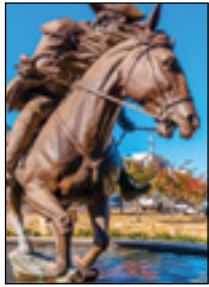


JLF's 'First in Freedom Index' stresses economic growth, /2



CAROLINA JOURNAL

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

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STATEWIDE EDITION

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

JLF: Promoting Freedom for a Quarter Century

Organization created to provide research about issues, policies

By CJ STAFF

RALEIGH

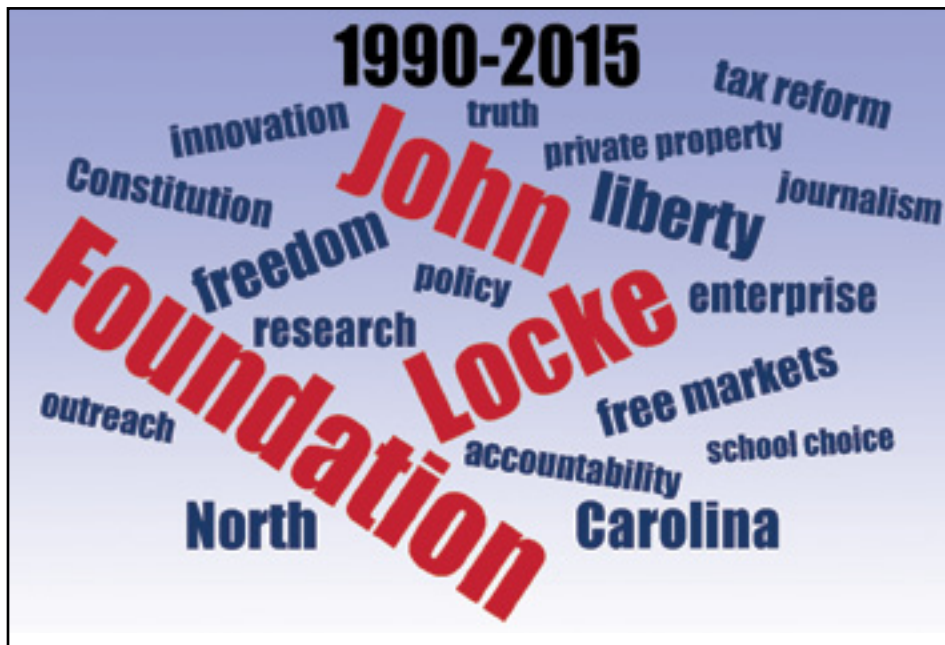
As the John Locke Foundation celebrates its 25th anniversary this month, it can look back on a quarter century of change, change in the state and in the organization itself.



John Hood

From its early days in 1990 with a staff of two — political consultant and former Reagan administration official Marc Rotterman and recent college graduate journalist John Hood — to the present, with a staff of two dozen policy analysts, researchers, journalists, managers, and support staff, the JLF has remained true to a singular goal: promoting freedom, limited government, and opportunity for all North Carolinians.

Over the past quarter century, JLF has worked tirelessly to educate



From its inception 25 years ago the John Locke Foundation has worked to spread the message of limited government, individual liberty, and free markets to North Carolina's politicians and policymakers.

policy makers and the public about the "blessings of liberty" and the benefits limited, constitutional government brings to people who are allowed to pursue their own dreams with minimal interference from the state.

JLF's accomplishments have covered myriad areas of policy and outreach, including:

Fiscal accountability/tax reform

JLF made a lasting impact on the direction of state government beginning in 1995 with the publication of its first alternative state budget. State legislators immediately adopted elements of the plan, which evaluated every function of state government, empha-

sizing the full funding of those areas that were aligned with the principles of the state constitution and the reduction or elimination of those that were not. As a result, the General Assembly enacted the first budget in modern history during a nonrecessionary year that did not increase spending.

In 2011, after Republicans took control of the General Assembly for the first time in more than a century, JLF research convinced lawmakers to move forward with sunset of the sales tax hike imposed two years earlier, despite the objections of then-Gov. Beverly Perdue. The legislature was able to override Perdue's veto, returning more than \$1 billion to North Carolinians.



Marc Rotterman

The alternative budget has remained an ongoing JLF project. The proposal for the 2013-14 legislative session, titled "Budget for Growth," featured a series of tax reforms, program eliminations, and overall spending reductions resulting in a 0.2 percent

Continued as "John Locke," Page 14

Carolina Journal: A Leading Government Watchdog

Since 1991 the JLF publication has kept its eye on state power

By CJ STAFF

RALEIGH

Carolina Journal's reputation as a leading government watchdog took off in 1997, when Executive Editor Don Carrington exposed a secret \$21 million slush fund operated by legislative leaders for pork-barrel projects in violation of the law.

But CJ started several years earlier, not long after the John Locke Foundation opened its doors. In the fall of



In 2005, Carolina Journal's investigation into the Randy Parton Theatre project in Roanoke Rapids revealed management and contractual problems that led to the firing of Parton and the beginning of fiscal woes for taxpayers. (CJ file photo)

1991 the 16-page, 8 1/2-by-11-inch magazine was published bimonthly and featured commentary and opinion items about North Carolina government. In

2001, then-editor and publisher John Hood led CJ in a transition to a tabloid, with CJ evolving into a must-read source of news, opinion, and investigative reporting — both in its monthly print edition and as a website updated daily.

Here are some of the noteworthy stories CJ has published over its history:

Legislative slush funds: Then-N.C. House Speaker Harold Brubaker, R-Randolph, and then-Senate President Pro Tem Marc Basnight, D-Dare, each controlled 45 percent of the \$21 million discretionary fund. Gov. Jim

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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, Roy Cordato
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George Leef, Karen McMahan
Donna Martinez Karen Palasek
Marc Rotterman, Jesse Saffron
Terry Stoops, Andy Taylor
Michael Walden, Hal Young
John Calvin Young
Contributors

Joseph Chesser, Catherine Konieczny
Austin Pruitt, Matt Shaeffer
Interns

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

Jon Ham
Vice President & Publisher

Kory Swanson
President

John Hood
Chairman

Charles S. Carter, Charles F. Fuller
Bill Graham, John M. Hood
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JLF 'First In Freedom Index' Highlights Growth

Nationwide North Carolina ranks 23rd, and 5th in Southeast

By CJ STAFF

RALEIGH

North Carolina ranks No. 23 among the 50 states, and No. 5 among Southeastern states, in freedom. That's according to the John Locke Foundation's newly released First in Freedom Index.

JLF was scheduled to unveil FFI in connection with its 25th anniversary celebration Feb. 7 in Raleigh. "Using our research and data-driven analysis, the John Locke Foundation will guide lawmakers to policies that will make North Carolina more free and more prosperous," according to the index's executive summary. "Our mission is to create a North Carolina that is truly First in Freedom."

Florida ranks No. 1 on the FFI list, followed by Arizona, Indiana, South Dakota, and Georgia. New York is the least-free state, followed by New Jersey, California, West Virginia, and Kentucky. In addition to Florida and Georgia, North Carolina trails Louisiana (No. 6) and Virginia (No. 16) among Southeastern states.

Twenty-five years of peer-reviewed academic research studies show a strong connection between freedom and economic growth, according to the report.

"If North Carolina policymakers want to maximize job creation, income growth, and economic opportunity for its citizens over the coming years and decades, they should place a higher priority on reducing the size and scope of government, promoting choice and competition in services such as health care and education, and protecting personal freedom from encroachment."

Building upon three existing indexes from the Canada-based Fraser Institute, the Mercatus Center at George Mason University, and the Tax Foundation, JLF has added more

data and ranked each state in four categories: fiscal, educational, regulatory, and health care freedom. The index will help N.C. decision makers identify states with policies that should serve as examples for future action here.

North Carolina fares best in the fiscal freedom ranking at No. 16 nationally and No. 3 in the Southeast, trailing only Florida and Virginia.

"Here is a case where recent legislation has made a big difference," according to the report. "Before the state's 2013 tax reform, North Carolina ranked among the worst states in the nation in tax climate. If the tax reform bill hadn't passed, it is likely that North Carolina's total ranking on fiscal freedom would have been close to the national average, at best, and among the worst in our region."

New Hampshire, with the No. 7 tax climate and the No. 9 overall FFI ranking, offers instructive lessons for North Carolina as policymakers pursue further fiscal reforms.

The Tar Heel State ranks No. 18 nationally and No. 5

in the Southeast in educational freedom, thanks largely to strong protections for homeschooling (No. 2 nationally) and the passage of the Opportunity Scholarship Program. That program boosted North Carolina to No. 16 in private-school choice.

"But North Carolina ranks below the national average in public school choice," the report explains. "One reason is that most other states give families more ability to choose from among public schools in both their home and neighboring districts."

FFI points to Colorado as a model for North Carolina to emulate in public school choice. Matching Colorado's policies would boost North Carolina's educational freedom ranking from No. 18 to No. 13. The Tar Heel State's overall ranking would jump from No. 23 to No. 15.

North Carolina ranks below the national average at No. 36 in regulatory freedom, despite positive factors such as a right-to-work law, the absence of a state-level minimum wage, and recent tort reforms.

"When it comes to regulatory freedom, North Carolina has plenty of room for improvement," the report states. "Our state has relatively weak protections against eminent

domain abuse and other encroachments on property rights, along with relatively strict occupational-licensing laws. We also rank poorly in regulatory policy regarding auto insurance and homeowners insurance."

The index points toward positive regulatory policies in one of our neighboring states. "Adopting the strong land-use and property-rights protections of South Carolina would raise North Carolina's regulatory freedom ranking from No. 36 to No. 16 and our overall FFI ranking to No. 19."

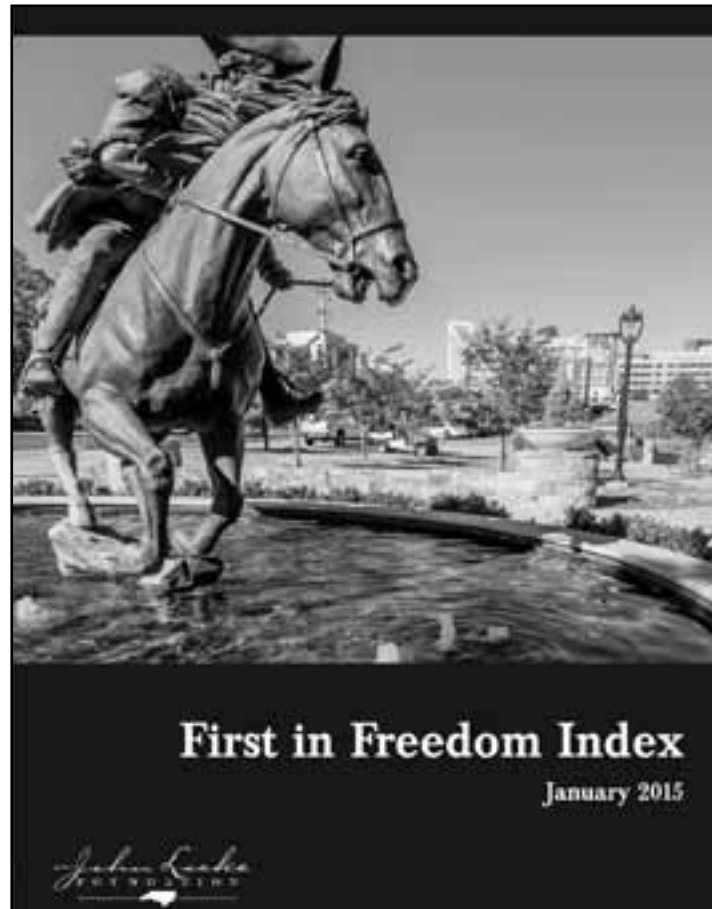
This state fares worst in health care freedom, ranking No. 46 nationally and "dead last" in the Southeast. "The main culprits are our poor rankings on certificate-of-need laws, which restrict choice and competition among hospitals and other medical providers, and state benefit mandates on private health plans, which limit consum-

er choice and drive up insurance premiums."

Abolishing CON regulations would have a major impact on North Carolina's FFI ranking, according to the report. The health care freedom ranking would jump from No. 46 to No. 25, and the overall ranking would rise from No. 23 to No. 16. Thirteen other states already have scrapped certificate-of-need laws.

The John Locke Foundation's 25th anniversary served as an appropriate setting for the launch of the First in Freedom Index. "What we seek as an organization is a better balance between the public sector and private institutions of family, faith, community, and enterprise," the report states. "Over the past four years, conservative leaders have sought to restore that balance."

"Now, as JLF enters its next quarter century of work, we hope to inspire future and current leaders of our state to go farther, to go bolder," the report continues. "We believe the long-term goal should be to make North Carolina the freest state in America." CJ



McCrory Makes High-Profile Push to Restore Historic Tax Credits

By DAN WAY
Associate Editor

RALEIGH

S spurred on by Gov. Pat McCrory, who has assembled a coalition to restore discontinued historic preservation tax credits, state Cultural Resources Secretary Susan Kluttz on Jan. 15 directed her statewide whistle-stop tour to Eden, home of Senate leader Phil Berger.

The push for legislation giving new life to the historic preservation tax credits that were sunset Dec. 31 is expected to be riddled with politics.

While in Eden, Kluttz "had a great conversation with the mayor, his planning staff, and some Main Street committee members about the economic benefits of historic tax credits and their local value to these communities," said Cary Cox, spokesman at the Department of Cultural Resources.

Tax credit road show

"Our plan is to go to most communities over the next few months throughout the state to highlight the tax credit projects," Cox said.

Berger's office did not respond to a question asking if the Eden Republican saw any political motives in Kluttz's early choice of his hometown in her tour promoting the tax credit. Eden accounted for less than one-half of 1 percent of all private investment generated statewide by projects using the incentive.

Berger spokeswoman Shelly Carver said the Senate leader's position on the tax credit has not changed since he and newly installed House Speaker Tim Moore, R-Cleveland, discussed it during a Jan. 14 news conference.

"The decision was made in the context of tax reform" to end the his-



The owner of the restored Hinton & Son Hardware building in downtown Apex (center building) received a 20 percent state Historic Preservation Tax Credit. The owners of the adjacent buildings restored their properties without the tax credit. Cultural Resources Secretary Susan Kluttz featured the Hinton building on her tour to promote the restoration of the expired restoration tax credit. (CJ photo by Don Carrington)

toric preservation tax credit in the last session, Berger said, acknowledging some lawmakers would like to revisit that and other decisions to terminate or reduce various incentives and carve-outs.

"Let's let the session move forward and see what kinds of proposals are out there," Berger said.

"There's talk about a grant program" to fund a second life for historic preservation incentives rather than allowing a tax credit to be deducted from personal income taxes, "so there might be some discussions about that," Moore said.

Revenue shortfall

Berger and Moore acknowledged the state budget is between \$190 million and \$200 million short of revenue projections, and part of that is due to personal income tax rate reductions to 5.75 percent in 2015 from a range of 6.0 to 7.75 percent in 2013.

"As an Appropriations [Commit-

tee] chair, predictability in budget is an important thing, and one of the things with tax credits is it gives you unpredictability of what it's going to cost," said Senate Majority Leader Harry Brown, R-Onslow.

"So that's why grant programs are being looked at instead of tax incentives more. I think you'll continue to see that approach maybe because it does create predictability when it comes to budgeting," Brown said.

McCrory supports incentives

McCrory has made no secret of his displeasure with the General Assembly's refusal to extend the life of the historic preservation tax credit in the last session. After lawmakers finalized the budget in August, he held a news conference in which he said he was "very disappointed."

"We are going to come back and pass historical tax credits" in the long session, McCrory vowed at the time. He also hinted on several occasions that he might recall lawmakers for a special lame-duck session to consider restoring tax credits for historic preservation and film production costs.

The governor guaranteed he would conduct another study to show the historic preservation tax credit produces a good return on investments, and said it "has nothing to do with tax reform. There is no connection to impacting the tax reform policy."

Coalition of support

Since then he has drawn together a coalition comprising the Metropolitan Mayors Coalition, North Carolina League of Municipalities, Preservation North Carolina, architects, bankers, and developers. He designated Kluttz, whose department includes the State Historic Preservation Office, as the administration's point person.

Kluttz did not respond to requests for an interview. But in a Jan. 12 interview on Time Warner Cable News' "Capital Tonight" program, she called the tax credit "an economic tool" that is "critical to the Carolina Comeback."

Touting a motto of "Old Buildings Equal New Jobs," and a website at historictaxcredits.org where a petition to reinstate the program had drawn nearly 3,800 signatures at press time, Kluttz said she is touring the state on "an awareness campaign."

The nearly 2,500 projects using the state and federal historic preservation tax credits in 90 of North Carolina's 100 counties have generated \$1.69 billion in private investment since 1998, according to the Cultural Resources Department.

'Incentives prevent blight'

Many historic buildings sit vacant and will continue deteriorating without financial incentives such as the historic preservation tax credit, according to Scott Mooneyham, spokesman for the North Carolina League of Municipalities.

"They become a blight. Sometimes they are areas that attract crime because they are abandoned," Mooneyham said. State incentives that encourage private investment, jobs, and economic development, and at the same time preserve parts of history, should be encouraged, he said.

"Vital vibrant downtowns make for vital, vibrant cities, and vibrant cities make for a vibrant state economy, so we just think it's almost really a no-brainer to do something in this regard," Mooneyham said.

"Oh, my God, yes," state Rep. Susi Hamilton, D-New Hanover, said when asked if historic preservation tax credits aided her district. According to the Cultural Resources Department, where she worked when the state tax credits were created in the late 1990s, 155 projects have generated \$36.6 million in private investment.

Marquee project

One marquee project was the old Masonic Temple on Wilmington's Front Street, where a popular rooftop bar and community theater now operate.

"If we would have lost that Masonic building in downtown Wilmington, it would have just wiped out the entire block, and we were headed down that direction," Hamilton said, "and now it's a huge income-producing property."

Tarboro has created "an economy ... as a result of historic preservation tax credits. That's probably as fine an example as anywhere in the state," she said.

Whether it's Wilmington, Asheville, Todd, or Selma, communities of all sizes benefited from the tax credit, said Hamilton, a former downtown development director in Wilmington.

State Rep. Rick Catlin, R-New Hanover, said he would keep an open mind on the historic preservation tax credit debate that he expects to resurface in the current session. CJ

Keep Up With the General Assembly

Be sure to visit CarolinaJournal.com often for the latest on what's going on during the historic 2013 session of the General Assembly. CJ writers are posting several news stories daily. And for real-time coverage of breaking events, be sure to follow us on Twitter:

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

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

State Briefs

A recent audit says that the State Board of Opticians is in financial straits and must implement changes to continue operating.

"The board should confer with the General Assembly to evaluate options for continuing services," says the report from State Auditor Beth Wood's office. "Options include increasing fees or consolidating operations with another licensing board to save money."

The report notes that the board had revenues of \$160,450 for the period from Feb. 1, 2013-Jan. 31, 2014. Its expenses for that period were \$252,207. The previous five years showed the board with operating losses of between \$49,368 to \$62,047 annually. It used reserves in its checking account to make ends meet. The reserves are nearly depleted.

While the licensing board agreed with Wood's recommendation that it seek permission to increase fees, it took issue with the option of merging with another licensing board.

"We do not believe any cost reduction could be accomplished through economies of scale for this situation because ... many operating costs are fixed, and even variable costs would not likely decrease inside a new board," said Sue Hodgkin, board director, in a letter written in response to the audit.

The audit, however, said that combining functions with another licensing board could save overhead and administrative costs. The report noted that the board spends \$20,736 in rent and \$44,415 for legal and administrative services, excluding the board director's salary.

Jon Sanders, director of regulatory studies at the John Locke Foundation, offered another option: allowing the board to dissolve.

"North Carolina is one of only 23 states that requires opticians to obtain state licensure," Sanders said. "That means that over half the states in the country have not burdened themselves with state licensing of opticians."

Sanders said that merger with the State Board of Examiners in Optometry would be another option.

The opticians board certifies and oversees 1,106 licensed opticians who make eyeglasses and lenses in the state. Would-be opticians pay \$200 to take the board's exam, \$50 for their initial license, and \$100 for renewal licenses, along with other fees. CJ

— BARRY SMITH

Ill. Managed Care Medicaid Draws Notice from NCGA

By DAN WAY
Associate Editor

RALEIGH

With a philosophical gulf still separating the state House and Senate on how best to reform the costly Medicaid program, Illinois is reporting multibillion-dollar success in a reform plan that closely resembles North Carolina Senate Republicans' framework for the future.

