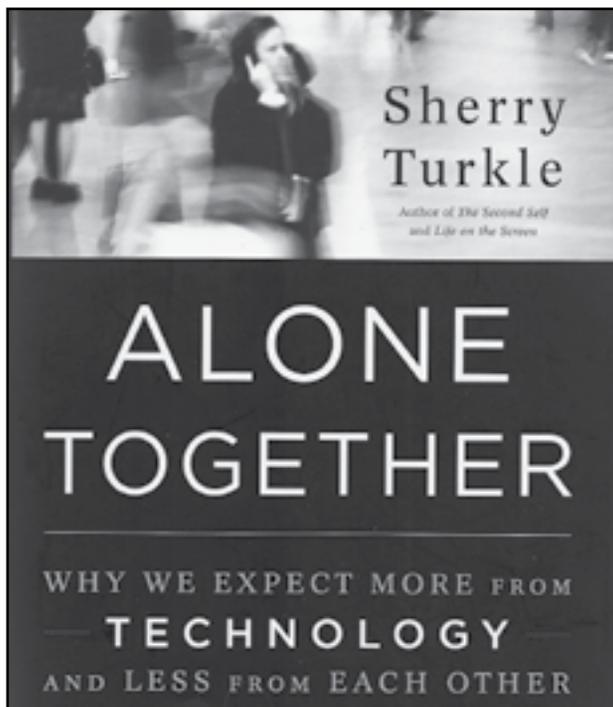
While a bit dense in places, *Alone Together* still presents a worthy exploration of the issues surrounding modern connectivity. The first section deals with the advent of robotics and the trend of people bypassing real relationships for those of mechanical origin. (Consider the recent controversy surrounding Notre Dame football star Manti Te’o and his online “girlfriend.”)

The second section — far more interesting to this reviewer — explores how networked our lives have become, and how much we’ve lost as a result.

One of Turkle’s best points relates to the dichotomy of technology: It makes our lives simpler, yet more complex. In fact, the newfound simplicity and efficiency created by modern devices actually lead to more complexity, as we try to do more, say more, and manage more.

Solitude is a foreign concept when we continually are connected. Time for sitting alone, just to think, is difficult when the cell phone is turned on and the laptop nearby.

“A stream of messages makes it impossible to



find moments of solitude, time when other people are showing us neither dependency nor affection,” Turkle writes. “In solitude we don’t reject the world but have the space to think our own thoughts. But if your phone is always with you, seeking solitude can look suspiciously like hiding.”

One enticing aspect of digital connections is their presumed safety and expediency. In real life, one has to invest time and emotional energy in a friendship or relationship. Then, it might end abruptly with little to show for it. But in the digital world, connections are simple and made to order. Or, as Turkle puts it, there is “companionship with convenience.”

“A robot will always be there, amusing and compliant,” she writes. “On the Net, you can always find someone.”

Turkle’s point is underscored by the online game “Second Life,” which allows players to create virtual identities and live second lives in a fake on-

line world. Another chapter describes online confessional sites that allow users to post their most painful, intimate secrets anonymously.

“At the screen, you have a chance to write yourself into the person you want to be and to imagine others as you wish them to be, constructing them for your purposes,” Turkle writes. “It is a seductive but dangerous habit of mind. When you cultivate this sensibility, a telephone call can seem fearsome because it reveals too much.”

That’s the dark side of our new digital paradise. Is the companionship of a robot, however easy and convenient, any match for the love and care of another human being? Are those multiple digital connections as fulfilling as a face-to-face conversation with a real person, in real time?

In our tech-saturated world, people are asked out through Facebook and broken up with through text message. There is a large degree of coldness. Something important — the human soul — is missing.

Partly due to all of the technological distractions, the modern American family is as connected yet disconnected as ever, another aspect explored by *Alone Together*. The majority of homes have two breadwinners, and family time has diminished. Divorce — sometimes multiple divorces — is common, and children sometimes are shuffled from parent to parent with little sense of stability.

Even in stable homes, we’ve allowed technology to invade. “These teenagers grew up with parents who talked on their cell phones and scrolled through messages as they walked to the playground,” Turkle writes. “Parents texted with one hand and pushed swings with the other. They glanced up at the jungle gym as they made calls.”

In this atmosphere, it’s little wonder that young people increasingly turn to the virtual, electronic world for connection. It’s safer, more stable, and more responsive than their parents.

