

What to do on Medicaid presents quandary for legislators/3



CAROLINA JOURNAL

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

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DENR, Commerce Reviewing Stimulus Grants

Hagan solar endeavor and Yancey County projects scrutinized

By DON CARRINGTON
Executive Editor

Officials at two state agencies are reviewing issues raised by news reports on federal stimulus grants made to a Yancey County resident and to relatives of U.S. Sen. Kay Hagan.

In September, October, and November, *Carolina Journal* and other media reported several news stories about a 2010 stimulus grant awarded to JDC Manufacturing, a company owned by U.S. Sen. Kay Hagan's husband and other family members.

And in December, *CJ* reported on a \$378,000 federal stimulus grant made to a Yancey County resident to convert a former blue jean factory into a mixed-use commercial facility. *CJ* is the only news media outlet to report in detail about the Yancey County project.

In a Dec. 18 email to *CJ*, DENR spokesman Drew Elliot confirmed the state-level review of the Yancey Coun-

RALEIGH



This building, which was to house the Mountain Heritage Expo Center in Micaville in Yancey County, and which used to have solar panels on its roof, was being offered for sale when the grant was awarded. (CJ photo by Don Carrington)

ty project. "The Department of Commerce and DENR are working together to look into the issues associated with this grant that have been brought to our attention," Elliot said.

Following the publication of the stories on JDC Manufacturing, DENR Secretary John Skvarla and Commerce Secretary Sharon Decker sent a letter to the state auditor in October asking for help auditing the treatment of all fund-

ing from the American Recovery and Reinvestment Act of 2009, commonly called the stimulus, that was awarded through the State Energy Office.

Melissa Graham, the grant awardee in Yancey County, did not own the 60,000-square-foot facility in Micaville, nor did she have a formal lease for the building. The funds were to be used to develop the Mountain Heritage Expo Center, an entity set up

by Graham.

The money came from the federal government's 2009 stimulus program. The N.C. Department of Commerce managed the grant and awarded funding to the proposed center. The money was handled through the state's Green Business Fund under the direction of John Hardin, executive director of the

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Long-Range Transportation Plan Includes Tolls, Rail

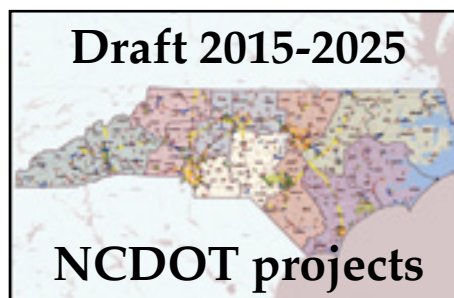
McCrory, Tata unveil draft of 10-year NCDOT proposal

By BARRY SMITH
Associate Editor

RALEIGH

Gov. Pat McCrory and state Transportation Secretary Tony Tata used an early December event to outline new highway construction projects designed to ease bottlenecks and facilitate the flow of traffic.

The plan is subject to the approval of the state Board of Transportation — which will field public comments



on it before a likely vote in June — and the General Assembly could modify funding sources for the projects.

While the governor insisted the proposal was "taking the politics out of road building and transportation," at least two components of the plan will stir some controversy: a light-rail line connecting Chapel Hill and Dur-

ham; and the potential expansion of toll lanes in the Triangle and the Charlotte metropolitan area.

A 17-mile light rail project would run between UNC Hospitals in Chapel Hill and the N.C. Central University campus in Durham, skirting the Duke University campus and running alongside a portion of the U.S. 15-501 corridor. If the proposal wins approval from the transportation board and the legislature, funding would begin in the 2017-18 fiscal year.

Under the tolling proposals, high-occupancy or express lanes eventually would replace the dedicated bus lanes on Independence Boulevard in Charlotte. The 10-year plan also in-

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Budget, Highways, Medicaid Highlight 2015 Session

By BARRY SMITH
Associate Editor

RALEIGH
North Carolina lawmakers will return to the state capital later in January with a lengthy agenda, including taking another crack at Medicaid reform, considering a \$1 billion highway bond, and tackling what recent projections reveal to be a \$190 million revenue shortfall.

Rep. Tim Moore, R-Cleveland, nominated by his caucus to be the next House speaker, said lawmakers also may tweak the tax reform law passed in 2013 and take a look at further regulatory reform.