"It was a huge, huge bill that went through in 2012, and we have saved about \$3.2 billion" in reforms under the so-called SMART Act even while expanding the Medicaid rolls, said Joanne VonAlroth, outgoing communications director for the Illinois Department of Healthcare and Family Services.

The Illinois plan will be fully capitated, meaning plan administrators will get a set amount of money per patient. Illinois scrapped its fee-for-service Medicaid system that was modeled after the Community Care of North Carolina plan that administers services to most North Carolina Medicaid recipients.

The CCNC program is still held up as vital to future Medicaid reform by N.C. Health and Human Services Secretary Aldona Wos, many North Carolina House members, and some senators. Those policymakers want CCNC to create Accountable Care Organizations operated by health care providers.

Those entities would, over a period of years, assume a small percentage of financial risk for budget overruns, rather than holding state taxpayers responsible for all red ink as is current practice.

"This allows health care to do what is best, and what is best is to provide proper care for our patients," Wos said on Jan. 14 at CCNC's Innovation Forum at N.C. State University. She told an audience of almost 300 doctors, medical administrators, and policymakers to push for enactment in the current legislative session of the ACO plan backed by House leaders and Gov. Pat McCrory.

The Illinois reform has similarities to a successful plan in Florida approved by the Obama administration and favored by many of North Carolina's Senate Republicans.

The Illinois plan is built around a coordinated care system of whole-health management. Patients are assigned to a primary care physician and a case manager, ensuring patients get all needed treatment and keep all appointments, with the goal of delivering quality care while avoiding needless duplication of services, emergency room use, and hospital admissions.

Insurance giants such as Blue Cross and Cigna operate large managed care programs in Illinois. VonAlroth said state officials are pleased with their operations.

Although three-quarters of the nation's Medicaid patients are in managed care networks, Wos and state Rep. Nelson Dollar, R-Wake, who sits on the Joint Legislative Oversight Committee on Health and Human Services and leads House Medicaid efforts, vigorously oppose managed care in Medicaid reform.

In addition to managed care companies, Illinois formed Accountable Care Entities, in which several hospitals band together to offer coordinated care to clients.

"They are acting as a managed care entity, but they are smaller, and they are assuming the risk," VonAlroth said.

Illinois also has Care Coordination Entities, which provide managed care to special needs, disabled, and elderly populations. They, too, are smaller than the major managed care plans.

Of Illinois' 3.1 million Medicaid patients, 1.4 million were moved into coordinated care. That is expected to rise to 2.1 million by this spring, VonAlroth said.

The coverage networks are set up in regions that can cover several counties, especially in rural areas. In more densely populated areas such as Chicago, Medicaid recipients can choose from as many as 15 plans.

State Sen. Louis Pate, R-Wayne, co-chairman of the Senate Appropriations Committee on Health and Human Services and a member of the Joint Legislative Oversight Committee on Health and Human Services, said North Carolina lawmakers first heard of the Illinois reform plan a year ago.

Because Illinois is a Democratic-controlled state with a Democratic legislative supermajority attempting a free-market Medicaid reform with private management options, "We always sort of said, 'Well, we'll laugh up our sleeve at them. That won't last,'" Pate said.

"But it sounds like it is," he said, expressing interest in following up with Illinois officials about their experience.

"I think this might be the year people are willing to sit down and come up with some type of reform" of the Medicaid system in North Carolina, said Senate Majority Leader Harry Brown, R-Onslow. "When you spend \$2 billion more in four years than you have before, you've got to do something."

Aside from the political chasm hampering reform, Brown said, the multitude of Medicaid complexities is an obstacle.

"I would be willing to bet that the majority of the General Assembly doesn't fully understand

the works of Medicaid, it's that complicated," Brown said. "So trying to get a group of part-time legislators to come together and agree on reform is not easy, and it will never be easy."

Jonathan Ingram, director of research for the Naples, Fla.-based Foundation for Government Accountability, has researched North Carolina's Medicaid system extensively. As a senior fellow at the Illinois Policy Institute, he worked on the enabling legislation in the Prairie State.

"It is going to test these new models of managed care, and it's going to have those new models of managed care compete directly with the traditional models of managed care, so I think that's definitely something that's cause for optimism," Ingram said of the Illinois reform.

Before the SMART Act was enacted, the Illinois legislature passed another law requiring at least half of the Medicaid population to be moved into managed care.

Ingram said the former governor and his administration lacked enthusiasm for the change "so there were a lot of things that could have been done better during implementation that I'm hopeful will be sorted out in the new administration."

Illinois will shift its new managed care models into fixed-payment-per-patient plans within 18 months, "and that's a good thing because that's going to bring the state budget stability in a way that your governor's proposal doesn't," Ingram said of the McCrory-North Carolina House concept.

Wos and Dollar have objected to such short-term turnarounds.

Ingram said he is not surprised that pushback from doctors and hospitals led the McCrory administration to abandon its initial managed care Medicaid proposal in favor of the provider-operated Accountable Care Organizations.

"The whole purpose of managed care is to actually manage and coordinate care, which will reduce costs to taxpayers and hopefully improve health, and that means that providers, and especially hospitals, could get less money," Ingram said. CJ



Special-Interest Incentives Battle to Resume in 2015 Session

By DAN WAY
Associate Editor

RALEIGH

Republicans have been quick to claim their tax reform agenda eliminated many unfair tax loopholes and carve-outs for special interests in North Carolina, but there are strong signals that tax-fueled incentives could return in the upcoming session.

Gov. Pat McCrory is championing more incentives money for the tapped-out Job Development Investment Grant program to lure corporate interests to the state, and he wants lawmakers to enact legislation achieving that goal in the early weeks of the new session.

Competitiveness cited

Without more money to wave at potential corporate prospects, North Carolina will not be competitive with other states, McCrory has said.

Lawmakers agree that the General Assembly not only will consider a JDIG expansion, but also will encounter renewed pushes for historic preservation tax credits, which were allowed to expire, and film incentives, which were switched from an open-ended tax credit to a grant program with a cap on annual spending from state coffers.

McCrory and Department of Commerce Secretary John Skvarla "would like to see the legislature consider and pass some changes to our incentives structure. I would like to defer until I see specifically what they are proposing," said Senate leader Phil Berger, R-Rockingham.

"I think there's support in both the House and the Senate ... for doing everything that we can to try to make North Carolina a competitive place for



Gov. Pat McCrory believes incentives to corporations are needed to lure them to the state, but others feel state taxpayers are being taken for a ride. (CJ file photo)

the creation of jobs," Berger said.

"Does that mean that we continue to go down the incentives road that we've seen in the past? Do we do some other things in addition to tax reform? We'll just have to have that discussion" after the governor submits formal proposals, he said.

Berger noted that the Senate passed a conference committee report on House Bill 1224 last session, but the House rejected that plan. The measure included some of the provisions McCrory wants.

Form versus substance

"That's an example of a bill where the form actually ended up killing and trumping the substance," said House Speaker Tim Moore, R-Cleveland. "The reason House Bill 1224 failed, in my opinion, is not because of the incentives part. It was because of a lot of the other things that we loaded on in the bill."

While nobody loves incentives, he said, the question is what initiatives should be implemented to make North Carolina competitive with other states.

"I agree with Sen. Berger that we need to collaborate with folks at Commerce, we need to find out what it is that they need, and I believe we're ready to try to help," Moore said.

Ironically, on the day Moore and Berger spoke about incentives programs, Chiquita Brands International announced it was moving its headquarters and 320 jobs from Charlotte. That was just three years after Chiquita received \$22 million in state and local incentives, including more than a half million dollars from JDIG, to relocate from Cincinnati and remain in Charlotte for 10 years.

'No guarantees'

"There's no guarantees on any of these companies when you recruit. You try to do the best you can, you try to give them a work force, but there's more to the equation than money a lot of times," said Senate Majority Leader Harry Brown, R-Onslow.

"If it's all just about money and incentives, that's a poor place to be, I think, when you're trying to negotiate to recruit," Brown said. Instead, the goal is to create an atmosphere that attracts corporate suitors for education and tax policy reasons, not just sweetening the incentives pot to outbid other states.

Brown said the Republican caucus would prefer to level the playing field for all business interests through tax reform and lowering tax rates, while continuing to eradicate special carve-outs some interests have enjoyed over the years.

"We've got an addiction to the incentive program we're going to have to take a look at," said state Rep. Rick Catlin, R-New Hanover.

"There are Republicans that believe incentives create jobs and are a positive return on investment," and

must be offered to compete with other states for new business, Catlin said. "I don't agree with it."

Catlin said building and maintaining infrastructure is far more important than cash giveaways to entice businesses to locate in North Carolina.

"If you just look at the projections on roads and bridges for the next two decades, we probably will need \$2 billion to \$3 billion a year added to our budget just to deal with that, and that doesn't include water and sewer lines, ports and waterways, rivers and harbors," Catlin said.

'Sunset' option

"One of the places to look to find the money to do what's right is to sunset the incentives," he said.

He also believes rewarding new businesses with corporate incentives to come to North Carolina is unfair to longstanding state-based corporations.

"I do have a very moral problem with the incentives basically going to the companies that do not have loyalty to North Carolina versus the companies that do," Catlin said.

But state Rep. Ted Davis, R-New Hanover, is more receptive to film incentives and the historic preservation tax credit, both of which he said have been important economic development tools in his district.

'Bang for the buck'

"Of all these things, what is it that we can afford to do, and what would give us the biggest bang for the buck? Hopefully it would be all of them, but I don't know that," Davis said.

He said the incentives-laden H.B. 1224 died in the House because of strong-arm tactics of Republican leaders and because not all desired incentives were included.

"We were told, 'Well, if you want this, you're not going to have it addressed unless you pass 1224,'" Davis said, noting that he and several other lawmakers "just got so fed up with the political game that we just voted against the whole thing."

Davis added that "the movie industry is extremely important in New Hanover County," defending film incentives that were scaled back from a 25 percent refundable tax credit to a \$10 million grant program.

Davis and state Rep. Susi Hamilton, D-New Hanover, "sent the governor an identical letter after we adjourned last year asking him to call a special session so that we could deal with all of this at one time," Davis said.

"I personally think the governor is on the right track in wanting to restore incentives," Hamilton said. "My crystal ball is not really clear on it. I don't see that much in terms of ideology has changed within either chamber in terms of tax incentives." CJ

COMMENTARY

Civic Education Gets the Vote

Is civic literacy a 21st-century skill? The answer is a resounding “yes” from lawmakers intent on combating widespread student ignorance about the form and function of American government. In classrooms nationwide, “civics is making a comeback,” *The Wall Street Journal* proclaimed recently. And in North Carolina, civics class is garnering renewed attention from school officials.

The nonprofit Civics Education Initiative is leading the citizenship charge nationally. CEI’s goals are ambitious: Push for legislation in every state requiring high schoolers to pass the U.S. citizenship test before graduation. At least 15 state legislatures have approved, or soon will consider, such a measure.

Civics education’s resurgence comes as skills intended to boost work force readiness and global competition dominate the school day. “Civics,” notes CEI’s background statement, has been “boxed out of the classroom” by STEM subjects (science, technology, engineering, and mathematics). So move over, STEM. Civics may become the darling of the school day.

High school test results underscore our national imperative. On the 2010 National Assessment of Educational Progress in Civics, only 24 percent of 12th-graders demonstrated proficiency with essential concepts, such as understanding how and why America was founded, or what role citizens play in carrying democracy forward.

These discouraging findings generated significant news coverage. But don’t expect a media blitz highlighting follow-up results. Scheduled for release this spring, 2014 civics test scores will include only eighth-graders. Due to funding constraints, 12th-graders (and fourth-graders) were nixed from the 2014 test to permit greater focus on STEM-based assessment.

Why worry if 12th-graders (on the cusp of voting eligibility, or already there) remain clueless about the rights and responsibilities of citizenship? Such knowledge is a fundamental prerequisite for civic engagement. Career readiness is important, but so is preparing for this reality — our next generation

of workers is also our next generation of voters.

Or not: Young adult voting participation declined in the last presidential election and consistently trails voting by any other age group. Why do many young adults abstain from voting? A 2014 Harvard University Institute of Politics poll of 18- to 29-year-olds reveals the top reasons: They’re uninformed, uninterested, or too busy.



**KRISTEN
BLAIR**

In North Carolina, lawmakers and school officials are pushing hard to bolster civic learning. In 2011 the N.C. General Assembly passed “The Founding Principles Act,” requiring students to take and pass a semester-long U.S. history class highlighting America’s founding documents and ideals.

That requirement now will be fulfilled through the yearlong high school “Civics and Economics” class, according to a January 2015 vote by the N.C. State Board of Education. The class will be renamed “American History: Founding Principles, Civics, and Economics,” and at least half of course content will cover concepts outlined in the law. The civics class is a “good fit” for teaching founding principles, says State Board of Education member Buddy Collins, and reflects “where it [content] should have been” originally.

What about that citizenship test? Ensuring N.C. high schoolers know, at a minimum, the same information required of immigrants seeking to become naturalized U.S. citizens is common sense. Some may balk at another test requirement (a legitimate concern), but this is no arduous exam. Test-takers are expected to know the name of the president, the number of Supreme Court justices, or the purpose of the Declaration of Independence, for example. In addition to promoting civic literacy, such an exercise could help disengaged teens recover their civic pride.

Is the renewed focus on civics education here to stay? Let’s hope so. The future and flourishing of American democracy depend on it. CJ

Kristen Blair is a Chapel Hill-based education writer.

Charter Fair Draws Parents, Teachers Seeking Choices

By DAN WAY
Associate Editor

RALEIGH

Her son has yet to turn 3, but Kamala Massey of Raleigh already is exploring alternatives to traditional public schools to determine what’s in his best educational interest.

“I’m looking at all options” including charter, magnet, and private schools, Massey said during a Jan. 26 school choice fair featuring 20 charter schools and academies, sponsored by the North Carolina Public Charter School Association at the Holiday Inn Crabtree.

“I think every parent regardless of education, income, should have choice for their children, and so I think this is great as far as introducing them to options that are available to them,” Massey said.

“I don’t think it’s a matter of saying public schools are inadequate or anything like that,” she said. “I just think it’s just adding to the choices that you have in life, and it’s something that’s going to affect your child.”

The event was one of many being held in North Carolina in observance of National School Choice Week, Jan. 25-31.

Neha Patel of Raleigh was seeking information for her 13-year-old son, who is now attending a technology-focused middle school, Triangle Math and Science Academy.

Parents having choices is “what molds the child going forward. Public schools are not good for everybody,” Patel said. Charters can provide “the attention, the focus, the one-on-one time” traditional schools cannot. The student-teacher ratio at her son’s middle school is 20-to-1 compared with 35-to-1 in the traditional public school to which he was assigned.

Amanda Mount of Raleigh was at the school choice fair looking for a job. A teacher who has taught in China and the United States, she said her experience in a traditional public school was difficult.

“When I first started working in public school, I noticed there was a lot of stress just getting the kids through the grade, passing them along without even checking to see if they understand it,” Mount said.

“As a first-year teacher, I didn’t feel like I had any professional development help, any teachers that were going through the same thing as I was,” she said. “I just felt very alone.

And the principal was more worried about their scores and more worried about everything that was going on outside of what the kids were learning.”

Education should be about helping students experience life, “not just shoving it down their throats,” Mount said, and charter schools are in the best position to give a more global education.

Sam Coronado, assistant head of school at Casa Esperanza Montessori charter school, said the Raleigh-based school of 483 students is 50 percent white, 30 percent Hispanic, and the remainder African-American and Asian. Students enroll into an immersion program to learn to read and write in Spanish, or a less demanding program in which they learn some Spanish and Hispanic culture.

He said the school serves “special-needs populations that are not generally met in the public school system.”

“It’s difficult in terms of making it financially sustainable, however, not impossible.

That’s the main hurdle I find” in running a charter school, Coronado said. “We as an option offer great opportunities ... but many [schools] just don’t make it financially” because of disparities in funding with traditional schools.

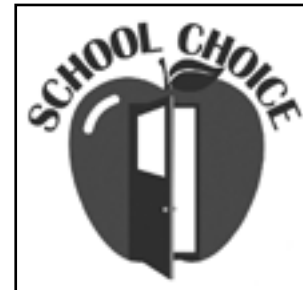
“We’ve been putting off for several years talking about finances because of the revenue challenges the state seems to have, and certainly teacher pay being the No. 1 thing folks talk about,” said Eddie Goodall, executive director of the North Carolina Public Charter Schools Association.

“But we’re going to talk about charter schools this year” with state lawmakers, Goodall said.

“We’re 4 or 5 percent of the [enrollment in] public schools right now. We’ve got to come back to the issue of having more equitable local funding,” he said.

Sidney Reynolds, a consultant for Healthy Start Academy, the state’s first public charter school, a K-8 program in Durham, said the school is proof that charters are not about white flight from traditional public schools.

Among its annual enrollment of 360 to 400 inner-city students, roughly 97 percent qualify for the federal free and reduced-price lunch program, a barometer of poverty, and about the same percentage of students are African-Americans. The rest are Hispanic. CJ



Wake County Seeks Charter-Like Flexibility For Districts

By BARRY SMITH
Associate Editor

RALEIGH

Some members of the Wake County Board of Education have joined the list of education policymakers hoping to find the same flexibility for traditional public schools that charter schools enjoy, though some school choice supporters are suspicious of the board members' motives.

Charter schools are public schools, usually governed by an independent board of directors, that are given a bit more flexibility in operating and personnel policies than traditional public schools. The state's first charter school law was enacted in 1996. It capped the number of charter schools that could operate in the state at 100.

Over the next decade-and-a-half, legislative Republicans and charter school advocates pushed to increase or totally remove the charter school cap. However, Democratic majorities in the General Assembly blocked those efforts.

When Republicans gained control of both chambers of the General Assembly following the 2010 elections, they enacted a law removing the charter school cap.

Currently, there are 148 charter

schools operating in North Carolina. Last September, the State Board of Education voted to move 11 new charter schools into the planning phase, with plans to open in the 2015-16 school year.

Rep. Paul "Skip" Stam, R-Wake, a school choice supporter, said he's interested in learning more about what the Wake County school board members want to do. "The flexibility the charter schools have on [teacher] certification and paying people is very important," Stam said.

Terry Stoops, director of research and education studies at the John Locke Foundation, has qualms with the idea, saying it could make it more difficult for parents to distinguish between charter schools and traditional public schools.

"It would dilute the charter school brand," Stoops said. "It would lead parents to think they're choosing the charter school when in reality they're choosing a school that has the

charter school seal of approval."

Stoops said, however, that he does support giving local school systems more flexibility. They should have more flexibility in hiring decisions, school calendars, and curriculum, Stoops said.

"I think those are three areas that we should be more than willing to grant to traditional schools," Stoops said. That can be accomplished without calling them charter schools, he added.

Eddie Goodall, a former state senator who is now executive director of the N.C. Public Charter Schools Association, said he welcomes debate on the idea of allowing school districts to have charter school flexibility.

"Our association hasn't taken this up yet," Goodall said. "Debating all those options would really be good."

"One caveat is we want to make sure we remember what charter schools are," Goodall said. "They have to have the components of choice, accountability, and autonomy."

Goodall said he questioned how much autonomy such a school would have if the local school board had control over the charter school's governing body.

He said that such schools could be placed in a different category. "The new schools could be called 'select schools,'" Goodall said. "They could have some of the exemptions of charter schools, but not be charter schools."

Also up for debate, Goodall said, would be whether district school systems operating charter schools would get local allotments for capital expenses. Charters schools now receive oper-

ating expenses from the school district, but aren't given capital expenses to build and renovate school buildings.

Stoops said a positive comments coming from a local school board member "validates the model" of charter schools.

"I'm wondering whether this signals that charter schools are looked at so favorably by the public that traditional schools want to replicate that model," Stoops said.

Goodall also commented on the performance of charter schools.

"If you think charter schools have done well, then it would be illogical not to see district schools wanting to benefit from some of the same exemptions of charters," Goodall said.

Members of the Winston-Salem/Forsyth County Board of Education previously had advocated the flexibility now sought by their Wake County counterparts. Two years ago, then-freshman Rep. Donny Lambeth, R-Forsyth, and a former member of the county school board, introduced a bill authorizing a pilot program allowing local schools to convert existing public schools to charter schools.

The bill filed by Lambeth would have authorized the State Board of Education to implement a five-year pilot program allowing up to 10 local school systems to charter schools. Local school boards could approve new charter schools, or they could convert an existing school into a charter school. That bill never made it out of committee.