In the end, Turkle concludes that we must return to the importance of “solitude, deliberateness, and living fully in the moment.” We should control technology, not the other way around. It’s good advice. *CJ*

BOOKS AUTHORED BY JLF STAFFERS



By John Hood
President of the
John Locke Foundation

Selling the Dream Why Advertising is Good Business



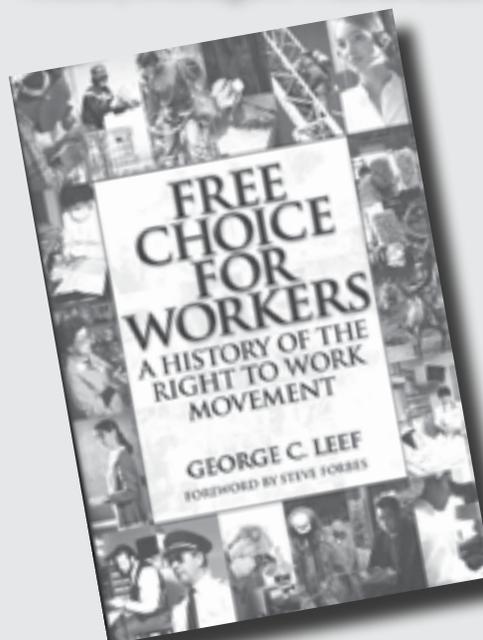
“[Selling the Dream] provides a fascinating look into the world of advertising and beyond ... Highly recommended.”

Choice
April 2006

www.praeger.com

Free Choice for Workers:

A History of the Right to Work Movement



By George C. Leef
Vice President for Research at the
John William Pope Center for Higher
Education Policy

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

Robert Huberty
Capital Research Center

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

COMMENTARY

Unrealistic Employment Expectations

"I'm highly educated, very qualified. I don't need training. I need a job."

That matter-of-fact statement stood out among dozens of comments addressed recently to a legislative committee looking into the best way for North Carolina to repay its \$2.5 billion debt to the federal government for unemployment insurance benefits.

The speaker who uttered these three short sentences was not the only unemployed person to address the committee. Nor was she alone in urging lawmakers to reconsider options that would involve reducing the maximum amount of future unemployment benefits.

What struck this listener as particularly interesting about her comments was the degree to which they betrayed a fundamental misunderstanding about jobs.

"I need a job." I don't doubt it. No one should envy a person whose livelihood depends on government-issued unemployment benefits. I do not intend to make light of any hardships she and her family have endured since she lost employment, and hope she has found a new job.

But one suspects her job search might have been made more difficult by the first two sentences quoted above. She informed her audience that she's both "highly educated" and "very qualified." Educated in what way? Qualified for what?

She also tells us definitively that she doesn't need training. That is almost certainly untrue. Each of the six different full-time jobs I've held in the past 20 years required some degree of training — even the jobs that seemed on the surface to be nearly identical to the job I had just left. Technology changes. Different employers have different rules and procedures. Jobs with the same title almost invariably have at least a slightly different mix of duties and responsibilities.

Perhaps she meant that she didn't need to return to school for a formal job training program. That might be true, though we need to know more. A "highly educated"

worker is great, though an advanced degree in ancient Chinese pottery or 19th-century feminist theater might not be the best preparation for the 21st-century work force.

The point, though, is not to pick on a particular unemployed worker. Instead, I suspect that her attitude about her current job predicament is a common one.

You've heard the message: Go to college, and boost your lifetime earning potential. You'll make much more money during the course of your working years.

Ask how much education is enough, and you'll likely hear the answer "more." Ask what kind of education, or what basic skills that dollar-generating education must include, and the answer is even less clear.

If politicians and pundits continue to oversell higher education, it's hard to blame a "highly educated" person for believing that she's "very qualified" for a job, regardless of the type of education she's pursued, the type of qualifications she's developed, or the types of jobs available in a given market.

Regardless of the political promises, a job is not a reward for some level of educational achievement. You can't trade your cap and gown for a weekly paycheck.

Your "highly educated," "very qualified" background means little if it doesn't mesh with the employer's needs. A larger dose of traditional higher education is not the one-size-fits-all answer to future economic needs.