"I think the most important thing we can do is to enact policies that will protect the jobs we have and bring more jobs to North Carolina," Moore said.

Rep. Nelson Dollar, R-Wake, senior chair of the House Appropriations Committee, said the \$190 million budget gap could change as the fiscal year progresses.

"We still have sales tax numbers that need to come in for the holiday season to see where we are," Dollar said. "And refund numbers on the income tax side will be working in through February, March, and April."

Dollar noted that income tax refunds to taxpayers could be less in 2015 because efforts have been made to make withholdings more accurate.

"As we move into April 15 and we have a better handle on the numbers, I think that we will see that we will be within tolerable ranges where we can make adjustments," Dollar said.

Dollar even put a glass-half-full spin on the revenue shortfall. "The positive side is these are funds that are being retained by our taxpayers," Dollar said. "The money is certainly in the system and working in the private-sector economy."

Lawmakers also could be faced with revisiting an action they took two years ago when they decided not to expand Medicaid under the federal Affordable Care Act, or Obamacare.

Republican Gov. Pat McCrory has indicated he is re-considering whether the state should expand the health insurance system for the poor and disabled. If he does, it could set up a battle between McCrory and Republican legislators.

"I just don't think that there's any support on the Senate side in our caucus to expand Medicaid at this point," said Sen. Harry Brown, R-Onslow, the Senate's majority leader. "We can't control cost as it is."

Brown said the state should reform the Medicaid system before any conversation takes place on Medicaid expansion.

While both House and Senate leaders say they want to see Medicaid reform, they haven't come to a consensus on how to do that. (See related story on page 3.)

Senate leaders want to pull Medicaid out from under the Department of Health and Human Services and place it in a standalone department. They also want to see a man-

aged-care model put in place. House members favor leaving Medicaid under the supervision of the Department of Health and Human Services and maintaining the current fee-for-service system.

"Ultimately, all of the proposals have the same goal, which is to ensure the delivery of the health care services to the population while at the same time doing so efficiently and eliminating the fraud and abuse that tends to be present in the system," Moore said.

Transportation bond

McCrory is expected to propose a \$1 billion transportation bond referendum. During a December announcement of the state's new highway plan, McCrory said he planned to offer more details on the bond referendum sometime in January.

"I certainly think it's something that we should look at," Moore said, adding that both urban and rural areas have unmet transportation needs. He said addressing the concerns of some of the rural areas could help ease transportation problems in urban settings.

Legislative leaders say there could be some tweaking of tax laws during the 2015 session, such as expanding the sales tax base to cover more services. Brown said he'd like to see the local sales tax distribution formula changed so that more money goes to

counties based on their population rather than the location where the tax was collected.

League's contrary agenda

The N.C. League of Municipalities has an ambitious agenda of its own, though many of its goals conflict with those of legislative leaders. The league is supporting legislation restoring film incentives and historic preservation tax credits. The tax credits for the film industry and historic preservation expired in December, and despite appeals from Gov. McCrory, Cultural Resources Secretary Susan Kluttz, and outgoing Commerce Secretary Sharon Decker to extend the special tax treatment, House and Senate leaders prefer

to give the newly reformed tax code — focusing on a flat rate with few exemptions — a chance to settle in.

Brown said that the General Assembly may revisit economic incentives in general during the session. If so, he said, the Senate probably would wait for the House to pass a package before the upper chamber moved.

The league also wants the General Assembly to put on the ballot a constitutional amendment establishing home rule, which would give cities and towns

more authority to enact laws without first getting permission from the legislature. The league is seeking more revenue options to replace the local privilege taxes that are set to expire later this year. In addition, it wants to allow municipalities the option of using electronic legal public notices instead of being required to publish them in a newspaper. CJ



Legislators say
Medicaid reform
should
precede Medicaid
expansion

NCGA Chambers Still Can't Agree on Direction Medicaid Should Take

By DAN WAY
Associate Editor

RALEIGH

The thoroughgoing reforms in Medicaid outlined nearly two years ago by Gov. Pat McCrory are no closer to fruition now than they were when the governor introduced his Partnership for a Healthy North Carolina in April 2013 — and after an early December meeting of the Joint Legislative Oversight Committee on Health and Human Services, it appears that the basic structure of the state's Medicaid system could remain unaltered through the 2015 long session of the General Assembly.