Lambeth said he did not plan to reintroduce that legislation in the 2015 session, though he did support other unspecified flexibility measures for schools.

The State Board of Education last fall received applications to open 40 new charter schools for the 2016-17 school year. *CJ*



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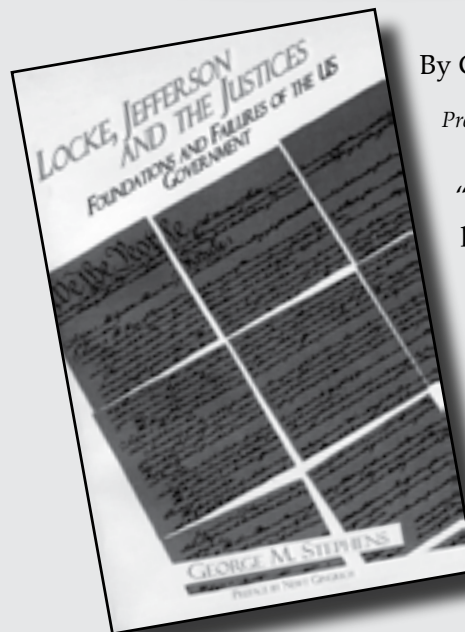
Contact

- John Hood: 4601 Six Forks Road, Suite 300, Raleigh, NC 27609, john.hood@jwfp.org

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

By George M. Stephens

Preface by Newt Gingrich



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

Newt Gingrich
Former Speaker
U.S. House
of Representatives

N.C.'s Teacher Turnover Rate Down, Though Causes Uncertain

BY DAN WAY
Associate Editor

RALEIGH

Projections about a mass teacher exodus in North Carolina sparked by Republican legislative policies not only have failed to materialize, but turnover rates also declined last year, according to an annual report issued by the state Department of Public Instruction.

Meanwhile, despite claims from Democratic lawmakers, public-school advocacy groups, and left-of-center organizations that job dissatisfaction is leading to teacher flight from the classroom, analysts question the veracity of those claims.

14.12 percent turnover

The 2013-14 Annual Report on Teachers Leaving the Profession submitted in December to the General Assembly shows that 13,557 out of the 96,010 teachers employed during the 2013-14 school year left their school districts, an overall state turnover rate of 14.12 percent.

"This represents a decrease in the state's overall turnover rate, as reported for the 2012-2013 school year at 14.33 percent," the report said.

"I've looked at attrition rates in other states ... and 14 percent doesn't look all that different than what you see in other states," said Dan Goldhaber, an economist who is director of the Center for Education Data and Research at the University of Washington. He has researched North Carolina teacher turnover.

But Rodney Ellis, president of the North Carolina Association of Educators, downplayed the DPI turnover report.

"If in fact it reflects a reduction in the teacher turnover rate, I think that's good for schools. However, I would question whether or not it's an accurate depiction," he said. The report runs from March of one year to March of the next, so Ellis said it does not capture "the recent rash of teachers that have been recruited to other states."

Legislature blamed

Ellis previously said it is "disconcerting that we are losing good, quality, experienced teachers that have been trained in our state," and blamed the General Assembly for not making public education a priority, a situation he said demands change.

DPI does not do a supplemental check of teacher turnover after March and cannot say whether there was a sudden out-of-state flight of teachers in the final two months of the 2013-14 school year, spokeswoman Vanessa Jeter said.

"I think that the way policymakers tend to debate this is very crude and not terribly helpful for improv-



According to the 2013-14 Annual Report on Teachers Leaving the Profession, dire predictions of a teacher exodus from North Carolina to other states were vastly exaggerated. North Carolina's 14.12 percent turnover rate is similar to other states in the nation.

ing public education," Goldhaber said. "Is turnover high or low is not the right question. You really care about the kinds of teachers that are turning over."

If there is high turnover but most of the teachers leaving are ineffective, that would be a good thing, he said. If turnover is low, but the bulk of the departing teachers were effective, that would be a concern.

When researching North Carolina turnover several years ago, his data revealed "the more effective teachers were actually less likely to leave the profession," Goldhaber said.

'Tenure not effectiveness'

While the 2013-14 DPI turnover report found 37.6 percent of the teachers who reported leaving their jobs had career status, Goldhaber cautioned that tenure and effectiveness are "absolutely not synonymous. ... There are lots of really effective first-year teachers, and lots of really ineffective 20-year teachers."

Further, he said, teaching comprises greater proportions of "really young" and "pretty old" people than other professions.

So if the attrition rate is 14 percent but many of those leaving were in their mid-30s to mid-40s, "I would say 'Wow, that actually sounds pretty high?'" Goldhaber said. But if the turnover occurred at the two age extremes, "I would say, 'Oh, 14 percent, that's actually pretty low.'"

The teacher survey on which the DPI turnover report is based includes 28 self-reported reasons filed into five categories, but does not drill down into teacher effectiveness or age demographics.

"The teacher turnover survey instrument used by the N.C. Department of Public Instruction provides the

10,000-foot-view of the issue. We still have little idea why teachers choose to leave their current school or the profession entirely," said Terry Stoops, director of research and education studies at the John Locke Foundation.

Teachers may leave their jobs for any number of reasons, including working conditions, family circumstances, and compensation, he said, and those who fail to appreciate the multiple facets of employee turnover are using the numbers "for political gain."

No proof of GOP blame

"There is simply no evidence that teachers are leaving the profession as a direct result of North Carolina Republican policies. While a handful of teachers voiced their displeasure with the direction of public education in the state, most quietly moved on to jobs that better meet their expectations and abilities," Stoops said.

Consistent with past reports, the largest portion of what the state defines as turnover "is simply the movement of teachers from one school district to another," Stoops said. That accounted for 2,730 teacher turnovers.

Another 1,363 resigned to teach in charter or private schools or remained in education but moved to a nonteaching position. School districts initiated 1,122 teacher removals, and another 2,353 were attributed to situations beyond the school districts' control, the vast majority of them retirements.

Of 5,030 teachers who quit for personal reasons, 1,745 teachers left to teach in another state (734) or cited unspecified dissatisfaction with teaching (1,011). Those categories were up from 2012-13, when 455 left to teach in another state and 887 said they were dissatisfied with teaching.

"Survey data is great for what it

is," Goldhaber said, but "economists are somewhat skeptical of using what people say. They care more about what they actually do, and sometimes what you say [on surveys] is not always what you do."

'Poor capabilities'

Sandi Jacobs, vice president and managing director for state policy at the National Council on Teacher Quality, agrees. She said the education industry has "very poor capabilities" of tracking teachers crossing state lines.

"Most of our evidence does rely on exit interviews or multiple-choice surveys that barely crack the surface of why people are leaving," Jacobs said. "They may very well be relocating for family reasons, but they were dissatisfied so they checked dissatisfaction."

"I think we know that a lot of teachers leave very early in their career. With one, two, or three years in they decide this isn't for me," Jacobs said. That indicates teacher preparation at education colleges and licensure requirements in the states allow people into the field "who might be under-qualified, and then let them wash out on their own," to the detriment of students.

There are no annual research reports comparing teacher turnover with turnover in other professions, so it is impossible to determine how North Carolina's 14.12 percent teacher turnover rate stacks up to that in other job fields.

The federal Bureau of Labor Statistics tracks turnover in "education services," but that employment category includes administrative personnel, bus drivers, food service workers, and other employees along with classroom teachers.

Legislation Would Put Charters on More Equal Financial Footing

By DAN WAY
Associate Editor

RALEIGH
State Rep. Paul “Skip” Stam, R-Wake, is working with charter school operators and advocates on legislation proponents say would restore millions of dollars to charter schools previously stripped away by Democrats “in the dark of night” to benefit traditional public schools.

“Yes, I plan to introduce a bill working with Richard Vinroot to repeal the Nesbitt/Hackney amendments,” Stam said, referring to Vinroot, the former mayor of Charlotte, a founder and member of the Sugar Creek Charter School Board of Directors.

Repeal Nesbitt/Hackney

“The legislature always intended for charter schools to be equal to school systems on the current-expense side of funding, but never on capital funds,” said Vinroot, a lawyer who has been involved with charter school funding litigation against the state.

Charter schools receive direct state funding, as do traditional public schools. But they also are entitled to equal per-pupil proceeds from local current-expense funds, sometimes called Fund 2. That is where most county appropriations and other local money that help fund schools are budgeted.

‘A huge problem’

Passing such legislation would cause “a huge problem. School districts will really then have to make some very hard choices,” said Leanne Winner, spokeswoman for the North Carolina School Boards Association.

“If we have to share a part of that money ... we end up sharing a dispro-

portionate share of what most people consider your local current expense, what your county commissioners give you,” Winner said.

Different pots of money

She said some pots of money are restricted for use in specific programs offered by most traditional schools but not many charter schools. So traditional schools would get less money

to keep their programs operating, while charter schools would receive money for programs they do not offer.

The amendment Vinroot is helping Stam to draft “would simply eliminate the Nesbitt and Hackney amendments” that altered the fund-sharing formula, allowing traditional public schools to choke off some local current-expense funds from charter schools, Vinroot said.

The late Martin Nesbitt was a Democratic state senator from Buncombe County, and Joe Hackney of Chapel Hill is a former Democratic speaker of the House.

Emboldened by vigorous school district lobbying and Democratic-controlled legislatures, the amendment “effectively gut[ted] the local current-expense funding provisions in two significant ways,” Vinroot said.

Nesbitt’s amendment barred

municipal supplemental property taxes that help pay for school operating expenses from being spent outside the municipality’s borders. So charter schools located outside a city cannot share city supplemental taxes even if the bulk of their students are from the city, as was the case in Asheville and Buncombe County.

Meanwhile, Sugar Creek Charter School and several other charters

in Charlotte-Mecklenburg Schools successfully sued to require school districts to divide money in the local current-expense fund on a per-pupil basis equally between traditional and charter schools.

Subsequently,

under Hackney’s leadership, new accounts were created allowing districts to slip some of the local current-expense funds so they legally could avoid their obligation to share Fund 2 money.

‘Slush fund’

“It was just sort of a grab bag of stuff, a slush fund,” Vinroot said.

“When you look at how the laws were changed, it was done secretly, it was done in a covert way ... it was kind of done in the dark of the night,” said Darrell Allison, president of Parents for Educational Freedom in North Carolina, a statewide advocacy organization for charter schools.

The changes were part of a budget compromise bill, not standalone legislation, Allison said. “What we want to do is put more light on it.”

“We’re talking millions of dollars” that have been channeled away from charter schools with “devastating impact,” Allison said. Audited financial records have been collected and are being analyzed for precise dollar amounts.

There are nearly 70,000 public charter school students in North Carolina, and “over 90 percent of them are being impacted adversely as a result of their not getting their fair, equitable share of the local district dollar,” Allison said.

Allison poses this not as a battle between traditional and charter schools, but instead “a fight for our children and our families. The heart of the matter is it really is a human issue, that there are real lives at stake ... that there are children around the state that are being harmed” in the inner city

and rural areas particularly.

Parents who pay taxes to support public schools should not expect their children to be put at a disadvantage because they choose to send students to a public charter school, Allison said.

“It would make a substantial difference” for cash-strapped charter schools to get a more equitable share of current local expense funds, Vinroot said. He estimated many charter schools receive between 60 and 70 cents on the dollar compared to traditional school per-pupil allocations.

Sugar Creek Charter School, which educates 1,200 mostly African-American inner-city students, operates from an old Kmart building. It has no gymnasium or playgrounds.

Some parents ‘too poor’

“Their parents are extremely poor,” Vinroot said. “When we have to build things ... our parents can’t contribute to do that, we have no resources, so we’re having to knock on about every charitable door in the community trying to get some to donate some money to build the gym. Public school systems don’t have that problem.”

In granting autonomy in operations to charter schools, the state opted not to allocate charter operators capital-expense funds that traditional schools use for new buildings or improvements.

Charter schools must dip into program money from local current-expense funds for capital purposes, Vinroot said, even though they already receive a lower share of local money than traditional schools.

By Vinroot’s calculations, local per-pupil funding for charter school students in 2012-13 averaged \$1,696 statewide, compared to \$1,991 for traditional public school students, a \$295 difference. But when capital-expense funds for traditional schools are included, their per-pupil funding rises to \$2,295, a \$599 differential.

Per-pupil expenditures

In Cleveland County, home of Republican House Speaker Tim Moore, per-pupil local funding for traditional schools in fiscal year 2014 was \$1,942, according to a letter Vinroot sent to Moore.

Students at Pinnacle Charter School received \$1,334, or 70 percent as much as Cleveland County Schools students. Thomas Jefferson Classical Academy, Piedmont Community Charter School, Lincoln Charter School, and Community School of Davidson received only \$634 per student, or 33 percent as much, according to Vinroot.

But Winner said some revenue such as federal ROTC money and early childhood education funds cannot be shared legally with charter schools. The same is true with many grants that are written specifically for certain schools or programs.



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Town and County

Winston-Salem crime lab

Winston-Salem has decided to hire a private company to test alcohol and drug samples collected by the city's police department. The move comes because the State Crime Lab is too slow in testing samples for the Winston-Salem Police Department, reports the *Winston-Salem Journal*.

"In this day and time, the state lab cannot process everything they have quickly, and to be effective in law enforcement, you can't just go out and arrest someone. You've got to have the evidence," said Karen Watson, the supervisor of the Forensics Services Division of the Winston-Salem Police Department.

Under the deal, a subsidiary of NMS Labs will operate an accredited crime lab at the police department's headquarters. The company aims for a five-day turnaround on testing samples. The state will continue to test DNA samples and firearms.

"This will be beneficial not only to law enforcement but to any individual who believes he or she has been wrongfully charged," Forsyth County District Attorney Jim O'Neill said.

Nondiscrimination ordinance

Greensboro has become the first North Carolina city to expand its housing nondiscrimination ordinances to include sexual orientation, gender identity, and gender expression, writes the *Greensboro News & Record*.

The city also prohibited discrimination based on sexual orientation or gender identity in city programs, services, or activities, and strengthened protections for gay and lesbian city employees while also making gender identity a protected class.

"There's massive public support for protections in housing, protections in employment, and protections in public accommodations," said Chris Sgro, executive director of the advocacy group Equality NC.

Sgro, a Greensboro resident, said such protections would attract businesses and skilled employees to the region.

"Eighty-five percent of [gay] folks and 70 percent of young professionals say they take into account whether municipalities have these kinds of protections as a barometer of whether it's a city they want to live in. Major employers across the country pay attention to that. So, it's the right thing to do, and it also gives us a competitive edge," he said. CJ

Fate of Airbnb in Raleigh Awaits Council Action

By BARRY SMITH
Associate Editor

RALEIGH

Regulations on the emerging sharing economy, and how North Carolinians will embrace it, will have their next stop at the Raleigh City Council. On Jan. 20, the council instructed its Law and Public Safety Committee to prepare a report recommending whether the online room rental service Airbnb could continue to operate in the capital city.

"I'm actually very excited to take this to committee and deal with a very complex problem that I think we can really resolve," said council member Mary-Ann Baldwin, who chairs the committee, which extended a moratorium on citing Airbnb providers, or "hosts," for zoning violations.

Baldwin said Feb. 10 is the first scheduled council meeting at which the committee could issue its report.

Meantime, a legislative committee that recommends new tax laws to the General Assembly chose to leave sharing economy businesses alone, for now.

Airbnb is an online application (airbnb.com) allowing hosts to open their homes to guests for short-term rentals of a spare room, a sofa bed, or other quarters. About 300 such accommodations are available for rent in Raleigh.

Airbnb, along with transportation providers Uber and Lyft, have raised concerns among some regulators and elected officials — along with traditional commercial operations such as hotels or taxi services — as the sharing-economy businesses connect providers directly with customers using technology rather than real-estate agents or government-licensed taxi companies. Traditional businesses say the lack of regulations over the sharing-economy companies gives the newcomers an unfair advantage and can harm consumers.

Critics of the newcomers that were hoping for some help from the General Assembly may have been disappointed in mid-January, when the Revenue Laws Study Committee recommended no changes in laws governing the sharing economy in its report to the 2015 General Assembly.

"We do have interest in the online reservations [providers]," said Rep. Julia Howard, R-Davie, who co-chairs the committee. "We just didn't have time to get the bill right."

Howard said that while a member might introduce a bill aimed at collecting taxes on Airbnb transactions, she didn't expect one to pass during this year's long session. Instead, she said the General Assembly probably would ask the Revenue Laws Study Committee to gather additional information, with any new legislation vetted during the 2016 short session.

"It's a new day," Howard said, referring to the developing sharing economy. "We're trying to do it right without doing it in a rushed manner."

Howard said the General Assembly and the Department of Revenue would need to work out logistics, including establishing new taxpayer accounts for hosts that do not operate other businesses, collecting sales taxes, and distributing them. Occupancy taxes would provide further logistical challenges because rates differ in various counties and municipalities, she said.

In Raleigh, a problem that has arisen between Airbnb hosts and the city relates to zoning, as hosts find themselves operating businesses in areas zoned for residential use.

Airbnb supporters hosted a town hall meeting Jan. 5 at the Architect Bar & Social House in downtown Raleigh. The next night, four Airbnb hosts spoke to the city council, urging members to welcome the new venture to Raleigh.

Justin Miller, a Raleigh entrepreneur and Airbnb host, urged the council to put the city on the cutting edge by embracing the new approach to home sharing.

"It's imperative that we look at opportunities to make this work as a city as opposed to ways to instantly stop this," Miller said. "I think it's critical that we figure out ways to embrace this."

Airbnb supporters at the town hall and council meetings said putting a damper on emerging businesses such as Airbnb would make it difficult to attract the best companies and people to Raleigh.

Some providers told stories of how renting a room or other quarters helped supplement their family's budget. One woman said her in-laws stayed at her home part of the time to help with her child; when they weren't in town, she used Airbnb to rent guest quarters, and the money covered some of the cost of child care. Others said the money from Airbnb rent helped cover the costs of home improvements.

The service isn't without its critics, in addition to the zoning complaint lodged against one Raleigh Airbnb host.

Doris Jurkiewicz, owner of The Oakwood Inn Bed and Breakfast in Raleigh, said she

doesn't think the Airbnb business model is a bad thing, but the playing field should be leveled between the home-sharing business and other lodging businesses.

"The concern is that they aren't following the same kind of guidelines that I have to follow as a bed-and-breakfast owner," Jurkiewicz said. "They're not inspected. They don't pay any sales tax, occupancy tax. There's a lot of stuff that I have to pay as a bed-and-breakfast owner, and they're not paying those things."

Jurkiewicz said it is difficult for her to compete given those disparities.

Lynn Minges, president of the N.C. Restaurant and Lodging Association, acknowledged that technology often moves faster than regulators can respond. "A lot of times those business changes take place before the regulations and oversight that would normally guide them are in place," Minges said. "I think that's what we're seeing here with Airbnb."

"The issue for us and some of our members is that they're interested in a more level playing field," Minges said. In addition to taxes, issues that need to be addressed are off-street parking and insurance, she said. "It's not just Raleigh; it's in Durham, and it is also in Asheville and other communities as well."

Max Pomeranc, public policy manager for Airbnb, said that Airbnb recently began offering \$1 million in insurance for homeowners who host guests through the company.

Jeff Tippett of Targeted Persuasion, who organized the town hall meeting, said the occupancy tax issue does need to be worked out with Raleigh, as the company has done in some other cities.

Pomeranc said the model used by Airbnb is successful because guests and hosts continue to embrace it.

"People trust the system," Pomeranc said. "It works." He said that Airbnb employs a "double-blind review system" in which guests rate their hosts and hosts rate their guests. CJ



High Court Reverses Decision Cutting 'Life' Sentences For Some

By MICHAEL LOWREY
Associate Editor

Over the years, North Carolina law has defined "life sentences" in a variety of ways, some of which have treated those convicted of capital crimes differently depending on when they were sentenced.

The state Supreme Court recently was asked again to decide how long "life sentences" handed down in the mid-1970s actually must run.

In a December ruling, the high court held that convicted murderer Bobby Bowden should remain in prison, overturning two lower court decisions finding that various credits applied to his case should have made him eligible for release five years ago.

Bowden was convicted in 1975 of two counts of first-degree murder and was sentenced to death. The next year, the N.C. Supreme Court ordered that Bowden instead serve a sentence of life in prison with the possibility of parole. State law at the time defined a life sentence as 80 years.

State prisoners accrue various sorts of credits that ordinarily can be applied to their sentences, moving their release date forward. That's especially true under the sentencing scheme that applied to Bowden.