On-the-job training and job-related courses available a la carte from both traditional and nontraditional sources might help. Rather than sitting in a classroom for another year while chasing an academic credential, new and future workers could devote time instead to building the types of skills and qualifications that will help them cope with the economic ups and downs they're bound to face in the years ahead. CJ

Mitch Kokai is an associate editor of Carolina Journal.



**MITCH
KOKAI**



EDITORIAL

License To Stifle

Gov. Pat McCrory and Republican leaders of the 2013 General Assembly seeking an inexpensive way to create jobs and expand entrepreneurship would do well to scrap many of North Carolina's oppressive and unnecessary occupational licensing requirements.

Licensing mandates are sold as protection — saving the public from scoundrels and charlatans who pretend to be skilled professionals but aren't. In the case of certain medical specialties and skilled crafts (such as building), the consequences of dealing with an unqualified professional could be lethal.

In practice, however, these licensing rules have morphed into more of a protection racket, letting those who have gotten into the club erect barriers keeping newcomers (meaning competitors) out. The requirements to get a license typically involve dozens, if not hundreds, of hours of training from government-authorized outlets, or years of "apprenticeship" before a potential member can join the "guild," even if a person is capable of performing a job competently without massive amounts of formal training.

The number of occupations requiring government licenses also has grown. According to a recent John Locke Foundation report, requirements have mushroomed over the past half-century: while roughly one in 20 workers needed some sort of occupational license in the 1950s, today that number is approaching one in three.

While the public may demand some official seal of approval before a surgeon can operate or an electrician can wire a house, is the public safer if anyone with a green thumb has to get permission from the government to

landscape someone's lawn for money?

Moreover, in many instances, licensing boards are not responsive or accountable to the public when its members allegedly misbehave. The boards offer the public little information about practitioners who have provided substandard or even fraudulent services. Medical societies and bar associations are notorious for clamming up if one of their members faces a disciplinary action, meaning a careless dentist or a negligent lawyer may continue practicing after being punished, and their clients may be unaware that they've hired a quack.

By contrast, private, user-driven services such as Angie's List and third-party reviewers like the Better Business Bureau are eager to inform consumers about the competence of professional services. These organizations offer ratings and reviews, and some allow providers to respond directly to consumer complaints. In other words, left to its own devices, the marketplace works.

The JLF report points out that North Carolina has one of the nation's most restrictive occupational licensing regimes, subjecting 154 lines of work to some sort of licensing mandate. In another survey, the Tar Heel State ranked No. 15 nationally among the most intrusive states in occupational licensing requirements.

The JLF report suggests straightforward reforms to aid consumers and practitioners — among them, scrapping the most recently created licensing boards, and subjecting every board to a periodic sunset review, abolishing those that serve no defensible public purpose.

It's time to end the state's chokehold on entrepreneurship, one licensing board at a time. CJ

EDITORIALS

Time For a Breakup

Large school districts just don't work

Want to make North Carolina public education more cost-effective?

You should. The future of our economy is at stake. States with high-performing students experience faster economic growth than states with low-performing students. But because economic performance is also related to the cost of government, North Carolina could increase job creation and income growth by either generating the current level of educational achievement at a lower cost to taxpayers or generating higher educational achievement at the current cost to taxpayers.

Of course, the real sweet spot is to be found in doing both: to save money and improve outcomes over time. One way to accomplish both would be breaking up our sprawling urban school systems into smaller districts. Decades ago, policymakers consolidated school districts, assuming that economies of scale — achieving lower overhead and service costs per unit by expanding the number of units under administration — were just as present in public education as they were in other industries.

They were wrong. While there may have been some efficiency gains from merging very small districts, once school districts exceeded 15,000-25,000 students, both their efficiency and their outcomes tended to suffer.

A large body of academic research demonstrates the drawbacks of school-district consolidation. The most recent study we've seen, published in *The Social Science Journal* in 2007, used a large national sample to evaluate the assertion that consolidation results in lower per-student cost and higher student achievement. The assertion proved to be false. Unfortunately, wrote study author Frank Robertson, these findings arrived long after "many American school districts had transitioned from small adaptive affiliations to large sluggish bureaucracies."

North Carolina should not live with the negative consequences of past political decisions. Local leaders should work with their legislative delegations to design 21st-century school districts that are efficient, innovative, and competitive.