An amendment introduced at the Dec. 9 committee meeting stripped specific recommendations from an earlier report replacing the state's current fee-for-service Medicaid system with a modified managed-care arrangement.

The "managed care organization" model rejected by the committee largely mirrored McCrory's 2013 proposal. It would have ended the monopoly control of Medicaid, the health insurance program for the poor and disabled, by the nonprofit Community Care of North Carolina and instead allowed CCNC and other providers to bid for patient care.

As a result of the committee's actions, the two chambers of the General Assembly are likely to spend the long session rehashing earlier debates over the direction of Medicaid provision. Meantime, Secretary of Health and Human Services Aldona Wos says the Medicaid's fiscal health is improving, suggesting that sweeping reforms her department once supported may not be necessary.

"I think the intent of the amend-

ment [sponsored by Rep. Nelson Dollar, R-Wake] was to sabotage the work the committee had done, and the steps we had made toward agreement between the House and the Senate" in the Subcommittee on Medicaid Reform/Division of Medical Assistance Reorganization, said Sen. Ralph Hise, R-Mitchell, who co-chaired the subcommittee, of which Dollar is a member. That panel had approved the reform guidelines the previous week.

That reform plan would have created regional networks of accountable care organizations run by providers alongside insurance company-led MCOs that would be required to offer primary care, hospitalization, long-term care, mental health services, and other components of a full range of services.

The state would have paid each network a per-member, per-month fee to coordinate patient care. Less healthy people requiring more expensive care would receive higher monthly subsidies from the state.

State Sen. Louis Pate, R-Wayne, the lone vote against passing Dollar's Dec. 9 amendment, said the reversal will prolong negotiations, and "it could be" that the session starting Jan. 14 may be unable to agree on reforms.

"I was hoping that we would have something that perhaps a major-

ity of both bodies could support, but we'll just have to see what the will of the General Assembly is towards Medicaid reform," Pate said.

From the outset of reform talks DHHS "has come in to do whatever they can to make sure that Medicaid is not divided out from the Department of Health and Human Services," Hise said. The Senate wants a standalone agency to administer Medicaid. The Program Evaluation Committee is tackling that governance issue.

DHHS wants "to maintain that authority under the current department [and] make sure that MCOs don't provide any services in this state, and don't have a role in the future of Medicaid," Hise said.

Wos and several top DHHS staff members attended the Dec. 9 meeting. She gave an impassioned plea to allow her to continue internal repairs to the system she inherited.

"The Medicaid budget is in the best shape it's been in for five years. We've improved our budget forecasting model. We're making strategic investments in behavioral health, and we launched a claim-based payment system that was years behind schedule," while filling key but vacant leadership posts, Wos said.

She opposes a managed care model to administer Medicaid and hold providers accountable for controlling costs. Medicaid ran \$1 billion in deficits over four years before turning a small surplus last year.

"I firmly believe that the provider-led, patient-centered [ACO] model focused on the whole person care needs to be enacted and implemented in North Carolina," Wos said.

Hise bristled at the assertion that the Senate wanted only a managed care model. "I would like to see both MCOs and ACOs participating in the state of North Carolina. I think any time you have a competitive nature between individuals providing service you end up with better results," Hise said.

Two systems would "establish a safety net," he said. "If one happens to fail you still have the other still remaining in place ... to make sure that we don't get the disruptions in service."

He noted that the only purely managed care proposal that has been advanced in the state came from Wos and McCrory, and "you saw the Gen-

eral Assembly rejected that concept pretty handily."

Dollar said he introduced his amendment removing all the recommendations, and even questioning the findings, because of "very serious concerns" with the reforms, and "grave concerns about saying we're going to bring in commercial managed care companies."

Managed care failed in North Carolina in three previous attempts, Dollar said.

"It failed in a hospital experiment back in Mecklenburg in the '90s. We had HMOs. That failed. Value Options in behavioral health failed," Dollar said.

Further, he said, the report didn't mention keeping Community Care of North Carolina, the nonprofit currently administering much of the Medicaid population, or its patient-centered, medical home model assigning a primary care doctor to a Medicaid recipient to coordinate patient care.

"I think Nelson Dollar has been a strong advocate for [CCNC] and maintaining the status quo," Hise said. "It was my interpretation that he is looking for whatever system is good for the CCNC network."