Several inmates with life sentences for crimes committed between April 8, 1974, and June 30, 1978 — when the law redefined life sentences to mean the duration of the inmate's life — have challenged how those credits were applied, contending that they should count toward establishing an earlier unconditional release date.

The issue made it to the N.C. Supreme Court in a case called *Jones v. Keller* in which the high court held

that the Department of Correction had been right in not applying credits and setting an earlier release date.

Bowden began legal proceedings in 2005 seeking his unconditional release from prison. In 2012 — two years after *Jones* was decided — Superior Court Judge Gregory Weeks determined that Bowden's good time, gain time, and merit time credits should be applied toward his release date, calculated by Weeks as Oct. 13, 2009.

Bowden's release was put on hold pending appeals. In 2013, the Court of Appeals upheld Weeks' ruling. The state then asked the state Supreme Court to review the decision.

Is Bowden's case different?

For Bowden to prevail, his situation must be different than that of *Jones*. A majority of the justices held that it was not.

"In all significant ways, the issues presented by this case are indistinguishable from those resolved by our decision in *Jones*. In *Jones* the trial court ruled that Alford Jones, a Bowden-class defendant who was convicted of first-degree murder and whose death

sentence was subsequently reduced to life imprisonment, was entitled to receive credits for all purposes and to have those credits applied towards his

unconditional release," wrote Justice Paul Newby for the Supreme Court.

"Jones also argued that after Bowden II, the [Department of Correction] applied his credits in calculating an unconditional release date of which he was informed. This Court rejected that reasoning and concluded that the DOC possessed 'statutorily and constitutionally permissible authority' to apply Jones' credits 'for limited purposes that did not include calculating an unconditional release date.'"

Newby went on to add that Bowden's credits could be applied to move up the date he was eligible for parole or for other benefits while incarcerated, but that they could not be used to set an early release date.

"Because defendant's status is indistinguishable from that of the defendant in *Jones*, he must be treated equally under the law. The DOC has never applied these credits towards the calculation of an unconditional re-

lease date for a Bowden-class inmate. Therefore, we hold that [Bowden], like Jones, remains lawfully incarcerated and is not entitled to release. The decision of the Court of Appeals affirming the trial court's order to the contrary is reversed," Newby wrote.

Justices Robin Hudson and Cheri Beasley dissented from the majority holding.

"The majority holds that Bobby Bowden must remain incarcerated, despite the unchallenged fact that he has accumulated good time, gain time, and merit time credits which, if applied, would have entitled him to release in October 2009. Here I conclude that, unlike in *Jones v. Keller*, the North Carolina Department of Correction actually applied the prison credits to defendant Bowden's record, and it may not now take those credits away without violating his constitutional rights," wrote Hudson.

To Hudson, the key item that distinguishes this case from *Jones* is that a judge specifically had found that the state had applied the various credits to Bowden's account for purposes of determining his release date.

"Here, however, the trial court found as fact that credits had been applied for this purpose — a factual finding of paramount importance which the majority has largely ignored. Because we are bound on appeal by that finding, just as we are bound by the Supreme Court's interpretations of federal constitutional law, I conclude that defendant Bowden was entitled to release in October 2009 and that his continued detention violates the United States Constitution."

The case is *State v. Bowden*, (514PA08-3). CJ



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Chiquita Leaving Charlotte Raises Incentive Questions

BY MICHAEL LOWREY
Associate Editor

RALEIGH
In 2011, the state, Mecklenburg County, and the city of Charlotte offered a combined \$22 million in incentives to get Chiquita Brands International to move its headquarters from Cincinnati to Charlotte. Now, after being acquired by two Brazilian companies, Chiquita has announced that it will move its headquarters and 320 associated jobs from Charlotte. The episode has caused some Mecklenburg County officials to rethink their incentives policy, reports the Charlotte Observer.

"I think it shows the reality of these grants," said Mecklenburg County commissioner Matthew Ridenhour. "We can be excited when businesses choose to locate in Charlotte, but just as easily as they come, they can also go somewhere else."

Ridenhour said the county was reviewing its economic incentives program. The state, city, and county are expected to get the money they gave to Chiquita back through clawback provisions in the incentives agreement. The county has paid about \$500,000 to date to the company.

Commissioner Bill James was more blunt in his assessment.

"You can't expect loyalty from

any company if you're paying them to move," he noted. "Government was basically prostituting themselves to get them here. ... Nobody falls in love with a prostitute."

Charlotte Chamber CEO Bob Morgan defended the use of incentives to attract Chiquita.

"The incentives tend to be very good business deals, very modest frankly compared to others," said Morgan. "They're a win-win for the public sector as well as the company. There's risk in any business deal. You mitigate against those risks with clawbacks."

NASCAR HOF write-off

The city of Charlotte has entered into an agreement with Bank of America and Wells Fargo to write off \$17.6 million in loans used to build the NASCAR Hall of Fame. The move is the latest blow for the facility, which is drawing far fewer visitors than expected, reports *The Charlotte Observer*.

While most of the construction costs for the museum, which is owned by the city and run by the Charlotte Regional Visitors Authority, are cov-

ered by a 2 percent increase in the hotel/motel tax, the city also took out two loans to cover portions of the project. One was for \$19.1 million, which

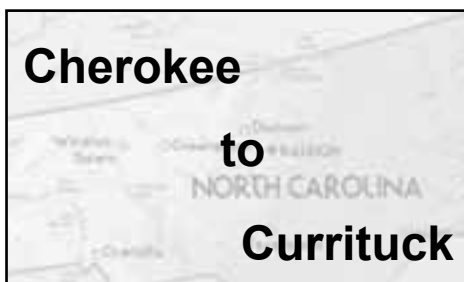
was to be repaid by the sale of commemorative bricks and corporate sponsorships for the hall. Both revenue sources fell far below projections.

The city never made any principal payments on the loan, and the balance due has grown to \$22.4 million. As a non-recourse loan, the banks can't seize assets to get their money back.

Under the agreement, the city will pay the banks \$5 million from hospitality taxes to wipe out the loan. Both banks also will get free corporate sponsorships of the museum, which are valued at \$250,000 a year apiece.

"The whole goal is to bring the hall into a break-even position," said Deputy City Manager Ron Kimble.

As part of the deal, NASCAR agreed to write off \$3.2 million in existing royalty payments due from the city and reduce the amount of future royalties.



Cape Fear water transfer

A proposal increasing the amount of water Wake County communities draw from the Cape Fear River basin is generating significant opposition from elected officials in Fayetteville and Cumberland County, writes the *Fayetteville Observer*.

Currently, Wake County, along with the towns of Apex, Morrisville, and Cary, are allowed to draw up to 24 million gallons a day from the Cape Fear River. They'd like to increase that by an additional 9 million gallons a day, or 27 percent.

Treated wastewater from the Raleigh-area communities is discharged into the Neuse River watershed and not back into the Cape Fear. This is a major concern for Fayetteville-area officials worried about water availability.

"I think this is probably one of the biggest threats to our community, for them to transfer this water out of the basin," said Cumberland County Commissioner Glenn Adams.

Larry Cahoon, a biologist at the University of North Carolina-Wilmington, shared Adams' concern.

"A million gallons a day is probably not a big deal. But 10 million gallons or so? That's when it becomes a real concern," Cahoon said. "It's a complex situation." *CJ*

Eminent Domain Reformers Will Try Again in '15 NCGA

BY BARRY SMITH
Associate Editor

RALEIGH
House leaders once again will try to write eminent domain private-property protections into the N.C. Constitution.

Rep. Chuck McGrady, R-Henderson, has filed a proposed constitutional amendment that would prohibit condemnation of private property for any reason other than a public use. It also would require just compensation when condemnation procedures are used and would allow sides in condemnation lawsuits to demand a jury trial.

"This is directed at the *Kelo* case, where [the U.S. Supreme Court] set a standard if there was a public interest, it was constitutional under the federal constitution," McGrady said.

In 2005, the federal justices ruled in *Kelo v. City of New London* that the Connecticut city could condemn private property for redevelopment purposes, saying that a public use included a public purpose.

Even though the Supreme Court ruled in favor of New London, the private developer was not able to secure financing for the project. The acquired

land was left barren.

Rep. Paul "Skip" Stam, R-Wake, one of the co-sponsors, noted that the proposed eminent domain constitutional amendment has passed with broad, bipartisan support in the House over the past three sessions, under both Democratic and Republican majorities. But it has yet to pass the Senate.

Stam noted that former state Sen. Pete Brunstetter, R-Forsyth, had some qualms with the proposed change in the state's constitution, preventing it from reaching the upper chamber for consideration.

"We're thinking, with Pete gone, maybe we can do it," Stam said.

"I think if this ever came to the floor of the Senate, this would pass overwhelmingly," McGrady said.

While there is an eminent domain provision in the Fifth Amendment to the U.S. Constitution, there is no such provision in the N.C. Constitution.

There are statutes regulating condemnation proceedings, but statutes can be changed by the General Assembly.

Stam said that the N.C. Supreme Court has ruled, under other provisions in the state constitution, that just compensation must be paid when

property is condemned for public use. He also said that North Carolina is the only state in the nation that does not give parties involved in eminent domain disputes the constitutional right to require a jury trial, although statutes do provide for

that.

"That is a legal change, but not an operative change," Stam said.

Other provisions of the bill would tighten state law to say that property could be taken by state or local governments for public use but not for public benefit. This provision would make it difficult if not impossible for local governments to use eminent domain for economic development — the cir-

If an amendment is supported by 3/5 of both bodies, it would go to voters in 2016

cumstances fueling the *Kelo* dispute in which a city condemned private property for the benefit of a developer that had been unable to convince the original owner to sell.

McGrady noted that the eminent domain change was included in the 2010 "first 100 days" agenda Republicans embraced in 2010 when they gained a majority in both chambers of the General Assembly. He added the bill is not related to the property-acquisition energy producers would need to satisfy before setting up fracking operations.

Stam said that public use could include procedures that do not involve a government taking of property. For example, an electric utility could take property for an easement to run electricity lines, or a telecommunications company could take property to run cable or fiber optic lines.

Amending the N.C. Constitution requires support from a three-fifths majority of the membership of both chambers of the General Assembly. If the amendment passes both chambers by that margin, it would go to voters for ratification during the May 2016 primary. *CJ*

Courts to Decide Limits on State's Controversial Map Act

The act allows state highway officials to keep property in limbo

BY BARRY SMITH
Associate Editor

RALEIGH

Hundreds of North Carolinians who own property in swaths of land that the N.C. Department of Transportation has staked out for highways are awaiting action in state courts.

Their parcels of land have been in limbo, some for more than a decade, at least partly because of the DOT's use of the Map Act, which allows the department to prevent building permits from being issued on property listed in highway corridors.

"It's shameful," said Matthew Bryant, an attorney representing several plaintiffs in Forsyth County against the DOT. "[The Map Act] probably impacts 1,500 to 2,000 landowners." Bryant has asked the N.C. Court of Appeals to rule the Map Act unconstitutional.

A March 2014 report by Tyler Younts, then the John Locke Foundation's legal policy analyst, concluded that the Map Act virtually freezes property development within proposed road corridors by blocking building permit and subdivision applications for up to three years. It also showed that North Carolina is one of only 13 states that have Map Act statutes.

All other states with comparable statutes either allow property owners to demand immediate acquisition of their property or release from an of-

ficial map, or they place limits on the length of time an official corridor map can block building and subdivision applicants, with the limits ranging from 80 to 365 days.

The JLF report concludes that the Map Act should be repealed or the time period for delaying building permits shortened to between 80 and 120 days.

Lawsuits attacking the Map Act or seeking to require the DOT to acquire affected property have been filed in a number of counties, including Cleveland, Cumberland, Forsyth, Guilford, Pender, and Wake.

Bryant said that the law allows the DOT to prevent development on a property, freezing its value at the time of listing so that the state won't have to pay more when the land later is acquired.

Calvin Leggett, the head of the DOT's program development branch, said the DOT has been administering the Map Act for more than 25 years. "I think, by and large, it has worked well," he said.

He said the act only allows the DOT and local planners to deny a building permit for only three years. He said that lowering the limit to 60 or 90 days, as some states do, would be

meaningless, adding that the process for acquiring property usually takes longer than that.

Leggett said he doesn't doubt that some properties have been in limbo for more than a decade.

"But that is not a function of the Map Act," Leggett said. "That is a function of the planning process."

Leggett said that the open planning process for highways discloses the parcels of land that could be affected if the DOT is considering new highway construction.

"That knowledge is real," Leggett said. "It's not a misunderstanding or anything else. It's just us telling people what we think we're going to do."

Leggett said he thought there was a lack of un-

derstanding of the administrative remedies under the Map Act. For instance, owners of vacant property in transportation corridors pay taxes based on 20 percent of the assessed value, he said.

A property owner wanting to subdivide property could lead the DOT to purchase the property immediately because it's simpler for the DOT to buy one lot than multiple subdivided lots, he said.

"If you're 85 years old and need to move into a nursing home and you

have a hardship because to move into the nursing home you need to sell your home, we will purchase it," Leggett said.

The Map Act could undergo a review during the 2015 session of the General Assembly.

"The way it is currently structured, it is unfair," said state Sen. Joyce Krawiec, R-Forsyth. "I definitely want to see something done. We're trying to find a way so that DOT can do what they need to do without tying it up for long periods of time."

Krawiec, a real estate agent, said in the mid-1980s she was the listing agent for some of the properties that were affected by the Map Act. "We couldn't sell them then," Krawiec said. "As soon as DOT says we're considering a belt loop, the property is worthless for those folks."

She said real estate agents are required to tell potential buyers that property is under consideration for condemnation by the DOT. "As a real estate professional, when you tell people that, they say, let's look at something else," Krawiec said.

Krawiec said she thought that one year was more reasonable than three years for the Map Act to lock up property.

Bryant said he's hoping the current lawsuits will result in the DOT being required to buy the land that has been in limbo for years. And he said he doesn't think the DOT needs a Map Act to build roads.

"Our Highway Department was formed in 1915," Bryant said. "They built all our roads without this stupid Map Act through some of our biggest cities. It's just a lazy man's way of avoiding the Constitution and not paying just compensation." CJ



North Carolina is one of only 13 states that have statutes like the Map Act

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reduction in General Fund spending. The General Assembly's final budget, signed by Gov. Pat McCrory, was guided by many of the principles in the Budget for Growth.

In the \$21.1 billion General Fund budget for the 2014-15 fiscal year, spending increased by 2.2 percent, which is less than the combined rate of growth in the state's population and inflation. Moreover, the 2014-15 budget eliminated the so-called continuation budget — a series of estimates assuming that current services would be carried over into future fiscal cycles — replacing it with the "base budget," or a calculation of the money actually spent.

Shifting to base budgeting, a move long advocated by JLF, makes future budget projections more accurate while making it easier to hold government departments accountable to legislators.

In 2013, JLF published *First in Freedom: Transforming Ideas Into Consequences for North Carolina*, which includes tax principles adopted by the General Assembly with passage of a modified version of JLF's tax reform plan. The new tax plan replaced the state's tiered, exemption-riddled personal and corporate income taxes with flat-rate taxes.

The tax reforms passed over the previous two legislative sessions have impressed national observers, including the Tax Foundation, which catapulted North Carolina from 44th nationally to 16th in its State Business Tax Climate Index.

K-12 education

JLF's earliest policy initiative helped steer the debate that led to 1991 legislation returning some authority to local school districts. JLF also has led the way in urging standards and accountability for student achievement, in illustrating that North Carolina's testing program is inadequate, and in arguing for innovation, competition, and fewer regulations, resulting in the authorization of the charter model in the 1990s.

Since then, JLF has pushed to expand parental choice, arguing for legislation that — in recent years — removed the cap on the number of charter schools statewide at 100; established a program allowing tax relief for parents of special-needs children who educate their children outside the public school system; authorized the Opportunity Scholarship Program, giving low-income families grants to offset the cost of tuition in private schools; and protected the rights of parents who wished to educate their children at home. Homeschoolers now comprise more than 10 percent of K-12 students statewide.



John Locke Foundation research intern Joseph Chesser searches the Research Department archives at the organization's office in Raleigh. (CJ photo)

Moreover, the efforts of JLF director of research and education studies Terry Stoops were crucial in convincing McCrory and legislators to repeal Common Core State Standards for K-12 students and instead embrace more-rigorous standards that will be tailored to the needs of North Carolina students.

Transportation

In 1991, JLF introduced into the transportation debate the innovative options of public-private toll roads and expanding existing highway corridors using high-occupancy tolling lanes. Over time, some of these proposals

have been incorporated into toll projects that are in use or in development.

In 2013, McCrory and state Transportation Secretary Tony Tata announced a new transportation plan that shifted the priorities for new construction to those corridors and areas that can reduce the most congestion or best increase the flow of drivers and goods. This plan closely follows ideas JLF has promoted since its inception that minimize the role of politics and cronyism in road-building projects.

Health care reform

JLF has been steadfast in its opposition to health care mandates and regulations that needlessly increase the cost of medical services and insurance coverage. JLF research has spelled out the high costs associated with the Affordable Care Act, and both the McCrory administration and the General Assembly have resisted setting up a state-based health insurance exchange and refused to allow Medicaid expansion under Obamacare.

JLF also has made some headway in urging the General Assembly to unravel the state's burdensome and unnecessary certificate-of-need regime giving bureaucrats rather than the marketplace the ability to determine when and where health care facilities can be expanded.

Regulatory reform

Under the leadership of conservatives, the 2011-12 General Assembly launched a series of regulatory reforms supported by JLF researchers intended to remove needless bureaucracy and unnecessary burdens to entrepreneurship and individual enterprise. Among the reforms is a sunset provision, requiring periodic elimination of state regulations that do not pass a review

by lawmakers. Additional regulatory reforms have enhanced the protection of property owners from local governments, enabled hydraulic fracturing — or fracking — as a means of fossil fuel extraction, and prevented local governments from mandating "living wage" payments to employees on government contracts.

Outreach

JLF researchers and staff frequently brief legislative committees and community organizations about the foundation's policy work. Also, JLF is one of the few state-based free-market think tanks to have a full-time government liaison. Vice President for Outreach Becki Gray meets regularly with state lawmakers, executive branch officials, and local government leaders to inform them of policy initiatives and to seek their input regarding concerns for which the foundation could provide assistance.

Coalition building

JLF has worked with grass-roots and advocacy organizations across the political spectrum to accomplish shared goals. JLF has been active in a number of coalitions, including those seeking expanded ballot access for minor political parties; working to remove partisan politics from legislative and congressional redistricting; and pushing to increase transparency in government operations and wider access to public meetings and records.

JLF research staff and Troy Kicker, director of JLF's North Carolina History Project, joined a bipartisan group of lawmakers to support legislation compensating the surviving victims of the state's infamous eugenics program, under which over a four-decade period approximately 7,600 North Carolinians were sterilized because state officials considered them "undesirable." After nearly a decade of effort, in 2013 the compensation proposal became law, and \$10 million was set aside for surviving victims.

As the John Locke Foundation enters its second quarter century, the research policy staff plans to continue promoting the ideas of free markets and limited government with intellectual rigor and clarity. Among the initiatives JLF plans to introduce include the First in Freedom Index (see related story on page 2), which will rank states based on the degree to which their fiscal, health care, and regulatory policies enhance freedom, along with a continuing focus on educational freedom, parental choice, and school accountability.

The organization celebrated its anniversary at a sold-out dinner on Feb. 7, at which syndicated columnist and Fox News contributor Charles Krauthammer gave the keynote address. CJ



In January 1995, after Republicans took Congress and the N.C. House, then-Gov. Jim Hunt, gauging the state and national mood, chose a John Locke Foundation luncheon to unveil a tax-cut package. (JLF file photo)

Carolina Journal, JLF's Journalism Arm, Keeps Eye on Government

Continued from Page 1

Hunt controlled the remaining 10 percent. The fund was not included as a line item in the state budget and was parked administratively in the budget office, which distributed funds at the direction of the three politicians. The money was used to reward political allies and distribute pork, often in violation of law. Recipients included non-profit groups associated with legislators. In 2004, legislative leaders set up a similar scheme that CJ highlighted.