Mecklenburg and Wake counties easily could accommodate four or more school districts. Other populous counties such as Cumberland, Durham, Guilford, and Forsyth could accommodate two or three districts apiece.

Many states have several districts within county lines, as North Carolina once had. The arrangement discourages sluggish bureaucracy while giving parents more options. In short, it's time for a breakup. *CJ*

Reform Judicial Elections

Public funding and judicial elections need to go

State policymakers will have a lot on their plate in 2013. Nevertheless, it's time to take care of a lingering legal problem: North Carolina's system for electing members of the state's appellate courts.

The current system deprives voters of relevant information and reduces voter participation in judicial elections. Some years ago, Democrats got worried about the increasing numbers of Republicans being elected to the Supreme Court and Court of Appeals. Dressing up their partisan worries in good-government clothing, they voted to strip party labels from the ballot for judicial elections. They also instituted a government-funding scheme designed to discourage judicial candidates from running campaigns that were funded privately with enough dollars to communicate effectively to voters.

After these reforms, both Democrats and Republicans continued to recruit and endorse judicial candidates. But many voters had no idea who was

in which party.

Robbed of this information, voters had to resort to guesswork. Some chose not to choose at all. In this year's general election, more than a million voters, or nearly a quarter of the electorate, declined to indicate a preference for Supreme Court or Court of Appeals.

The public funding element of North Carolina's election system also proved to be unconstitutional. The U.S. Supreme Court ruled in 2011 that a similar program in Arizona constituted an assault on the First Amendment. North Carolina's law is still on the books.

State lawmakers should repeal the government-funding system and restore party labels to statewide judicial races. Failing that, lawmakers should do the next-best thing: Submit a constitutional amendment to referendum that allows governors to appoint the judges, subject to legislative confirmation and perhaps a subsequent retention election. *CJ*

COMMENTARY

Make N.C. First In Freedom

In 1948, the University of Chicago Press published one of the foundational texts of the modern conservative movement: *Ideas Have Consequences*. Coming just a few years after another foundational text, Friedrich Hayek's *The Road to Serfdom*, described the costs of expansive government, *Ideas Have Consequences* focused more on issues of culture and morality. Its main argument was that by embracing relativism over absolute truth, the West had set the stage for its own decline. The consequences would be not just political and economic chaos but also the loss of individual liberty and social order.

The book's publication gave the movement one of its most enduring intellectual concepts and marketing slogans. Since the early 1950s, few conservative or libertarian organizations have failed to proclaim that "ideas have consequences," and many have included the phrase in their mission statements, stationery, and websites. The publication of *Ideas Have Consequences* also launched its author, a previously obscure professor of English at the University of Chicago, into the forefront of the postwar debate about the future of American culture and politics.

His name was Richard Weaver. Although he spent much of his career elsewhere, Weaver was a proud North Carolinian. His family had deep roots in the Tar Heel State. In fact, his hometown is actually named Weaverville, in Buncombe County.

After obtaining his Ph.D. in English from Louisiana State University in 1943, Weaver took his first teaching job at North Carolina State University, after which he relocated his academic life to the University of Chicago. Still, Weaver never really left North Carolina. It was more than just a birthplace to him. He purchased a home in Weaverville and spent most of his summers there. That's where his mother lived, and where the extended Weaver clan would gather for an annual reunion.

During the 1950s and early 1960s, Weaver wrote many other books and articles as a leading spokesman for the traditionalist strand of the conservative movement, including early contributions

to William F. Buckley's *National Review* and the first article in the first issue of *Modern Age*, a journal created by conservative scholar Russell Kirk.

American conservatism — that fusion of free-market economics, traditional values, and constitutionalism — owes a great deal to North Carolina. Richard Weaver is but one of many prominent public intellectuals with significant ties to the Tar Heel State who have played major roles in building the modern conservative movement. For example, Gastonia native Thomas Sowell is one of the country's most prominent free-market economists. His many books, articles, and columns explore a wide range of issues, from fiscal and regulatory policy to education, affirma-

tive action, and economic history. Vermont Royster, a Raleigh native and graduate of UNC-Chapel Hill, became editor of *The Wall Street Journal* and two-time winner of the Pulitzer Prize for commentary. His editorial direction and erudite, elegant columns helped make the *Journal's* editorial page a must-read for conservatives everywhere — and for those who would understand the American Right.

In the John Locke Foundation's just-published book *First in Freedom: Transforming Ideas into Consequences for North Carolina*, my colleagues and I apply the timeless ideas of thinkers such as Weaver, Sowell, and Royster to such 21st-century challenges as economic stagnation, tax and regulatory burdens, and educational mediocrity.

First in Freedom contains lots of practical suggestions and advice for North Carolina's new governor and General Assembly. But the book also serves to honor those intellectual forebears who helped build the case for conservative reform in the first place.

"All work," wrote Richard Weaver, "is a bringing of the ideal from potentiality into actuality." Let's get cracking. *CJ*

John Hood is president of the John Locke Foundation and a contributor to First in Freedom: Transforming Ideas into Consequences for North Carolina.



JOHN HOOD

EDITORIAL BRIEFS

Hospitals Offering Insurance

The medical industry continues to evolve. The latest development is an increasing number of hospital systems that are branching out to offer insurance plans, reports *The Wall Street Journal*.

In Atlanta, for example, Piedmont Healthcare and WellStar Health System are planning on creating a jointly owned insurance arm. California's Sutter Health and New York's North Shore-Long Island Jewish Health System are also among those planning to offer insurance plans. A 2011 survey found that 20 percent of hospital leaders had plans to provide health insurance.

The push into insurance comes from increasing pressure to reduce costs and the need to adjust for changes brought about by Obamacare. Hospitals are expected to receive a decreasing share of the reimbursements insurers pay for services. Medicare and Medicaid also are expected to reduce the amount they pay hospitals for services.

Hospital systems say the move would give them more data on their patients, avoiding both duplication of services and costly procedures through early interventions.

Hospital system-created health plans are likely, though, to create tensions with existing insurers.

"Many of [the hospital systems] are also folks we do business with," notes Juan Davila, Blue Cross/Blue Shield of California's senior vice president for network management. "There's a potential for that to be difficult."

How the FHA harms families

The Federal Housing Administration lends to low- and moderate-income Americans and first-time homebuyers with the aim of expanding homeownership and neighborhood stability. Unfortunately, the FHA's lending practices are inconsistent with its mission and result in an unacceptably high percentage of loans going into foreclosure, writes Edward Pinto in a report for the American Enterprise Institute.

While the FHA historically has enjoyed very low foreclosure rates, in recent years those rates have risen as the FHA has lent to families with shakier finances. Today, an estimated 40 percent of the FHA's loans are to those with FICO scores below 660 and/or a debt ratio of 50 percent or higher. These measures are both characteristic of subprime loans.

Pinto says that the FHA's underwriting policies encourage such families to make risky financial decisions, by adding a 30-year loan with a low down payment to the mix. And many of these loans do go into default. Nationwide, 9,000 ZIP codes have projected foreclosure rates of 10 percent or higher. Foreclosure rates that high result in reduced home values, a lower tax base, blight, and a higher cost of providing municipal services.

"It is obvious that far too many families who took out FHA and other high-risk loans have seen their wealth destroyed, their credit severely damaged for many years into the future, and their neighborhoods sent into severe decline," says Pinto.

CJ



Policies That Boost Growth

Our elected officials agree on at least one agenda item: economic growth. Virtually everyone wants to boost economic growth in the state so jobs can be added at a faster pace. But how? Unfortunately, there's no magic "growth switch" to pull. Instead, alternative policies will be proposed, debated, and maybe approved. Here I examine practical proposals in four areas.

- *Updating the state tax system:* Many economists say moving away from taxing income to taxing spending is a way to encourage income and job growth. They say taxing spending — but exempting from taxation what people save and invest — would make North Carolina a magnet for business development and expansion.

While I am sympathetic to this viewpoint, some issues will have to be confronted. Since lower-income households spend more as a percentage of their income than higher-income households, a spending-based tax would be "regressive" unless rebates, exemptions, or rates adjusted with income were introduced. Spending on many services not now taxed would be taxed. And there would be debates about what would count as "investment spending" — for example, would spending on purchasing a home or college expenses qualify?

- *Supporting education:* A well-educated and trained work force is essential to economic growth. There are many issues and challenges for both PreK-12 and post-secondary education in North Carolina, but clearly one of them is dropout and graduation rates. Although major improvements have been made, one of four high school freshmen in North Carolina does not graduate in four years. And the four-year graduation rate is even lower for college and university freshmen.