Frank Ballance: Acting on a tip from the *Littleton Observer* in 2003, *CJ* found that the nonprofit John Hyman Memorial Youth Foundation, founded and led by then-state Sen. Frank Ballance, D-Warren, had received roughly \$2 million in state appropriations over 10 years. The organization never had filed required IRS forms, and a series of *CJ* stories delved into the uses of the money and involvement of Ballance family members. A subsequent report by then-State Auditor Ralph Campbell revealed more problems and prompted further scrutiny. In 2005, following an FBI investigation, Ballance, who had been elected to Congress, pleaded guilty to conspiracy to commit mail fraud and money laundering. He served four years in prison. His son Garey, a North Carolina district court judge at the time, served eight months in prison on an income tax charge.

Randy Parton Theatre: With much fanfare in November 2005, politicians and economic development officials from the state and Roanoke Rapids broke ground on the Randy Parton Theatre, a 35,000-square-foot, 1,500-seat facility adjacent to Interstate 95. The city borrowed \$21.5 million for the project after the Local Government Commission, headed by then-State Treasurer Richard Moore, deemed it a sound financial risk. The LGC's rubber stamp came despite concerns about the use of Tax Increment Financing, a scheme the John Locke Foundation warned would leave local taxpayers at risk. Resources also poured in from the DOT, Golden LEAF Foundation, and Rural Center. It took *CJ's* threat of a lawsuit to obtain singer Randy Parton's contract, which allowed the brother of singer Dolly Parton to earn up to \$1.5 million per year as performer/manager. Attendance never matched projections, Parton was fired, and local citizens incurred a tax hike to pay off the \$21.5 million debt.

Easley Investigation: In June 2006, *CJ* published its first story about Gov. Mike Easley's purchase of a coastal lot at the Cannonsgate development in Carteret County. The investigation of the sweetheart land deal led to a web of Easley associates, some of whom played a role in another major



This aerial photo taken in 2007 by *Carolina Journal* Executive Editor Don Carrington became a national sensation and caused many to question Edwards' populist credentials.

controversy: Easley's free use of aircraft in violation of campaign finance law. After State Board of Elections hearings that featured the former governor's testimony, Easley's campaign was fined \$100,000. But state and federal criminal investigations continued. He eventually negotiated a guilty plea and was fined \$1,000, becoming the first governor in North Carolina history to be convicted of a felony connected to his conduct in public office. As the Mike Easley story played out, *CJ* delved into First Lady Mary Easley's job at N.C. State University and uncovered an 88 percent pay raise she received in 2008. The ensuing revelations led to her firing and the resignations of N.C. State University Chancellor James Oblinger, Provost Larry Nielsen, and Board of Trustees Chairman and Mike Easley friend McQueen Campbell.

John Edwards' estate: In January 2007, many North Carolinians believed former U.S. Sen. John Edwards was destined for 1600 Pennsylvania Avenue. Long before personal troubles dogged the candidate, his new house raised eyebrows. Edwards recently had launched the Center on Poverty, Work, and Opportunity at UNC-Chapel Hill that was used to showcase Edwards' crusade against income inequality. Meanwhile, the public never had seen his newly built 28,200-square-foot house on a 102-acre estate in Chapel Hill — the largest and most expensive home in Orange County at the time. When *CJ* published Don Carrington's story about the estate accompanied by an aerial photo, the image became a national sensation. *CJ's* website was deluged after Rush Limbaugh and

other talk-show hosts publicized the photo, crashing the publication's Internet server for several hours. That evening, Jay Leno joked about the photo, and it was later used for a parody in *The Weekly Standard*.

Global TransPark: Since the Global TransPark's inception 25 years ago, *CJ* began analyzing plans for the Kinston-based cargo-airport project, hailed as the economic future of the area. The project never has lived up to expectations, despite occasional rumors of landing a major employer. Time after time, hopes were dashed, and supporters were left claiming the project needed more time and investment. In 2008, the park finally landed an "anchor tenant" in Spirit AeroSystems, a Wichita, Kan., maker of large aircraft components. The company's work falls outside the GTP's original just-in-time concept and came at a high cost to the public. While Spirit officials have stated the company plans to invest approximately \$500 million in the facility, state officials committed subsidies in excess of \$200 million to attract the firm. In 2010, the GTP owed \$40 million to the state's Escheat Fund, which is being repaid with appropriations from the General Assembly.

Perdue's campaign flights: In August 2010, the State Board of Elections fined the 2008 Perdue for Governor committee \$30,000 for irregularities and illegalities related to flights two-term Lt. Gov. Bev Perdue took in her campaign for governor. *CJ* followed up on other leads that the board did not pursue fully and uncovered details about Perdue friends and donors who

made up an elaborate aircraft provider network used by Perdue's successful campaign for governor. The Wake County district attorney also looked into Perdue's flights, which resulted in guilty pleas from five people connected with the campaign for crimes associated with fundraising.

The megaport and the nuclear plant: A proposal backed by Perdue would have established a 600-acre coastal "megaport" project costing between \$5 billion and \$6 billion on land that is adjacent to Duke Energy's Brunswick Nuclear Plant. In 2006, the state Ports Authority purchased the property, but reporting by *CJ* found that freight shipments from the port site would have to share a Duke Energy rail line that serves as a key evacuation corridor in case of a nuclear emergency. As a result of *CJ's* reporting, along with significant local opposition to the port, the General Assembly has shown no interest in funding the project, essentially killing it.

Stolen identity tax fraud: A series of reports by *CJ* about Stolen Identity Refund Fraud — a practice in which individuals create false identities, file phony tax returns, and collect refunds that they were not owed — found that two Honduran women who were living in the United States illegally were sentenced to four-year federal prison terms for claiming more than \$2.5 million in fraudulent tax refunds. *CJ* reported on SIRS activities across the state, including a scheme in which a tax preparer helped fraudsters file their returns in exchange for part of the money. *CJ's* reporting also found the IRS has done little to implement safeguards to make such fraudulent filings more difficult.

Hagan family stimulus grants: As a result of *CJ's* reporting on federal grants to companies owned by U.S. Sen. Kay Hagan's family, two state agencies have asked State Auditor Beth Wood to perform a thorough review of all stimulus money funneled through the State Energy Office. The chain of events began when *CJ* obtained the State Energy Office file on a \$250,000 stimulus grant to a company co-owned by Hagan's husband. *CJ* found that one Hagan family company hired another Hagan family company to install solar panels at an industrial building the Hagan family owned. The potential conflicts of interest surrounding the stimulus grant attracted national attention and became an issue in Hagan's unsuccessful 2014 re-election campaign.

CJ's editorial and reporting staff will continue providing information and analysis about state and local government in the print edition of *Carolina Journal*, online at CarolinaJournal.com, and through social media outlets including Twitter, Facebook, and LinkedIn. *CJ*

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Piereson: Focus Should Be on Economic Growth, Not Inequality

BY CJ STAFF

RALEIGH

Left-of-center pundits and politicians have spent a lot of time recently bemoaning growing income inequality in the United States. James Piereson, president of the William E. Simon Foundation and senior fellow at the Manhattan Institute, says the focus on inequality diverts attention from more important problems. Piereson explored that theme during a 2014 Hayek Lecture at Duke University. He also discussed inequality 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: This inequality issue has had a lot of attention largely because of a very well-publicized book by the French economist Thomas Piketty. You set out to look at what Piketty wrote and found some interesting observations about his work.

Piereson: Well, the Piketty book is a very serious work. I've written about it and spoken about it. It focuses exclusively on the distribution of income and wealth in our free-market societies, and it places great emphasis on the growing inequality which they detect.

It's a very much one-sided interpretation of our free-enterprise system. It has many dimensions that go beyond the distribution of income — innovation, quality of life, progress, freedom. All sorts of dimensions that have to be taken into account, and he only looks at one of them.

As I've said, this focus on inequality is a new issue. Traditionally, when we've spoken about inequality, we've talked about elevating the poor into the ranks of the middle classes. All of our government programs in the '60s and '70s, and even before that, were focused on elevating the poor.

This comes at the problem from the reverse angle. That is, the wealthy, the very rich, and trying to find ways to redistribute their wealth and income back down through the rest of the 99 percent.

As I say, I think that is a fool's errand. We can't improve the living standards of 99 percent of our people by trying to take income and wealth from the 1 percent who are successful. And as I say, that obscures the real problem that we're facing in America and other societies across the West, which I think is not inequality but something else.

Kokai: And you mentioned during the Hayek Lecture — after you showed a number of slides and discussed a lot of the data, including some data from Piketty and his colleagues — and said that to you it looks like slower, sluggish economic growth is a

"Inequality is a false issue. Economic growth, dynamism, innovation, prosperity, progress — these are the things we need to talk about. How do we get our economy growing again in a dynamic way to improve the living standards of our middle classes?"

*James Piereson
President
William E. Simon Foundation*



much more pressing problem.

Piereson: That, I think, is the core problem that we're facing in the United States and in Europe and of course in Japan, which has been struggling with this for 20-odd years. Our economy has had sluggish growth since at least the year 2000. Even before the financial collapse in 2008, our economy is growing only at 2-2.5 percent.

And then, of course, it went over the cliff in 2008. And we really haven't really regained the kind of solid economic growth we had in the 1960s or in the 1980s or the 1990s.

Two percent economic growth in America is not going to get the job done. That's a recipe for stagnation of incomes and standard of living for our middle classes. And it will not allow for mobility for people who are way down the ladder.

So that is really what we need to focus on. Inequality is a false issue. Economic growth, dynamism, innovation, prosperity, progress — these are the things we need to talk about. How do we get our economy growing again in a dynamic way to improve the living standards of our middle classes?

Kokai: Listening to the Hayek Lecture, I was thinking, "Well, perhaps there is going to be a silver lining, or let's move in this direction and things will all be better." But you had some serious concerns about how the United States and the West are going to deal with these issues. We don't have a silver bullet, do we?

Piereson: No, we don't, Mitch, and I wish we did. Of course, in the 1970s we had a stagnating economy, and Ronald Reagan came along and, with the help of some Democrats, cut taxes, deregulated the economy, ended the Cold War, and we had a more than two-decade burst of pretty solid economic growth. I'm not sure if those

bullets are available to us today to jump-start our economy.

And, unfortunately, the current administration in Washington seems to have almost no interest in the issue of economic growth. They have no growth agenda for taxes or regulation. They seem mainly concerned about spending money, running up debt, and sending money to their constituent groups and the voting blocs.

And I think that's misguided, but I don't think we're going to get much of a change until we get a different administration in Washington — Democratic or Republican — that wants to focus on the critical question of economic growth.

In the meantime, you know, ... all sorts of things could happen. We could have a war in the Middle East, send oil prices through the roof. It could create a recession in the United States, a stock market collapse. And I don't know that we recover that quickly from that kind of disaster, should it happen.

So yes, I'm definitely concerned in the short run, and I suspect that it's entirely possible the United States will have to go through a crisis of sorts, perhaps the kind we had in the 1970s, really before we get our house in order and reorient our policies toward growth.

Kokai: You mentioned the administration and saying that there's not really a plan for economic growth, but the administration has been open to this argument from Piketty and his colleagues on income inequality and doing something about that. Based on what you've just said, I would suspect you'd recommend: Stop talking about this and do something else.

Piereson: That is a diversion, I think, from our real problems. We've got a political stalemate. We have slow growth. We have rising debt. We have all sorts of problems in our country. Inequality is the least of them. We ought

to be focusing on the fundamental issues that we can address to improve the living standards of the 99 percent.

Kokai: You mentioned that this will take a new administration probably, either Democrat or Republican. What do you hope the people who are vying to be the next president will be talking about in terms of jump-starting our economy?

Piereson: I would overhaul the tax structure, to some degree, and orient it toward growth and innovation. And I would address the debt problem. Government spends too much, and they spend money in a lot of wasteful ways.

One other thing I would do is I'd turn the energy revolution loose. We have tremendous opportunity in the United States to have an energy revolution that's taking place in modest ways already. The United States, I believe now, is maybe the largest producer in the world of oil.

I think the potential is enormous. It's one of these things that could generate tremendous growth in our economy. I believe that that can be turned loose.

But that's just a start. That's not enough. So we have to do a lot of other things as well. So I think when the next administration comes into office, it's going to have plenty of opportunities to focus on this.

Kokai: In the brief time that we have left, do you have much confidence that we are going to see a change, or is it going to take one of these crises that you mentioned in the past?

Piereson: You know, I think the problem is that a lot of these challenges can never be dealt with preemptively. So it often takes a crisis until you can generate the consensus among the politicians that something drastic has to be done. CJ

How Obama's 'Free' Tuition Proposal Would Affect N.C.

BY HARRY PAINTER
Contributor

The new federal proposal that the president is calling "America's College Promise" has inspired fanfare and controversy.

Some background: On Jan. 9, President Obama pitched a proposal making the first two years of community college "free for everybody who's willing to work for it." He defined "work for it" as maintaining a 2.5 grade point average (a B- or C+) while enrolling at least half time and making "steady progress" toward completion.

In his State of the Union address, the president expanded on his proposal, suggesting it be paid for by tax increases on the wealthy and "simplifying" taxes for Pell grant recipients.

The idea is inspired by existing programs in Tennessee and Chicago, called "Tennessee Promise" and "Chicago Star Scholarship." The administration is touting America's College Promise as a bipartisan effort that would boost the middle class by aligning their skills with the growing need for an educated work force.

U.S. Rep. Virginia Foxx, R-5th District, who chairs the House Education and the Workforce Subcommittee on Higher Education, called Obama's proposal the "wrong approach," because it would create a new federal program without paying for it.

But even if Congress enacted Obama's program, would the president's goal be worth the cost to state taxpayers?

Attending community college is already free for many low-income students who qualify for Pell grants. Thus, the president's plan primarily would benefit middle-class students. While not all the details have been laid out, it appears that, as with Tennessee Promise, the federal subsidies under his plan would kick in once students have exhausted Pell grants and other options.

The Obama administration says it would pick up 75 percent of the tab nationally and require states to pay for the rest.

The Pope Center dug through some numbers from the Department of Education's Integrated Postsecondary Educational Data System to estimate what America's College Promise might cost North Carolina taxpayers.

To start, eliminate all students receiving Pell grants, because Pell covers

100 percent of tuition and fees for the 58 schools in the North Carolina Community College System.

As of 2012, the last year of available data, the average sticker price for tuition in the system was \$2,176 plus \$102 in fees — a total of \$2,278 — and no college charged more than \$3,000. The average Pell grant in the state was \$4,004, easily enough to cover tuition at any community college.

Pell grants are phased out as income goes up and the cost of attendance goes down, so some higher-income students may receive much less than the average. However, we can be pretty sure that enrollment in any community college in North Carolina is already tuition-free for most Pell recipients — certainly those with low incomes. The proportion of community college students that were Pell recipients in 2012 was 53 percent.

Megen Hoenk, a spokeswoman for the community college system, told the Pope Center that in fall 2013, about 200,000 students were enrolled at least halftime in the state. About 125,000 (63 percent) of them had a cumulative grade point average of at least 2.5 through that semester.

That means 37 percent, or about 75,000, would not qualify for the federal free tuition because of low grades. Assuming that those numbers and the percentage of Pell recipients held steady under Obama's plan throughout the calendar year, we can figure out about how much North Carolina could be expected to spend to participate in America's College Promise.

If all current trends continue, we can estimate that North Carolina would spend between \$16.7 million and \$33.5 million per year — the low number for a population of all half-time students, and the high number for a population of all full-time students. For reference, the community college system budget for the current fiscal year is a little over \$1 billion.

Remember that those numbers assume current trends would continue under Obama's plan, which is hard to imagine. Tennessee reports that close to 90 percent of its high school graduating class applied in the first year of its program. *CJ*

Harry Painter is a reporter for the John W. Pope Center for Higher Education Policy. Jenna Ashley Robinson, the Pope Center's director of outreach, contributed to this article.

COMMENTARY

Moral Bankruptcy And Higher Education

I had my first taste of the University of Georgia in 1995 when I participated in a classical guitar competition at the flagship campus in Athens. Instructors in the university's music department judged a handful of other guitar players from around the state and me on our technique and performance. (In case you're wondering, I ended up winning that year.)

Just a boy at the time, I remember being awed by the campus and what I viewed as impressive buildings where really smart people went to study really important things in a really serious academic environment. Looking back, I was right about one thing — the campus *does* have impressive buildings.

In recent years, I've spent a lot of time on the Athens campus (my girlfriend is conducting her postdoctoral research there) and have absorbed its culture. As a result, my previously reverential view of UGA has morphed into a cynical one.

A recent *Chronicle of Higher Education* article titled "A River of Booze" helps to set the scene. Portraying Athens as the quintessential "college town," a place where partying is a professional endeavor. Underground fake ID syndicates? Check. Free-flowing cheap beer and mixed drinks at bar after bar after bar after bar? Check. The religion of Southeastern Conference football and its concomitant tailgating, which is treated like a high-class social affair rather than the glorified redneck debauchery that it is? Check. Vacuous sorority girls and frat boys? Check.

My profile of the average UGA student — which jibes with most of the depictions in the article — is not a flattering one. The booze-addled matriculants who populate the otherwise quaint town of Athens seem to have no real interest in doing challenging work. Spending every penny on their prepaid credit cards at nearby bars (thanks, Mom and Dad), finding every shortcut to make it through their coursework (and then whining about the slightest encroachment of academic rigor), and dutifully cheering on the

football team appear to be more pressing matters.

I'm describing a chunk of the student population comprising the lowest common denominator, individuals too smug and incurious to enhance their university's educational atmosphere, and who do a big disservice to their more earnest classmates. It might be hyperbolic to say that such students and their ilk are now the majority at American colleges and universities, but I doubt it.

It's easy to laugh at the viral YouTube videos of college students unable to answer basic questions about American history, or showing no familiarity with elementary school knowledge. It's easy to dismiss the out-of-control hedonism on many campuses as mere youthful decadence, an oafish rite of passage.

But there's something much darker at play, a dreadful malady that is rotting away all that is good about higher education.

I'm reminded of a time as an undergraduate when everyone in my introductory biology course cheated on a quiz while the professor was out of the room. When I confronted the professor about that, she feigned disapproval, but did nothing to stop it in the future. It happened again, several times — a sign of students' general indifference to baseline ethical standards. Yet, on paper, every one of those cheating students was "college-ready."

Clearly, there are factors beyond SAT scores and high school grade point averages that colleges should consider during the admissions process.

By adopting more-selective admissions standards (perhaps focusing on applicants' moral character and maturity level) and strengthening academic rigor, schools would help weed out at least some of the aforementioned problems, and send a message to applicants (including the parents and K-12 schools molding them): We demand more here. *CJ*

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



JESSE SAFFRON



President Obama announcing his "America's College Promise" proposal in Knoxville, Tenn., on Jan. 9. (White House photo)

Campus Briefs

The UNC Board of Governors voted in October to allow three historically black universities to accept students with SAT scores as low as 750, provided that they used a sliding scale for grade point average. As a student's SAT drops below 800 (the previous standard), he or she would need a higher GPA to be admitted.

Several board members expressed skepticism about the policy, saying that unintended and unforeseen consequences probably would result from lowering standards.

But other members, along with UNC General Administration employees who championed the policy, argued that GPA is a better predictor of success than SAT. The measure passed after considerable debate.

Even so, a recent change at the N.C. State Board of Education, which governs K-12 policy in the state, means that standards for GPA will go down just as UNC is implementing this new policy.

The State Board of Education voted, also in October, to change high school grading from a 7-point scale to a 10-point scale.

The changes to the grading scale will widen the range for each letter grade and lower the minimum passing score. Instead of needing a 93 for an A, a student will need only a 90.

This means that a 2.5 GPA (the minimum required for admission to the UNC system) will be equivalent to receiving average scores of 75 rather than 80.5 in coming years. The policy will go into effect this fall.

This grade inflation at the high school level defeats the purpose of the new sliding GPA standards at Elizabeth City State University, Fayetteville State University, and N.C. Central University.

Instead of raising GPA standards as SAT standards fell, both requirements will be reduced — and students at those schools will be even less likely to graduate. (The average six-year graduation rate for the three schools is already low — just 41 percent.)

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

**LOWER
STANDARDS**



UNC Seeks Funding to Enhance Its 'Global Brand'

By JESSE SAFFRON
Contributor

RALEIGH

Over the past two years, the University of North Carolina has been implementing recommendations laid out by the General Administration and Board of Governors in their 2013 "strategic directions" report, "Our Time, Our Future: The UNC Compact with North Carolina."

For example, the system has streamlined the transfer process for students going from community colleges to UNC schools and defined "core competencies" that all graduates should possess.

One proposal now being reviewed by the Board of Governors seeks to boost UNC's international reach and enhance its "global brand." It calls for \$400,000 of new annual state funding to help link students, faculty, and staff with regions "critical to the state's economic and strategic future," namely China, India, Brazil, Mexico, and Africa. Building those relationships, the report states, would "prepare students to succeed in the global economy."