One idea at the high school level to motivate the interest of some students and improve graduation rates would be to increase the offerings of vocational studies. As the baby boom generation retires, some analysis points to a pending shortage of qualified workers for vocational and technical

occupations. A high school student successfully completing a vocational or technical skill program could have a job waiting at graduation.

A proposal at the four-year university level to strengthen student focus and efficient completion of studies would link tuition costs to length of time in school. That is, students completing their college studies in four, or maybe, five years would pay a lower annual tuition than students who have been enrolled six years or longer and have not received a degree.

- *Medicaid:* Medicaid is the joint federal and state funded program for assisting lower-income households with health care expenses. In the last quarter-century, it has been the fastest growing part of the state budget. Medicaid operates as a program that reimburses doctors and other medical providers after they have provided services. Some say this encourages more spending.

Several states, including Florida, have received permission from the federal government to try alternative ways of operating Medicaid, methods that encourage cost competition and consumer involvement. Some studies show significant savings as a result of these innovations. North Carolina may want to study these alternative procedures to see if they can provide needed coverage at lower costs.

- *Transportation:* Study after study finds that well-maintained highways are absolutely vital for economic development. But the big question is: How do we pay for roads? Drivers are resistant to the gas tax, especially if it rises at the same time the cost of the fuel is jumping.

Toll roads — where drivers of a specific stretch of highway directly pay for that road — are one funding alternative. Tying the gas tax to median household income — rather than the cost of gas — is another idea. Both should be examined and evaluated.

So, taxes, education, Medicaid, and roads — that's certainly a full agenda for thinking about ways to promote economic growth in North Carolina. Let the debates begin.

CJ

Michael Walden is a Reynolds Distinguished Professor at North Carolina State University. He recently was awarded the Order of the Long Leaf Pine.



MICHAEL WALDEN

Suggestions for the GOP on Higher Education

I know Gov. Pat McCrory and the Republican leadership at the General Assembly are inundated at the moment. There's no lack of people offering policy advice or pleading for their cause or group. Why should I be different? Two recommendations for the new leadership in state government follow. They are about the UNC system and are part advocacy and part suggestions for reform.

- There is a great deal of discussion that public universities in North Carolina are not providing young people with the necessary training to meet the demands of the state's businesses.

The draft of UNC's latest strategic plan describes this extensively. McCrory has talked about it repeatedly. A 2011 Pew Research Center poll revealed 47 percent of Americans believed the primary purpose of a college education was to teach work-related skills; only 39 percent said it was to help a person grow intellectually and personally.

Preparing young people with technical skills required by the state's economy is a central responsibility of the UNC system. But there are two important qualifiers. First, a public university should be more than a



**ANDY
TAYLOR**

training camp for a state's businesses — and incidentally, a nice subsidy for them. It also must serve its students' (or principal customers') personal intellectual, professional, and economic needs as well as strengthen broader civil society.

Second, I worry that this approach views the global economy too parochially. Many current state legislators have been leaders in North Carolina's traditional economy — one based on agriculture and low-tech, small-scale manufacturing. If North Carolina wants to be a winner, its graduates need a skill set different from the one many policymakers have. Students must be able to solve problems and communicate effectively to diverse audiences. Their need to learn will be continual. They must contribute to the kind of robust civic life the state needs to attract and keep important people, companies, and institutions. The competencies essential to success are not technical or vocational; they are inherently academic.

- The current macroeconomic and fiscal environment requires the university to be more efficient. Its teaching, research, and service mission is critical, but should not come at any price.

There are two main arguments about how to gain efficiencies. The first is administration. According to the U.S. Department of Education, between 2001 and 2011 the number of administrators on American college campuses grew 50 percent faster than

the number of instructors. UNC has contributed to this trend. Like other institutions, it also supports many units that are distant from the university's core responsibilities.

Before they start to prune, however, policymakers should assign personnel to serve the mission better, not cut across the board reflexively. Administrative bloat is generally greater in the middle tiers. Positions frequently are carved out for faculty who are among the least productive teachers, scholars, and grant-getters. Since administrative work can be lucrative, this creates perverse incentives. As staff positions are cut, administrators must do clerical-type work for which they are overqualified and overpaid.

The second view, widely held at N.C. State, is that greater investment in STEM (science, technology, engineering, and math) disciplines is critical. The assumption is that this investment would come at the cost of other academic fields and departments. McCrory has said this. Gov. Rick Scott of Florida has argued students in STEM fields should pay less tuition. But science and engineering education already is subsidized heavily. Its professors are paid considerably more than colleagues across campus, and these disciplines require costly overhead — federal government grants offset these expenses only partially.

To give you some idea of the magnitude of the subsidy, when I was

chair of political science at N.C. State, our annual budget was roughly \$1.4 million. We produced approximately 14,000 undergraduate student credit hours — or about \$100 each. In-state students, however, were paying more than \$150 a credit hour. What happened to the other \$50? The calculation excludes some overhead (really just our share of building costs) but also our graduate teaching, share of the university's state appropriation, out-of-state students, and grants and contracts. The extra, of course, went to college and university administration and other departments, particularly those in STEM fields, which charge the same amount for a considerably more expensive product.

Faculty and students in the humanities and social sciences contribute greatly to this subsidy. So do taxpayers. Because tuition and grants do not cover their bills, science and engineering departments in UNC schools grab a disproportionate share of their university's state appropriation. Moreover, in midcareer their graduates make three times more than their counterparts in fields like social work and teaching. Scott might be right about differential tuition; he just believes the wrong group of students should benefit from it. *CJ*

Andy Taylor is a professor of political science in the School of Public and International Affairs at N.C. State University.

Tax Reform Key to Economic Vitality

As the new General Assembly gets under way, there are lots of issues to be considered. Repaying the unemployment insurance debt owed to the federal government, requiring photo identification to vote, restructuring the state's information technology systems, rejecting the health exchanges and Medicaid expansion under Obamacare, repealing costly energy renewable portfolio standards, and reducing regulations on businesses are on the table.

But the leadership and our new governor have made clear that their top priorities are boosting the economy and pushing new private-sector employment. Tax reform offers the best way to accomplish these things.

North Carolina's tax system was set up in the 1930s based on an economy driven by manufacturing

and agriculture. It needs a complete revamp. Study committees, lawmakers, economists, and others have talked about reform for 20 years.

Despite good intentions, tax reform has not happened because it's hard and it's complicated. I suspect we'll have lots of ideas on the table and intense debate. In the end, we need a plan that eliminates the current tax bias against saving and investment and gets the economy moving, businesses growing, and people working.

The Senate's proposal would rely on expanding the sales tax — raising the base rate to 8.05 percent — while eliminating corporate, franchise, and income taxes. Concerns about the plan include a new business tax that would generate twice the revenue derived from the corporate and franchise tax; a tax increase on real estate transactions; and asking more businesses (mainly service providers) to collect taxes that never have done so. The plan would not limit additional rate hikes, leaving the door open for "temporary" and unlimited incremental increases.

A proposal by the John Locke Foundation would eliminate cor-

porate, estate, and state sales taxes altogether. It's based on a consumption tax called the Unlimited Savings Allowance tax that would be collected using the current income tax structure.

Taxpayers would use the adjusted gross income they report to the IRS, include a standard deduction, and deduct all charitable giving and savings. On that remaining amount — your consumption — you'd pay a flat rate of 8.5 percent. This would operate much like an IRA, allowing income to accumulate, and taxing it only once, when it is spent. A study shows this plan should boost the state's economy by \$11.6 billion and create 80,000 new jobs in the first year it was in place and thousands more each following year.

Participating financial institutions could set up Carolina USA accounts (again, like IRAs) to ensure accurate reporting and accountability. The plan eliminates the tax discrepancy between Internet sales and brick-and-mortar stores. It puts the government, rather than businesses, in charge of collecting taxes. It introduces no new taxes or fees, picks no fights with special interests, is easy

to understand and administer, and elegant. Article V, Section 2 (6) of the N.C. Constitution says, "The rate of tax on incomes shall not in any case exceed 10 percent," thereby capping the rate should big spenders retake control.

If incremental reform is more feasible politically, a modified USA plan should be considered. Adopting a 6 percent USA consumed-income tax while cutting the state's retail sales tax rate to 4.5 percent would be a move forward, creating (according to the study) 10,000 jobs and \$4 billion in economic impact.