The administration's desire to promote more international relationships, however, has not evoked much interest (or funding) in the legislature. And the system's Board of Governors — which is more conservative than the one that wrote the 2013 report — may not be all that enthusiastic, either. But does it matter? International relationships appear to be thriving.

Last month the General Administration's Office of International, Community, and Economic Engagement presented the board with an in-depth report on UNC's international activity. The first such report since 2005, "Global Connections: UNC and the World" adopts many of the recommendations in "Our Time, Our Future." Written by the office's director, UNC system Vice President Leslie Boney, it provides a comprehensive review of the international relations of the UNC universities.

It reports that in 2012-13 roughly 6,000 students across the UNC system studied abroad, with almost 50 percent traveling to Western Europe. However, at about half of UNC schools, less than 1 percent of the student population participated in such programs. The top two foreign languages in the system are Spanish and French, and of the 9,000 international students who came to UNC schools last year, more than 50 percent came from China and India.

Boney praises East Carolina University as a "national pioneer" for offering online "Global Understanding" courses, taken jointly by students from ECU and students around the world. ECU's project began in 2003 after faculty members discovered that only 2 percent of ECU students had study



abroad experiences.

The report also heralds system-level initiatives such as StudyNorthCarolina.us, a website designed a couple of years ago to attract international students, and the UNC Exchange Program, based at UNC-Greensboro. That program helps UNC institutions and international schools arrange and manage student exchanges (with UNC students studying for one semester at sister schools in other countries while students at the sister schools study at UNC).

Economic development also is emphasized in the new report. The report states that last year in North Carolina, 30 percent of new investment came from foreign sources, and that 200,000 North Carolinians now work for foreign-owned companies. The report's implication is that a failure to boost "global competency" will leave college graduates ill-prepared for the modern job market.

In an email, Boney and UNC President Tom Ross stressed the importance of engaging with geographic

regions outside of Western Europe, currently the most popular region for students interested in study-abroad programs, foreign language courses, and other international coursework. Ross and Boney want to promote partnerships with China, India, Brazil, and Mexico because of the huge economic influence of those countries.

Despite the urgency of the report and the enthusiasm of Ross, Boney, the General Administration, and some Board of Governors members, it's not likely that \$400,000 of recurring funding will be set aside for this proposal anytime soon.

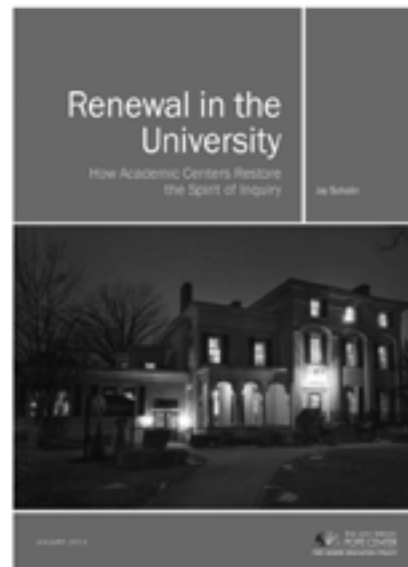
The board's Educational Planning, Policies, and Programs Committee chairman, Craig Souza, says he'd like to convene a small group of committee members to review the latest report and consider possible future actions; however, the legislature has not appropriated money for this proposal, nor has the proposal been included in the board's 2015-17 budget priorities.

At the moment, it looks like "internationalization" supporters will have to view the latest report more as a statement of guiding principles than as a concrete policy mandate.

But even without funding for this program from the General Assembly, UNC will not shun "global engagement." Academics continue to foster international collaborations, foreign investment and businesses continue to come to North Carolina, and students continue to have myriad foreign language options, international courses, and student exchange programs to choose from. The University of North Carolina is far from isolated. *CJ*

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

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Opinion

President Ross, It's Not Too Late to Create a Legacy of Reform

Tom Ross is on the way out as president of the University of North Carolina — although he will remain in his position until January 2016. Looking back at Ross' first four years at the helm, we see leadership marked by tentativeness and an insistence to preserve the status quo. Unfortunately, it appears that Ross is trying to be a conventional manager rather than a serious reformer.



JESSE SAFFRON

Admittedly, Ross can claim some achievements. He selected eight chancellors during his tenure, a daunting task; he kept campus state audits "clean"; and he held the line on tuition for one year. But serving students and the citizens of North Carolina requires bolder action.



JANE SHAW

We worry that his focus has been to protect schools more than to help students. For example, his predecessor, Erskine Bowles, raised minimum admission standards for the system — requiring applicants to get a score of at least 800 on the SAT — ensuring that unqualified students didn't enter school. Yet a new pilot program, which Ross supports, would allow

three schools experiencing enrollment declines to back off from the standard. The schools would rely more on the high school grade point average — just as the State Board of Education has eased grading standards, a move that could lead to the admission of students ill-prepared for college-level work.

Ross continues to express confidence that Elizabeth City State University, which has seen enrollment plummet, can continue in its current structure. While Ross helped school administrators reduce expenses, any suggestion of significant restructuring, such as making the school a branch of East Carolina University or merging it with a community college, has been ignored.

While Ross was not involved in UNC-Chapel Hill's "no-show classes" scandal, he must take responsibility for bringing in as chancellor a provost from a small Ivy League college who was unaccustomed to big-time athletics and who probably thought the problems were over when she arrived. In some respects they had only begun, and while Chancellor Carol Folt has begun to take control of the issue, there were some missteps early on.

Despite the shortcomings of Ross' presidency, his fifth and final year as president still allows him to champion meaningful changes and leave a positive legacy. Ross' fundamental abilities (shown by his previ-



ous management and negotiating experience) should be applied to turning the great ship of the University of North Carolina around.

Over the next year he could do the following:

1. Encourage transparency — beginning with the UNC Board of Governors. Instead of burying the board in paperwork that promotes the General Administration's and universities' sometimes narrow agendas, he should listen to board members' concerns and respond with relevant information in a timely, thorough manner.

2. Encourage transparency — for the student and public. The Pope Center long has proposed that syllabi of all courses be posted online, as is done by Fayetteville State University. Such publication is good for students, for the public, and for administrators, who should know what faculty members are teaching. Ross also should add more information to the UNC system's website, such as the amount of money spent on professors versus administrators.

3. Work with the Board of Governors to change the method of state funding. The current funding formula encourages enrollment increases — increases that are often achieved by admitting academically weak students. Instead, the formula should be based on metrics that reward the school for solid achieve-

ments, such as stronger learning outcomes (see suggestion 5 below) and financial efficiency.

4. Improve the quality of UNC's education schools. A recent report from the National Council on Teacher Quality, as well as UNC's own studies, show that UNC education schools are not producing teachers adequate to their task. The problems have been known throughout Ross' tenure, but so far no change has occurred. At the very least, the schools should set higher standards for admission.

5. Have an annual systemwide student learning assessment in place before leaving in 2016. While employers and taxpayers want to know what students have learned, the university system has backslid on requiring assessments of student learning.

6. Take a truly innovative approach to declining enrollment. Perhaps nothing would enhance Ross' reputation more. For example, he could set up a commission to look at restructuring some schools and combining the functions of others. This is far from impossible; the university system in Georgia has created five new schools through mergers and is working on one more.

Tom Ross will have a strong legacy if he embraces reforms and works cooperatively with the Board of Governors and the legislature to meet the needs of students and citizens. CJ

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

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From the Liberty Library

• Every American knows the old World War II saying “loose lips sink ships” — but ex-Navy SEAL sniper Scott Taylor believes today’s leaders have forgotten it. After serving his country for eight years and watching brave comrades die, Taylor came home to a White House that leaks sensitive intelligence information whenever politically expedient. Now, on behalf of all the men and women in uniform whose lives are in jeopardy, in *Trust Betrayed*, Taylor is speaking out. Learn more at www.regnery.com.

• There is an underserved movement budding among conservatives, in which fiscal responsibility, constitutional obedience, and controlled government spending remain crucial tenets, but issues like gay marriage and drug control are approached with a libertarian bent. In *The Conservatarians Manifesto*, *National Review* writer Charles C.W. Cooke engages with the data and the philosophy behind this movement, applauding conservatarianship as a force that can help Republicans mend the many ills that have plagued their party in recent years. Conservatarians are vexed by Republicans’ failure to cut the size and scope of Washington, D.C., while being critical of some libertarians for their unacceptable positions on abortion, national defense, and immigration. They applaud conservatives’ efforts to protect Second Amendment rights — efforts that have recently been wildly successful — but they see the War on Drugs as an unmitigated disaster that goes against everything conservatives ought to value. In this book, Cooke shows the way back to a conservatism that favors the smallest minority of all: the individual. For more, visit www.randomhouse.com.

• America is a sports nation. “Monday Night Football,” March Madness, Opening Day — the tradition of sports watching has become as treasured an American past time as the tradition of playing sports. But has sports media become infected by the same political correctness that has taken over the rest of the media? In *Bias in the Booth*, sports radio host Dylan Gwinn looks at the questionable politicking of major networks like ESPN and NBC Sports, revealing how the mainstream sports media has become more interested in Michael Sam’s sexuality, Tim Tebow’s “preaching,” and bullying in the locker room than sports itself. For more information, visit www.regnery.com. CJ

Book review

Stonewalled a Chilling Tale of Government Snooping

• Sharyl Attkisson, *Stonewalled: My Fight for Truth Against the Forces of Obstruction, Intimidation, and Harassment in Obama’s Washington*, Harper, 2014, 422 pages, \$27.99.

BY LLOYD BILLINGSLEY
Contributor

Many Americans understand that for the most part the old-line establishment media, especially the television networks, serve as faithful echo chambers for the Obama administration. Former CBS investigative journalist Sharyl Attkisson brings more detail to that story in *Stonewalled*, a timely and courageous book that delivers a lot more than it promises.

Many readers may be surprised to learn that CBS News president David Rhodes is the brother of Ben Rhodes, a top national security adviser to Obama and up to his eyeballs in the Benghazi scandal. As the author notes, CBS hasn’t exactly been up front about that connection. Likewise, Joel Molinoff came to CBS after serving the Obama White House as director of the president’s Intelligence Advisory Board, and before that Molinoff worked for the National Security Agency. CBS also hired Mike Morell, formerly a deputy director at the CIA and a major figure in the Benghazi scandal. So CBS stories on that theme and others such as Obamacare, as the author explains, might as well have been written by the White House.

That was not true of Attkisson’s stories.

In *Stonewalled* she outlines her work on “Fast and Furious,” a government operation intended to back the administration’s belief that American guns cause violence in Mexico. The administration did this by forcing U.S. gun dealers to sell weapons to dangerous criminals, known as letting the guns “walk.” The existence of the program was denied by Bureau of Alcohol, Tobacco, Firearms, and Explosives bosses, who used taxpayer-paid public relations flacks to attack Attkisson personally rather than refute her reporting.

In the author’s experience, many establishment journalists believe the motives of government are always good, and with Obamacare they tended to accept information from the government at face value. Attkisson is not one of those journalists. She documents how the Obama administration’s healthcare.gov website was riddled with “giant security holes.” The establishment media passed that off as a mere “glitch,” and as with anything they don’t like, criticism was dismissed as a “Republican story,” “right-wing,” “conservative,” and so forth.

Attkisson has been around too long to accept the idea that the 2012 attack on the U.S. diplomatic compound in Benghazi, Libya, that claimed four American lives, including that of ambassador Christopher Stephens, was prompted by an Internet video. That was the line repeated by the president, Secretary of State Hillary Clinton, and designated mouthpiece Susan Rice. As the author notes, Rice and her boss, Thomas Pickering, were in the State Department in 1998 when Islamic terrorists bombed U.S. embassies in Ke-

nya and Tanzania, resulting in massive loss of life. Hillary Clinton was then first lady and also well aware of the dangers terrorists posed to U.S. diplomats in Africa. Trouble is, in 2012 that knowledge went counter to the narrative that the Obama administration had terrorists on the run. So they left American diplomats unprotected, failed to send help, and deployed the video cover story.

Attkisson packs four pages with administration claims and countervailing facts. She also deconstructs Hillary’s account in her memoir *Hard Choices*, and recalls that the secretary of state told a relative of one victim that “we’ll find who made that awful video.” Writes Attkisson: “Why not say we’ll find whoever killed your loved one?” But as the author learned, being unkind to Obama’s designated successor, and less than worshipful of the president, has its own special reward.

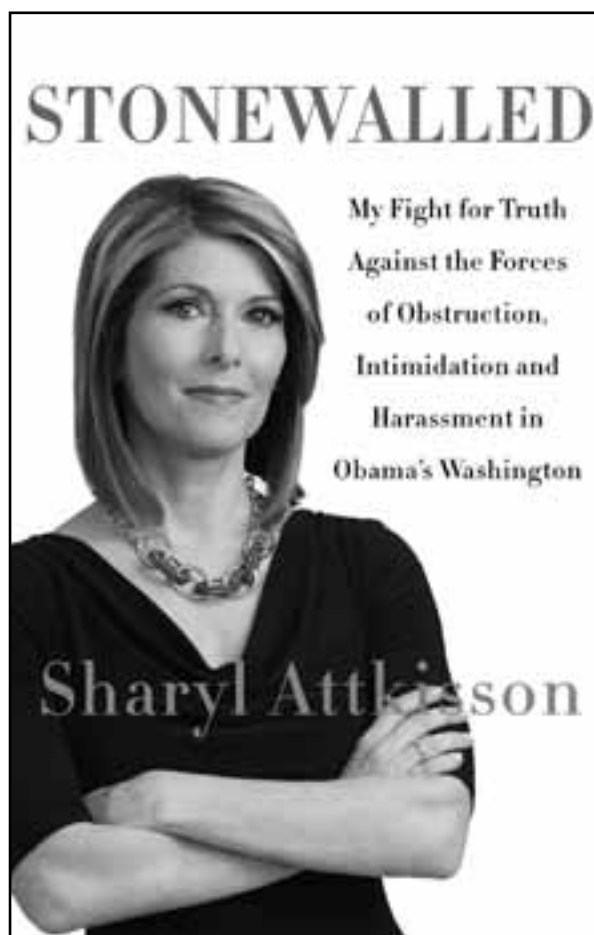
Attkisson describes working at her computer when something took over and began wiping out material. She had the presence of mind to grab her phone and shoot a video. She learned that her computer had been infiltrated using spyware proprietary to government agencies such as the CIA, FBI, and NSA, which now are conducting surveillance against all Americans. She also found the intruders planted classified information on her computer. That added “the possible threat of criminal prosecution” to the author’s list of delay, denial, obstruction, intimidation, retaliation, bullying, and surveillance from the supposedly transparent Obama administration. The back story here is quite remarkable.

The Obama administration has transformed U.S. intelligence and law enforcement agencies into a force reminiscent of East Germany’s Stasi security agency, deployed on the domestic scene. CBS has become one of their false-flag operations, but Attkisson failed to play along. She notes that U.S. snoops had information on the Tsarnaev brothers but did

nothing to stop their deadly Boston Marathon bombing mission. She might also have cited Fort Hood mass murderer Nidal Hasan. Government snoops also had Hasan’s emails to terrorist bosses but made no move against him. The administration believed a persistent journalist such as Sharyl Attkisson required government action, aided by a massive taxpayer-funded attack machine with powerful assets in the media. The author provides a roster of the players.

In the early going, Attkisson quotes leftist icon Noam Chomsky, who said, “the U.S. media do not function in the manner of the propaganda system of a totalitarian state.” But *Stonewalled* makes it clear that, at present, they do, echoing government propaganda and attacking those who challenge government power with facts. In these conditions, one can well imagine what action might be taken against some insider filling in the blanks on everything we still don’t know about President Barack Obama.

Stonewalled is not that book, but this important work does confirm that the federal government of the United States is now acting in a totalitarian manner. That is of major concern, and not just for journalists. We’re all Sharyl Attkissons now. CJ



Self-Help Efforts in Black Communities Not Stifled by Segregation

Self-help efforts are fascinating and laudable stories. A particularly interesting one is how, in an age of *de jure* segregation, charitable and creative African-Americans were agents of change in their communities and were able to alleviate various economic and social problems.

Although African-American churches had existed before the Civil War, the majority of blacks started their own churches and denominations during Reconstruction. In these houses of worship, congregants had more freedom of religious expression and leadership opportunities. The church also served as a central point of the African-American community and functioned as a charitable organization. Many congregations encouraged and supported education and literary efforts while some started missions for the disadvantaged and homes for the elderly and orphaned.

The growth of mutual aid

societies coincided with the expansion of black churches. Young Mutual Society of Augusta, Ga., for instance, offered insurance to members who paid weekly dues. Insurance companies soon grew out of such efforts. In Durham, for example, seven African-American entrepreneurs started North Carolina Mutual and Provident Association. Its name later changed to North Carolina Mutual Life.

Charitable African-Americans also pooled their money and formed institutions to meet community needs. In such fashion hospitals and orphanages — to name two examples — were started. In 1896, North Carolina African-Americans raised enough money to help start and maintain the Pickford Tuberculosis Sanitarium in Southern Pines. The sanitarium charged in advance and could treat up to 30 patients. To meet the needs of homeless and dependent African-American children, the Rev. Augustus Shepard had an idea: start an orphanage that later became known as the Central Orphanage of North Carolina. The idea became a reality in 1882, when the Colored Orphanage Association was formed. A year later the association purchased a 24-acre farm in Oxford.

During the late 1800s and early

1900s, the growth of fraternal orders coincided with the aforementioned charitable efforts. The more popular ones were the Masons and the Odd Fellows.

The genesis of African-American freemasonry was in 1775. Abolitionist Prince Hall and 14 other Bostonians joined an English army lodge that year, and after the Revolutionary War, his and other black lodges separated from the Grand Lodge of England. After the Civil War, Prince Hall Freemasonry lodges started forming all across the South as well. In North Carolina, a Grand Lodge, comprising lodges in New Bern, Fayetteville, Wilmington, and Raleigh, was formed in 1870. Joseph Hood, an A.M.E. bishop in New Bern, was elected grand master.

These fraternal organizations complemented the mutual aid societies. Some assistance programs included donations for members' medical expenses, short-term financial aid for those experiencing financial troubles, and benevolence plans for widows of former members.

In the early years, membership included mainly the elite in African-American communities, but in time more from the middle and working classes joined. In North Carolina,

membership expanded to include women, albeit in a separate branch with male leadership. In 1870, an Order of the Eastern Star for blacks was formed. According to historian Angela Hornsby-Gutting, these female branches "served as an adjunct or auxiliary to Prince Hall masonry."

By 1910, there were 3,336 Prince Hall lodges in the United States, and almost 78 percent of them (2,600), with approximately 150,000 members, were located in the South. Much to the surprise of many, membership continued to increase during the first 30 years of the 20th century, particularly North Carolina, which saw significant growth. For instance, 2,037 North Carolinians filled the ranks of 90 lodges in 1900. Ten years later, membership swelled to 10,000 in 358 lodges. Black freemasonry membership did not decline until after the Great Depression and during the New Deal.

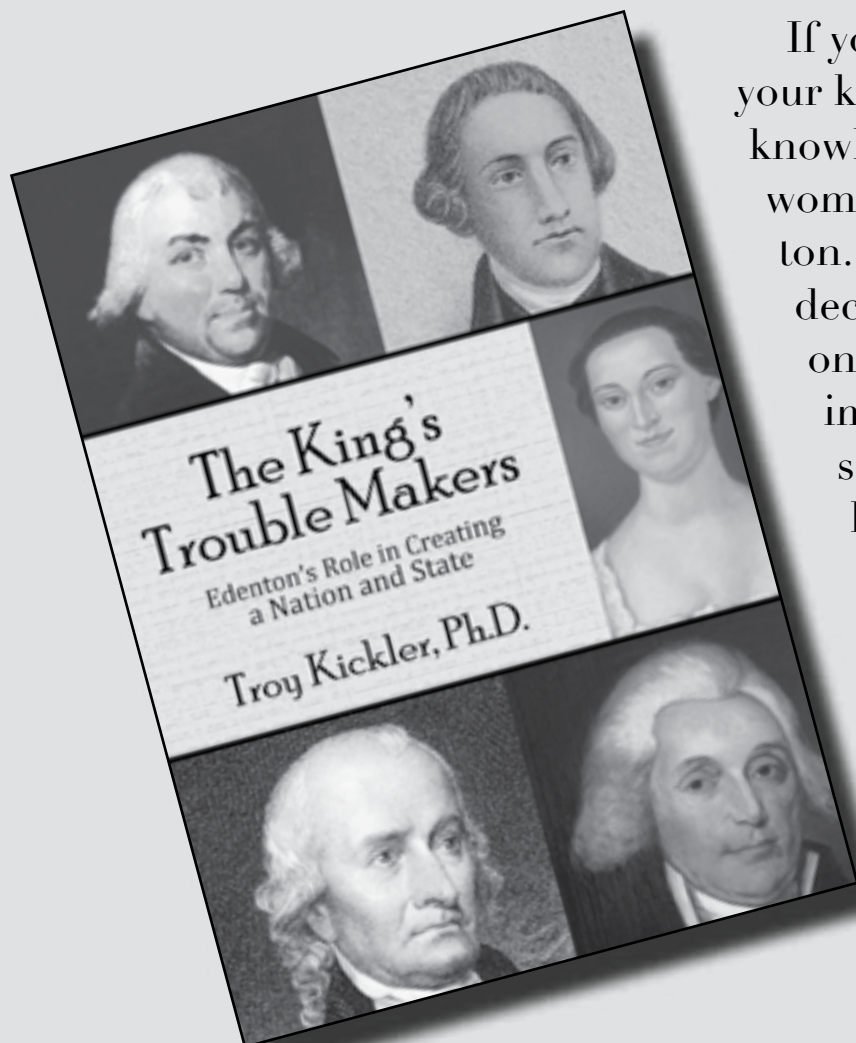
These efforts show that even the oppressive nature of segregation could not stifle the universal desire to help one's fellow man in times of spiritual or financial need. CJ

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



**TROY
KICKLER**

BOOKS BY JOHN LOCKE FOUNDATION AUTHORS



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

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

Go to northcarolinahistory.org for more information.

Movie review

Eastwood's 'American Sniper' Returns Fire at Hollywood's Leftists

• "American Sniper," directed by Clint Eastwood, Warner Brothers, 132 minutes, released Jan. 15.

By LLOYD BILLINGSLEY
Contributor

Long before he produced and directed "American Sniper," Clint Eastwood played detective Harry Callahan, who tells the mayor of San Francisco that the murderer he seeks will kill again. "How do you know that?" says the mayor. "Because he likes it," Callahan says. The 1971 "Dirty Harry" was the first movie to talk back to liberalism, then preoccupied with the rights of violent criminals. A similar dynamic is at work in "American Sniper."

The film shows the modern U.S. military engaging the sort of people they actually fight these days, as opposed to such Hollywood favorites as Nazis, neo-Nazis, neo-fascists, and white supremacists. Even so, the script does sanitize things more than a little bit. Viewers see the 9/11 attacks and hear a news broadcast about the bombing of the U.S. embassies in Tanzania and Kenya, but the term "terrorist" is missing in action. The venue is Iraq, and the enemy are insurgents, extremists, and militants but never are called Muslims or identified with Islam, apart from a few references to the Koran.

They don't self-identify, shout "Allah is great!" or denounce the United States as the Great Satan. The U.S. soldiers routinely call the enemy "savages," and that proves authentic. One, known as "The Butcher," dismembers people and tortures children with an electric drill. The Butcher gets some threatening lines of dialogue, but the chief villain, the elusive sniper "Mus-

tafa," remains as silent as Rudolf Valentino.

"American Sniper" is openly patriotic and unapologetic about the U.S. military fighting in Iraq, both frontal attacks on the Hollywood Left, which believes America is bad and capitalism evil — except for the part of capitalism financing their three-picture deals, Mercedes-Benzes, and Malibu mansions. The patriotism comes through the hero, Chris Kyle (Bradley Cooper), who acts on his belief that the United States is the "greatest country on Earth." The film shows the young Kyle hunting with his father, and the family in church, and both come across as positive experiences, violating more Hollywood taboos.

Kyle leaves his fun career as a cowboy to sign up with the SEALs, who put him through rigorous training and pack him off to sniper school. He meets his future wife Taya (Sienna Miller) in a bar, so as legendary film critic Pauline Kael might say, this is in part a "kiss kiss" movie. But soon Kyle is off on his first tour of duty to Iraq, where he becomes "The Legend," picking off the enemy. At one point he has to shoot a child and a woman about to hurl a grenade at Kyle's fellow soldiers. It pains him to do this, but toward the end of the story Kyle makes it clear that his greatest regret is

the ones he didn't get, those killing his fellow U.S. soldiers. That also breaks some Hollywood taboos.

American filmmakers are normally big on homage, and "American Sniper" might have mentioned Chuck Mawhinney, a Marine with 103 confirmed kills who took down 16 enemy soldiers in a single engagement. Of course, that was in Vietnam, where Hollywood has cast the USA as the permanent villain and U.S. soldiers as wackos.

The "American Sniper" combat scenes are crisply directed and about as realistic as it gets. Kael might say on one level it is a "bang bang" movie, consistent with Eastwood's long experience. There is nothing glamorous about house-to-house combat, with sudden death lurking around every corner. "American Sniper" does not shy away from the toll such combat takes on the soldiers, shown taking bloody hits, absent limbs, and in surgery.

Chris Kyle must deal with this, as Taya remains stateside with their son and daughter. They stay in touch by phone, even when Chris is drawing a bead on the bad guys, something Sgt. York couldn't do. Through it all Chris remains someone the audience will like, and a genuine American hero to boot.

Back in Iraq, the insurgents have put a price on Kyle's head, and Musta-

fa is running up his kill count. The U.S. soldiers will have to take him down, and Kyle is the man for the job. Few viewers will be surprised at the outcome. Kyle makes a dramatic narrow escape and returns stateside, where Taya and family await, along with other perils, as "The Legend" discovers.

Audiences have been cheering, and the movie finds favor with critics. Cooper and Miller may bag Academy Awards, but one doubts "American Sniper" will win best picture or Eastwood best director. The industry doesn't like it when anyone, however famous or talented, challenges their prejudices and waves the American flag.

Mercifully, not a single politician speaks or appears in "American Sniper," but national leaders may derive some benefit from the story. The film hit theaters shortly after terrorists mounted a deadly military operation in Paris. Eastwood, 84, knows that the bad guys are still out to kill Americans because they like it. So odds are that such attacks will take place in American cities.

As Eastwood's film shows, even with all the military spending, intelligence, and high-tech weaponry, victory in key engagements may hinge on one brave man who can shoot straight from distance. So future Chris Kyles doubtless will be needed on the home front. "American Sniper" may inspire them to step forward and volunteer, even under a commander in chief who, like the film, fails to identify the adversary precisely. CJ

Lloyd Billingsley is the author of Hollywood Party: Stalinist Adventures in the American Movie Industry (Event Horizon Press).



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Book Review

Staddon Snuffs Out Arguments about ‘Societal’ Harms of Smoking

• John Staddon, *Unlucky Strike: Private Health and the Science, Law, and Politics of Smoking*, University of Buckingham Press, 2014, 136 pages, \$26.95.

BY GEORGE LEEF
Contributor

RALEIGH

Everyone knows that smoking is irrational, a form of slow suicide for the smoker that also causes health problems for anyone who is exposed to their smoke.

And we know that anyone who would question those truths must be a shameless tobacco industry flack.

To challenge — indeed, refute — the above beliefs, we have *Unlucky Strike* by Duke University neurobiology professor John Staddon. In this book, he shows that the conventional wisdom about smoking is almost completely mistaken.

Staddon is neither an industry flack nor an apologist for smoking. He’s a scientist who can’t tolerate the misuse of science and specious arguments that anti-smoking zealots use to get their way.

His first target is the belief that smoking is a societal issue. “Quite apart from any supposed ‘rights’ of smokers, smoking is not in fact bad for the common good. Smoking is a private health problem, not a public health problem,” Staddon writes. Anti-smoking advocates will declare that statement to be nonsense because there’s proof that smoking lowers life expectancy, which certainly makes it a social, public health issue.

That conclusion doesn’t follow from the premise, Staddon argues. A longer lifespan may be better for each individual (or maybe not — people

make many trade-offs that might decrease their longevity), but the abstraction called “society” is not necessarily better off just because the people who comprise it are living longer.

I think he’s right in saying that longevity shouldn’t be regarded as an absolute value and must “be weighed against other values and other costs and benefits.”

What about all the added health care costs that smokers impose on society — costs of treating them and also nonsmokers who are victimized by second- and even third-hand smoke?

This is the biggest weapon in the anti-smoking arsenal, but Staddon shows that smoking does not in fact add to total medical costs. The problems smoking causes are mostly “fast-acting killers” that reduce the much greater costs of lengthy treatment for other, inevitable health problems.

Smokers are making a trade-off — an increased risk of severe medical problems at an earlier age in exchange for the enjoyment they get from smoking. The latter point almost always is overlooked by those who want to stamp out smoking. Many smokers report that they find it relaxing and that it helps them concentrate. Nonsmokers may believe that smokers shouldn’t make that trade-off — that smokers should share the values of nonsmokers — but the argument that smokers impose big medical costs on the rest of

society is mistaken.

As for the health damage to others from passive smoke, that’s an even weaker reason for the crusade against smoking. Some “research” purports to prove that passive smoke is harmful, and the claim that there is “no safe exposure level” to such smoke has become part of the conventional wisdom.

Staddon argues that this so-called research is nowhere close to being real scientific proof that passive smoke causes health problems because it amounts to nothing more than correlations. Referring to a much-publicized report on how second-hand smoke hurts children, he writes, “Basically, what these guys did was trawl through government data on more than 4,000 children looking at everything they could think of and then analyzing the data to death until they found something publishable — like more bad news about smoking.”

He is similarly disdainful of the widely accepted statement that there is no safe exposure level to smoke. There is no scientific evidence for that claim, and, Staddon points out, it’s impossible to see how such an assertion ever could be proved. Human beings, he observes, have lived with some smoke in their environments since the beginning of time, so it’s just not credible to maintain that we must now go to extraordinary lengths to get rid of every wisp of tobacco smoke.

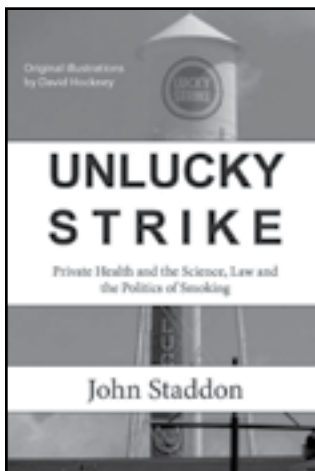
The anti-smoking crusaders have taken to the courts in search of like-minded judges to advance their cause, and have met with much success. Staddon tears great holes in one especially disturbing ruling by U.S. District Court Judge Gladys Kessler, who went so far as to find tobacco companies guilty of criminal racketeering merely because they have contended in public that the harms posed by secondhand smoke and low-tar cigarettes are lower than those of smoking high-tar cigarettes.

We’re in a bad way when the First Amendment no longer protects firms that dare to disagree with the beliefs of health zealots.

Staddon’s penultimate chapter examines the ugly politics and economics of the Master Settlement Agreement between states and tobacco companies. It was finalized in 1998 after the attorneys general of many states linked arms to make the tobacco companies an offer they couldn’t refuse. Until the mid-1990s, tobacco companies had won every lawsuit brought against them on the grounds that smokers knew and accepted the risks. But after an anti-tobacco judge threw out that defense, the companies decided that they’d be better off if they agreed to the MSA.

The deal extorts huge amounts of money from the tobacco firms, paid to the states to be used however the politicians see fit. It also protects the firms from any competition, so they can raise prices.

Takeaway message: Smoking, like many other things, isn’t healthy, but it’s much worse to let moralists and crusaders hijack science and government policy in their quest for the perfect society. CJ



BOOKS AUTHORED BY JLF STAFFERS



By John Hood
President of the
John Locke Foundation

Selling the Dream Why Advertising is Good Business

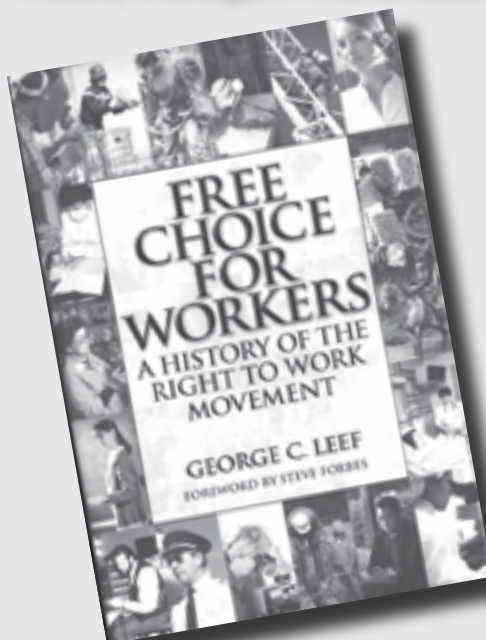


“[Selling the Dream] provides a fascinating look into the world of advertising and beyond ... Highly recommended.”

Choice
April 2006

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Free Choice for Workers: A History of the Right to Work Movement



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COMMENTARY

Good News From Falling Gas Prices

As of this writing, the price of gasoline in the Raleigh area has reached lows of less than \$2 a gallon, and many states are seeing prices lower than that. Globally, in the last year, the per-barrel price of oil has fallen from more than \$100 a barrel to about \$45 with the arrow pointing downward.

For an economy that — due to higher taxes, the costs of Obamacare, and crushing new regulations — has struggled to recover from a recession that technically ended

more than five years ago, this is great news. And the real reason for this is not the Keynesian mantra that a lower price “puts more money in people’s pockets” or “boosts spending,” which, of course, it does, but because it dramatically lowers the cost of producing goods and services hit hard by the current administration’s policies.

Gasoline and other petroleum-based fuels are an input into every production process everywhere, some more than others. For example, agriculture — from planting and harvesting to feeding and maintaining livestock to transporting agricultural products, sometimes from one part of the country to the other or around the world — is fuel-intensive. The U.S. Department of Agriculture describes agricultural production as “sensitive to energy costs” and notes that “higher energy-related production costs ... generally lower agricultural output, raise prices of agricultural products, and reduce farm income.”

The opposite is also true. Lower energy costs will result in greater output, higher farm income, and lower food prices. This is welcome news in an inflationary environment in which food prices have been increasing at more than twice the inflation rate in general.

This relationship between lower oil prices, increased productivity, and lower overall prices is not only true of agriculture but also of industries across the economy. These prices affect not only gasoline and energy purchases but also the cost of all petroleum-based prod-

ucts, many of them an integral part of production activities — plastics and chemicals immediately come to mind. The lower the costs of these inputs, the lower the costs of production across the board, the greater the increase in output and job growth, and the lower the prices for consumers.

So while the argument that people are better off because lower gas prices leave them with more to spend on other things is true, the fact is that those other things

also are likely to cost less because of the supply-side effects of lower oil prices generally.

But a person exposed only to analysis of cheaper oil and gasoline from the mainstream media would think that these lower gas prices cause nothing but misery. Suddenly, a media that, over the years, has assumed the oil industry had the power to raise prices at will and was earning

exorbitant profits (never true) suddenly seems to believe that as goes Big Oil, so goes America.

My favorite reporting on lower gas prices comes from the Fox affiliate in New York City. The story seems to recognize that lower prices are good for the economy, but with one small caveat: They will kill people. The headline reads: “Low gas prices: good for economy, bad for road safety.” The story concludes with the following:

“But lower gas prices aren’t all good news for drivers, according to a recent study. A sociologist found that a \$2 drop in gasoline price can actually translate into about 9,000 more road fatalities a year in the United States. Professor Guangqing Chi said when the economy does well, people tend to drive more. Studies show an association between a good economy and traffic crashes.”

Who knew? Poverty and unemployment save lives. I guess there’s a cloud surrounding every silver lining. CJ

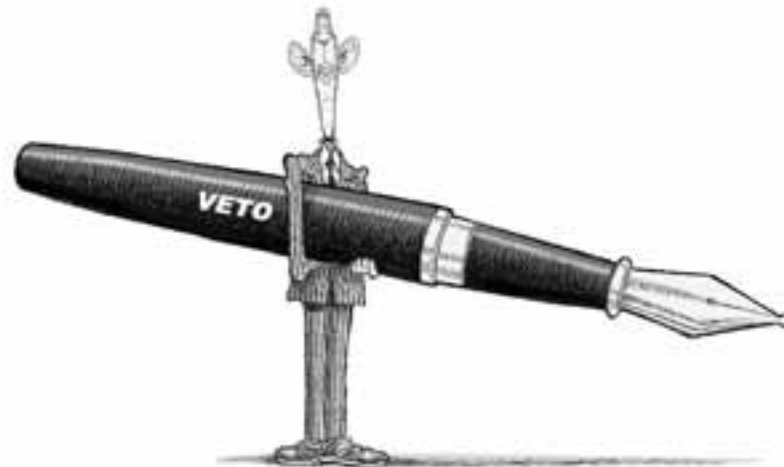
Roy Cordato is vice president for research and resident scholar at the John Locke Foundation.



ROY
CORDATO



THE GENERAL ASSEMBLY COLLECTION
CERREL



LITTLE MAN WITH A BIG PEN

EDITORIAL

Tax Credit Should Be Left to History

Gov. Pat McCrory has become a dogged champion for resuming state tax credits to developers that restore and renovate historic buildings. But his energy and zeal would be better invested in other concerns, for at least two reasons: The tax credits undermine the principled foundation beneath the tax reforms passed in recent legislative sessions; and legislative leaders have shown scant interest in reviving this carve-out in the tax code.

For the record, we see no justification for compelling state taxpayers to subsidize the preservation of historic properties in particular cities. If some of these buildings need to be renovated to guarantee the structural integrity of nearby properties or to prevent threats to public health and safety, then local taxpayers (or even better, private investors) should assume those costs.

In last year’s legislative session, the General Assembly wisely allowed the state tax credit for historic preservation (and a separate credit for movie production costs) to expire. These credits “sunset” as part of a significant tax reform package, highlighted by single rates for personal and corporate income taxes — replacing the previous tiered, “progressive” code — and elimination of the historic preservation credit, the film production credit, and a host of other exemptions.

The idea is to treat income similarly, no matter how it’s generated, and wean state policymakers from using the tax code to pick winners and losers.

The purpose of the tax code should be to raise revenue for government services — period. Its function

shouldn’t be to redistribute income, favor certain personal behaviors over others, or force taxpayers to become venture capitalists or industry financiers.

To the extent that lawmakers stick targeted tax incentives into the personal or corporate income tax, that raises the marginal tax rates necessary to raise roughly the same amount of revenue. That’s true even if you assume some feedback loop of revenues from business attracted to the state by the incentives. Higher tax rates discourage work, savings, investment, and entrepreneurship across the economy.

Moreover, tax credits are less transparent than on-budget grant programs. The public is better served when spending is clearly spelled out in annual budget documents, where it can be evaluated against alternative uses of the dollar.

Our preference would be to eliminate such tax-funded incentives entirely. But if political pressures make that impossible, local governments could create discretionary grant programs for those projects. Virtually all of the potential benefits of a renovation project accrue to those who live, work, or sell goods and services in the community, so it makes sense for any subsidies to derive from local property and sales taxes.

It’s best to keep the tax code clean, even at the expense of cluttering up the budget with grant programs. Paying taxes should be as easy as possible. Obtaining government grants, on the other hand, should be challenging enough to separate the wheat from the chaff — and fully disclosed from application to final report. CJ

EDITORIALS

No Silver Bullets

School woes aren't like werewolves

Because of the tremendous benefits conferred by better education, it would be great if policymakers knew precisely what silver bullets to fire to eliminate obstacles to higher achievement.

But obstacles to achievement aren't werewolves. They are complex and deeply rooted, not simple and fictional. Unfortunately, far too many political discussions of education reform turn into debates about how best to cast silver bullets.

Some years ago, the magical ammunition of choice was the idea of making schools smaller. It attracted media attention, foundation funding, and political momentum. There was some early research support for the cause, which also seemed like common sense: Smaller schools would be easier to manage and differentiate, allowing more innovation and individualized instruction.

Like so many other education-reform fads, however, policymakers let a few successful cases and a plausible theory displace critical thinking and patient evaluation. States and districts across the country hurried to break up existing schools and found new, smaller ones. The results proved to be mixed and, in many cases, disappointing.

It turns out that, yes, some students thrive in smaller schools. Some principals and teachers also do their best work in smaller schools. But

smaller schools may lack the scale necessary to justify the high-level courses that challenge the gifted or the extracurricular programs that keep some students excited about school.