Comprehensive tax reform should result in a system that is simple, transparent, fair, provides stable revenue for core functions of government, and, most importantly, encourages economic growth and job creation. The Senate has done a good job of starting the debate on real tax reform. There are other ideas to consider, too. It's a challenging job, but substantive, thoughtful tax reform is doable. Let's get started. *CJ*

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

Perdue Shares Job-Announcement Form With McCrory (a CJ Parody)

By B.S. ARTISTE
Corporate Welfare Correspondent

RALEIGH

In one of her final acts as governor, Bev Perdue quietly transferred the confidential "Governor's Jobs Announcement Template" to incoming Gov. Pat McCrory. A Perdue official who wished to remain anonymous told *Carolina Journal* that, aside from the veto stamp, Perdue prized the template more than any other official tool she possessed.

The template originally was developed by Department of Commerce officials to make Democratic Gov. Jim Hunt appear to have a direct role in creating all positive economic activity in North Carolina. Hunt shared it with his successor, Gov. Mike Easley, and Easley passed it on to Perdue.

CJ learned some Democratic insiders were shocked when they learned Perdue had given the template to the new governor. "McCrory needs to come up with his own job announcement form," outgoing N.C. Democratic Party Chairman David Parker told *CJ*.

After witnessing Perdue slip an envelope to a McCrory aide before the Jan. 12 inaugural ceremonies, a *CJ* reporter asked the aide for a copy of the contents.

It reads as follows:

Gov. _____ on (day of week) announced that (name of company), a (type of company), will expand (or locate) its facility in (location). The company plans to create ____ jobs and invest \$ _____ million over the next _____ years. The project was made possible in part by a

NORTH CAROLINA
DEPARTMENT OF COMMERCE



Making governors look good for more than 20 years



\$ _____ grant from the One North Carolina Fund.

Salaries will vary by job function, but the average annual wage for the new jobs will be \$ _____, plus benefits. The _____ County average annual wage is \$ _____.

"This is a major step in providing service to our customers," said (name of company) President _____. "We are happy to be in North Carolina and thank Gov. _____ and the staff of the North Carolina Department of Commerce for making this announcement possible," he/she said.

"Creating jobs is a top priority of mine," said Gov. _____. "Our top-notch business climate continues to attract companies to North Carolina. These companies know our customized job training programs will provide a highly skilled workforce that's essential to competing in a global economy."

North Carolina continues to have a top-ranked business climate. Through Gov. _____'s JobsNOW initiative, the state works aggressively to create jobs, train and retrain its work force, and lay the founda-

tion for a strong and sustainable economic future.

INSTRUCTIONS

Be sure to advise company officials that any public statements must say the grant from the state was a deciding factor in the company's decision to locate or expand in North Carolina. This must be emphasized strongly to the media.

Remember to thank other government agencies for their assistance, even if their role was insignificant or nonexistent. Some good ones are the Department of Transportation, the community college system, the Golden LEAF foundation, and the N.C. Rural Economic Development Center.

Will McCrory use it?

CJ asked McCrory spokesman Ricky Diaz if the new governor planned to use the jobs announcement form. "I don't have an answer for that right now. We appreciate the cooperation that Gov. Perdue provided to us during the transition, and the jobs announcement form was a big surprise. The form is nearly 30 years old, however, so the governor may wish to update the template so it reflects the job announcements of the 21st century," he said. *CJ*

John Locke
FOUNDATION

ANNIVERSARY DINNER

Thanks to our Event Sponsors

(As of Jan. 29, 2013)

Title

Reynolds American International

Executive

BB&T
CaptivaAire

K.P.B Corporation
New Breed Logistics Inc.

Partner

Triangle Securities
Duke Energy
DesignHammer

Coca-Cola Bottling Co., Consolidated
Christine Mele
Baker and Marlene Mitchell

Entrepreneur

Parker Poe Adams &
Bernstein, L.L. P.
Hicks and Associates
(A financial advisory practice of
Ameriprise Financial Services,
Inc.)

Golden Corral
Hollingsworth, Avent,
Averre & Purvis, PA
Metro Productions
Jason Deans
NC Beer & Wine Wholesalers
Carolina Strategy Group



We cordially invite you

to the

John Locke Foundation's
23rd Anniversary Dinner

featuring

Stuart Varney

7p.m. Saturday February 16, 2013

North Ridge Country Club, Raleigh, NC

\$125 per person VIP tickets \$250

Sponsorship opportunities available

info@johnlocke.org, 919-828-3876