Over the past quarter-century, scholars have published some 100 peer-reviewed studies in academic journals exploring the relationship between school size and student performance. In a third of the studies, smaller schools were associated with higher achievement. In half of them, there was no statistically significant relationship between school size and outcomes. In the rest, smaller schools were linked to lower student achievement.

Policymakers shouldn't discard the silver bullet of small schools in search of a new silver bullet. They should approach the problem differently. After setting rigorous standards and ensuring that there will be independent assessments of student performance, they should then largely get out of the way and let districts, schools, and educators make their own choices about operational matters.

About two-thirds of peer-reviewed studies find a statistically significant link between the degree of school autonomy and student outcomes. Some autonomous schools choose to keep total enrollments low. Others don't. As long as they get results, who cares? *CJ*

Another UNC Lawsuit

Race-based admissions in the crosshairs

Another wave of bad publicity and legal questions isn't what the University of North Carolina at Chapel Hill needs. But that's exactly what the school is getting, thanks to its longstanding and troubling use of race as a major factor in admissions.

In November, a group called Students for Fair Admissions filed lawsuits against UNC-CH and Harvard University for using racial preferences to deny admission to highly qualified Asian and white students whose average test scores and grades were significantly higher than those of students admitted via the preferences.

SFFA and other critics argue that, given recent Supreme Court precedent, the use of race-based decisions is subject to "strict scrutiny." In other words, universities have to prove that they can't pursue diversity by race-neutral means.

Since the initial wave of racial-preference lawsuits in the 1990s, a number of schools have eased their preferences in favor of such strategies as accepting all applicants ranking in the top 10 percent of their high school classes. It turns out that the resulting student bodies are about as diverse as those produced by inserting race consciously into the mix.

In fact, UNC-Chapel Hill leaders know how such a policy likely would affect their campus, thanks to a 2012 study. If a "top 10 percent" rule had been in place, the share of UNC-CH students who were neither white nor Asian would have been about 16 percent, compared to the 15 percent share that actually occurred in 2012.

If our goal is to diminish the role that race plays in decisions in government, business, education, and other institutions, then the sooner we stop basing decisions on race, the better. *CJ*

COMMENTARY

Read Tax Claims With Skepticism

I don't exercise my editorial muscles as much as I used to, and even when editing was part of my daily routine, I was never as tough on my writers as I probably should have been. To the extent I succeeded, however, it was because I am by nature a skeptical person. Writers ought to be skeptical, too, but often they aren't. Editors must be. They must ask such questions as "Who told you that?" and "Did you check the math?"

Editorial skepticism would have served North Carolina print and broadcast outlets well recently as they fell for the same old trick that the Institute on Taxation and Economic Policy has been playing for years with the help of local partners such as the North Carolina Justice Center.

ITEP regularly produces a study purporting to measure the fairness of state and local tax codes. In the latest version, it presented the following breakdown of taxes paid by North Carolinians: 9.2 percent of income paid in state/local taxes by the poorest 20 percent of N.C. families, 9.1 percent paid by the next 20 percent, 9.2 percent paid by the next 20 percent, 8.8 percent paid by the next 20 percent, 7.8 percent paid by the next 15 percent, 6.8 percent paid by the next 4 percent, and 5.3 percent paid by the top 1 percent in income.

Looks positively Dickensian, doesn't it? And it is — by which I mean that it is a fiction, not a dispassionate reporting of facts.

The most obvious untruth here is that the tax burdens ITEP reports concern only state and local taxes. They don't, as ITEP admits (though not prominently). These are burdens after including the value of the federal tax deduction for state and local taxes paid. While it's useful to consider the entire tax picture when assessing tax fairness, ITEP includes only the effect of a federal income tax deduction without including the federal tax liability against which the deduction

is taken. It would be like judging a business a failure by looking only at its costs without comparing them against its revenues.

ITEP can't afford to do the true calculation, however, because it would change the entire story. Federal income taxes are steeply punitive as income rises, and, even factoring in payroll taxes, the federal tax burden as a whole is highly progressive. So when you include all taxes together, the wealthiest 20 percent have tax burdens more than twice as large as a share of income as those of the poorest 20 percent.

Speaking of which, ITEP also skews the calculation by breaking out the top 1 percent of taxpayers — encompassing many people who are in that category only fleetingly, because of large capital

gains — rather than simply using quintiles. Notice that ITEP doesn't compute tax burdens for the bottom 1 percent or 10 percent, many of whom are marginally attached to the legal work force and bear little

incidence of taxes. What we really ought to use is total consumption per household, including the value of non-cash income such as food stamps, public housing, and Medicaid. Doing so would

change the result radically.

Using only income quintiles and excluding federal taxes produces a far less interesting picture of North Carolina tax burdens by income: 9.2 percent for the bottom quintile, 9.2 percent for the lower-middle, 9.5 percent for the middle, 9.3 percent for the upper-middle, and 8.5 percent for the top. That top quintile, keep in mind, pays a disproportionate share of the federal taxes that fund lots of state and local spending.

What is required, if we desire a sensible discussion of tax policy, is that North Carolina's editors rediscover the virtue of skepticism. *CJ*

John Hood is chairman of the John Locke Foundation.



JOHN HOOD

What we really ought to use is total consumption per household

MEDIA MANGLE

*Misleading
By Omission*

Any reporter or editor can tell you that when you're writing a story or a column you are constantly weighing what to put in and what to leave out.

When I edit stories in *Carolina Journal* for length I'm always looking for something to take out that has no effect on the gist of the story, that doesn't hold back critical information from the reader, change the arc of accuracy, or leave a false impression.

What I'm trying to impart to you is that this calculus is ongoing, constant, and is not taken lightly.

With that in mind, let's discuss a recent column by *New York Times* columnist Charles Blow.



**JON
HAM**

On Jan. 26, Blow, who is black, wrote a column about a scary incident involving his son, who is a student at Yale University. While walking from the library one evening, Blow's son was approached by a campus policeman with his gun drawn and told to get on the ground.

On Twitter, right after the incident, Blow made clear that he thought this was an incident of a black youth being unfairly "accosted" by police.

As Blow writes later in his column: "This is the scenario I have always dreaded: my son at the wrong end of a gun barrel, face down on the concrete. I had always dreaded the moment that we would share stories about encounters with the police in which our lives hung in the balance, intergenerational stories of joining the inglorious 'club.'"

Blow continues in the column: "I am reminded of what I have always known, but what some would choose to deny: that there is no way to work your way out — earn your way out — of this sort of crisis. In these moments, what you've done matters less than how you look."

In the aftermath of Ferguson, Mo., Blow's language conjured in the reader's mind yet another incident in which an overzealous and possibly racist white law officer had treated a young black male in a biased manner.

But, unlike in his tweets, Blow never in his column overtly makes the Ferguson or the "Black Lives Matter" connection, though that connection is implied in his "how you look" phrase. And he never explicitly asserts that his son was a victim of racism. For the often bombastic Blow this is uncharacteristic restraint, especially on an issue of race.

We learned from Yale authorities a bit later why Blow's column was toned down: The police officer who stopped his son was black. I'm guessing Blow didn't know this when he took to Twitter, but he did know it by the time he wrote his newspaper column.

That he left this key fact out of his column could not be an accident. It was a considered choice. That choice was misleading to his readers and called into question his motives. *CJ*

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

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Paying for Infrastructure

My wife recently bought a new car. Well, not exactly "new-new," but "newly used." With her new (to her) car, she is now supercautious about driving it and complaining more about potholes and road cracks.

Dissatisfaction with roads, traffic, and congestion is common. The latest statistics show some challenges for North Carolina's transportation infrastructure. Over 60 percent of the state's urban highways in the Interstate system are considered congested, and 30 percent of the state's bridges are reported to be deficient.

Part of the reason is that North Carolina is growing; indeed, we are adding people at a rate faster than the nation. The most rapid population growth is in the highly populated metropolitan areas of the state. When more people are packed into the same space, roads and bridges will get more congested and suffer more wear and tear.

There are private costs to an overutilized infrastructure system. If you and I sit in a traffic jam going nowhere, we're using time that could be spent better some other way — sleeping, helping children get ready for school, or working. We're also burning gasoline and going nowhere. And, of course, if we hit a pothole, who knows what damage will be done! Studies suggest all this costs the average car-owning household \$1,700 a year in wasted time and money.

A lack of sufficient infrastructure also can cost a region income in another way. Moving people from home to work and the movement of many inputs and final products — and even services — require roads and bridges. Indeed, when a firm is considering moving to an area, the extent and quality of the local infrastructure is a major factor on its checklist. So insufficient infrastructure can lead to a lack of jobs and income-earning opportunities.

For almost eight decades, roads and bridges have been built and financed mainly as government projects. In North Carolina, the state government

takes the lead. Traditionally, highways have not been financed privately because it has been difficult to restrict usage only to those who pay while generating enough traffic to make the road solvent financially. In the "old days," traffic was restricted by erecting barriers (gates) at road and bridge entry points. Can you imagine stopping, paying a toll, and then restarting every time you changed roads?

North Carolina largely has relied on gas tax revenues to fund road projects. But this model has fallen apart with increasing resistance to gas taxes. Over time, gas tax rates (which are applied to gallons bought) need to rise to keep pace with inflation. Understandably, drivers have become very sensitive to gas tax rates, especially when the price of gasoline was constantly rising. Plus, fuel efficiency has been increasing, meaning drivers can use more road mileage from each gallon of gas. So the gas tax has not been getting the job done.

This is why the North Carolina Department of Transportation's new road plan talks about public-private partnerships to help meet the state's future infrastructure needs. Such partnerships have been used in other states, and there have even been some cases here in North Carolina.

The typical plan is for the state to pay for a portion of an infrastructure project in the normal way — using bonds and then gas taxes or other fees to repay the bonds. The other part of the costs — often a majority — is then financed by a private company. The company also may issue bonds, and those bonds are repaid with earnings the company receives from the project. In the case of a road, these earnings usually take the form of tolls.

Today's tolls aren't the old-fashioned "stop, pay, and go" tolls. Instead they are collected electronically, using sensors imbedded in the roadway to record when a driver enters the road and when the driver exits. No stopping is needed.

Still, many drivers despise toll roads. But the question remains: Can infrastructure be built the old-fashioned way? And if new infrastructure isn't built, do we all pay in some other way? Does the old saying "pay me now or pay me later" still apply? *CJ*

Michael Walden is a Reynolds Distinguished Professor at N.C. State University.



**MICHAEL
WALDEN**

21 Ways to Reform Spending

Shortly after Gov. Pat McCrory's State of the State Address — probably before the end of February — he will follow the requirement in the state constitution to send comprehensive budget recommendations to the General Assembly, beginning the budget process.

North Carolina's economy should continue recovering, with modest but steady growth. The expected state General Fund budget will be in the neighborhood of \$21 billion. Tax reform has spurred economic growth, lower unemployment, and increased state and personal income.

Yet revenue is only half the picture — the other half is spending. Government is more efficient and cost-effective thanks to recent spending reforms. Further spending reforms are needed to ensure state government's core functions are adequately funded, efficient, cost-effective, and fiscally responsible.

Here are 21 suggestions for spending reforms in the 2015-17 General Fund budget:

1) In 2012-13, universities received \$229.3 million in overhead receipts. A report of the latest numbers is due to the General Assembly March 1. All or a portion should be returned

to the General Fund.

2) Last year a 10 percent budget reduction to the Department of Public Instruction resulted in elimination of five full-time and 48 vacant positions in an agency with over 1,100 employees. Every position should be evaluated for its impact on student performance. A 30 percent cut to DPI is realistic.

3) Consolidate community colleges, merge programs for better efficiency and quality, privatize some operations like administrative and custodial services, consolidate work force training programs, and create a joint purchasing consortium.

4) Instead of spending \$1.4 million to equip four school buses per district with safety cameras, contract the service to a private company providing equipment and monitoring. Fund the program from penalties collected.

5) The UNC Board of Governors is looking at 34 of 240 policy and research centers on the state's college campuses. Withdraw taxpayer funding from those not performing a core function of government.

6) Withdraw state funding from any nonprofit unable or unwilling to raise privately at least 25 percent of its operating costs.

7) Eliminate all positions in the Department of Health and Human Services that have not been filled for more than the last six months.

8) Reduce food stamp spending by \$100,000 per year — the average in excess benefits paid over the last three

years. Clean up the program to avoid wasting taxpayer money.

9) Cut General Assembly overhead costs by 10 percent. Set a good example for the rest of state government.

10) Privatize as many Department of Transportation operations as possible, using independent contractors for maintenance functions. Maintain a core group of highway inspectors at the supervisor level, and privatize the others.

11) Take stock of all DOT equipment and machinery. Keep only what is necessary to get the jobs done, eliminate vanity items, and sell the rest.

12) Consolidate or eliminate underused express bus services. Use taxi service to fill the need.

13) Nonprofits pay no sales tax on property and some operating expenses. Hospitals got \$300 million in sales tax refunds last year. Restore an earlier Senate proposal capping sales tax refunds to nonprofits at \$100,000 yearly.

14) Trim the attorney general's budget by 20 percent. If Roy Cooper is not going to defend the state's laws vigorously, his agency can handle a cut.

15) Adopt McCrory's procurement transformation project, promising savings of \$10 million a year. Expand it and save even more.

16) Consolidate Department of Environment and Natural Resources district offices, eliminate duplicative administrative functions, cut redun-

dant field offices.

17) Repeal the waiver giving anyone receiving Medicaid, food stamps, or Work First Family Assistance a free fishing license and require every resident to pay the same \$15 annual fishing license fee.

18) The state spends \$342 million each year to manage operation, purchase, and maintenance of school buses. There's no incentive for counties to find more efficient routes and save money. Introduce incentives for counties to operate at maximum efficiency. Consider the costs and benefits of bus replacement and maintenance rather than a blanket 250,000-mile replacement policy.

19) How many legislative liaisons does each state agency need? More than one per agency sounds excessive. The number of public information officers per agency could be cut, too.

20) Sell Jennette's Pier, the state helicopter, ABC stores, and the zoo.

21) Follow a recent recommendation by State Auditor Beth Wood to consolidate the Board of Opticians with another agency such as the Board of Optometry, saving \$65,000 in rent and administrative costs. Better yet, do away with the licensing of opticians entirely.

This is just a start. Where would you reform spending? Let me know. *CJ*

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



BECKI GRAY

Obamacare Decision Will Not End Debate

Oral arguments are scheduled March 4 before the U.S. Supreme Court in the *King v. Burwell* case, otherwise known as the "Obamacare subsidy lawsuit."

The justices are expected to issue a final ruling in June, but even if the plaintiffs win, they are not asking Obamacare to be overturned. They're asking that the law operate as written.

Basically, the federal health law states that health insurance subsidies can be distributed only through state-based exchanges and not in states with federal marketplaces. Plaintiffs residing in federal exchange states argue that the IRS has overstepped its bounds by shoveling taxpayer money illegally into the 36 states that have established federal exchanges.

If the court strikes down subsidy

distribution in federally established exchanges, more than 10,000 employers, 2.5 million employees, and 400,000 individuals in North Carolina would be exempt from Obamacare's employer and individual tax penalties, but millions of North Carolinians would be subject to the full cost of Obamacare health insurance premiums.

North Carolina laid the groundwork for its own exchange under former Gov. Beverly Perdue, but more than \$70 million in startup grants were returned to the feds once Republicans took control of the legislature.

Despite Republicans' opposition to the federal health law, a recent *New York Times* article by Robert Pear indicates that some GOP legislators, along with attorneys general in many federal exchange states, may be distancing themselves from endorsing King:

Six Republican state attorneys general — in Alabama, Georgia, Nebraska, Oklahoma, South Carolina, and West Virginia — filed a brief agreeing that subsidies were illegal if distributed through the

federal marketplace. ... But 31 states have Republican governors, and most did not file briefs. State-level Republicans were far more involved in the landmark 2012 case challenging the constitutionality of the Affordable Care Act, when more than two dozen Republican attorneys general were plaintiffs.

Will anti-Obamacare North Carolina legislators hold fast to their constitutional principles? Federal exchange states including Ohio and Missouri introduced legislation titled the Health Care Freedom Act 2.0, which would suspend insurers' licenses if they accepted subsidies from the federal government.

The new congressional majority has more opportunities to propose a fix to this unworkable law. Medical care certainly can be more affordable with fewer of the taxes and regulatory requirements Obamacare imposes. And insurance companies can provide competitive coverage for individuals with pre-existing conditions by offering portable, secure, guaranteed renewable policies.

A popular proposal co-spon-

sored by U.S. Sen. Richard Burr, R-N.C., advises the repeal of all 20 of Obamacare's taxes and fees that affect employers, insurance companies, medical device companies, and individuals. Instead, it proposes the liberalization of exchanges so insurers can be more flexible with the products they offer.

Burr's plan also calls for a universal, refundable tax credit to be distributed to individuals as an incentive for consumers to purchase suitable health plans.

However, libertarian critics argue that a universal tax credit merely redistributes taxpayer money. They prefer a tax deduction combined with large health savings accounts. Louisiana Gov. Bobby Jindal's JindalCare plan supports this strategy, and Cato Institute scholar Michael Cannon is fine-tuning his proposal as to what Congress can do.

Stay tuned for more details on this. *CJ*

Katherine Restrepo is health and human services policy analyst for the John Locke Foundation.



KATHERINE RESTREPO

GOP Plan Would Replace Incentives With Crowdfunding (a *CJ* parody)

BY PENN E. STOCK
Investment Correspondent

RALEIGH

Some Republican legislative leaders want to replace North Carolina's business incentive programs with private crowdfunding campaigns.

The proposal, sponsors say, will be introduced sometime in February in hopes of keeping Chiquita Brands from moving its corporate headquarters from Charlotte. The main proponents of the measure are Wake County state Reps. Paul "Skip" Stam and Marilyn Avila, along with Chris Millis of Pender County, all Republicans.

Stam told *Carolina Journal* he had been working for several years on alternatives to tax-funded economic incentives, but in January, when Chiquita announced its plans to leave Charlotte and take 300 jobs with it, he said it was time to roll out a formal proposal based on the crowdfunding model.

Crowdfunding is a fairly new concept allowing individuals hoping to fund a project, a company, or a charity to solicit private funding from individuals, often in small amounts. A moderating organization such as Kickstarter connects the parties through an Internet-based platform. Those providing the funding receive something in return, which may vary from a certificate of appreciation to actual equity in the project.

Chiquita had been lured to Char-



Gov. Pat McCrory is opposed to the use of crowdfunding as a means of luring corporations, preferring instead to impress them in other ways, as he did recently in an effort to keep Chiquita Brands in North Carolina. (CJ spoof photo)

lotte from Cincinnati in 2011. The company received \$22 million in state and local incentives to relocate. Stam said had his crowdfunding initiative been in place at the time, the incentives could have been provided by private investors rather than taxpayers.

"We also could have used crowdfunding to land the Mercedes headquarters," Stam said, referring to Mercedes-Benz USA's January announcement that it was moving its

headquarters from New Jersey to Atlanta. North Carolina was reportedly one potential site for the automaker, but Stam said state taxpayers shouldn't underwrite such moves. "Let the Mercedes lovers fund the Mercedes headquarters, not the taxpayers," he said.

Crowdfunding can be used for almost any business initiative. The owners of Chapel Hill's Varsity Theatre announced in January that they had met their \$50,000 Kickstarter cam-

paign goal with pledges from nearly 800 people.

Avila told *CJ* that crowdfunding could be used to help restore old buildings. The General Assembly allowed the state's historic preservation tax credit to expire in December as part of comprehensive tax reform.

"The folks who are nostalgic for old buildings should subsidize the restorations, instead of making everyone do it," Avila told *CJ*.

Secretary of Cultural Resources Secretary Susan Kluttz said Avila's alternative was unworkable. "There are few people who are willing to fork over \$1,000 or more just to get their name on a plaque," Kluttz said. "We need the government in on this."

Millis also suggested crowdfunding campaigns as a replacement for the movie incentive tax credit program eliminated by the General Assembly.

Stam, Avila, and Millis plan to introduce their crowdfunding initiative as part of broader legislation encouraging small-scale lending.

A spokesman for Gov. Pat McCrory said crowdfunding was not an acceptable substitute for traditional incentives because such private initiatives would not allow his administration to take credit for any new jobs created by the crowdfunding campaigns.

"Job announcements are a large part of what a governor does. Crowdfunding would obscure any ties to our initiatives," he said. *CJ*



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