Many unanswered questions remain about CCNC's effectiveness. "[CCNC representatives] have come several times to the General Assembly to present billions of dollars in savings that they claim were part of the network," Hise said. But they neglected to mention the savings included population shifts away from the most expensive aged, blind, and disabled individuals to more children, "which would obviously bring down your costs of per-person care."

Such omissions create "a lot of challenge believing what they've given," Hise said, "and we're very interested in finding a third-party, outside source in evaluating those" savings claims.

Wos, Dollar, and state Rep. Marilyn Avila, R-Wake, all spoke in favor of building on the current system in an ACO model instead of starting from scratch with managed care.

"We started this whole process by saying the system was broken. I would venture to say it's not broken," Avila said.

Hise said the complaints about the implementation problems of creating MCOs are disingenuous because there are no ACO systems in place either, and both would have to be created.

Most ACOs deal with Medicare, "and that's distinctly different than what you have in Medicaid," Hise said. "It's not predominantly dealing with pregnant women and children," but there is some overlap in the aged, blind, and disabled populations covered by both programs.



Keep Up With State Government

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State Briefs

Claims that election laws passed in 2013 by the General Assembly amount to minority voter suppression are falling flat, based on data released in mid-December by the State Board of Elections. One key finding: African American voter turnout increased in the 2014 general election when compared to turnout in the previous midterm election in 2010.

Elections board data show 629,179 African-Americans voted in 2014, compared to 540,307 in 2010, a 16.45 percent increase. African Americans made up 21.8 percent of the 2014 total turnout, compared to 20.1 percent four years earlier.

Participation by younger voters (age 18-25) also increased. In 2014, 143,809 younger citizens went to the polls compared to 104,575 in 2010, a 37.52 percent increase. Critics of the new law also had said that college-age voters were additional targets of "voter suppression" campaigns by legislative Republicans.

In fact, voter participation in 2014 increased in every demographic category, whether by political party, race, or age. One of the biggest changes in election law hasn't taken effect yet. Beginning with the 2016 elections, voters will be required to show a state-approved photo identification document when they go to the polls to cast their ballots.

Other provisions of the 2013 law did take effect this year, however. Those include shortening of the early voting period from 17 days to 10 days, eliminating same-day registration during early voting, and disallowing voters on Election Day to vote outside their assigned precincts.

"We are encouraged that more North Carolinians participated in this election than in any prior midterm," said Kim Westbrook Strach, executive director of the State Board of Elections. "We will continue our efforts to educate the public and increase the efficiency of statewide voting procedures."

"Voters who self-identified as multiracial, Asian, or American Indian/Alaska Native participated at a rate 47 percent higher than in 2010," the elections board reported. "Overall turnout increased by 1 percent over 2010, with more than 2.9 million voters participating statewide. One-stop early voting remained a popular option, as more North Carolinians voted early and within fewer days than in any prior midterm election."

— BARRY SMITH CJ

NCGA Support Increases For Pension Reform

By DAN WAY
Associate Editor

RALEIGH

State employees would be given alternative investment options and greater control of their retirement plans under cost-saving pension reform strategies that are gaining support as the upcoming General Assembly session looms, key legislators say.

The most likely reform would be to add a defined contribution plan option to the existing defined benefit model, or melding the two into a hybrid system. Defined contribution plans are growing in popularity among millennial generation workers and among the states. But any changes in the current defined benefit system would face staunch opposition from state employee groups that insist on the guaranteed returns such pensions promise.

"I think there's a number of people interested in looking at [a defined contribution option or a hybrid system] from conversations I've had.

I think it's something that at least will have some impetus going into the long session," said state Rep. Jeff Collins, R-Nash, chairman of the House State Personnel Committee.

"I've got a feeling there's going to be some startup costs, but longterm it would wind up saving us quite a bit of money, so I'm interested in seeing if we can't pursue it," Collins said.

"We're being told by a number of departments that it would be a recruiting tool for them because a lot of the young, bright people they would like to recruit don't see themselves being 30-year employees with just one employer," Collins said.

Those younger workers more likely would prefer a defined contribution plan that's portable and could be taken with them when they go to their next employer, Collins said.

A defined contribution plan allows the employee more flexibility to determine how much, and where, to invest in retirement plans. The employee owns the plan and can take it with him to new jobs.

Defined contribution has higher individual risk because there is no taxpayer bailout if the employee's investment choices don't perform as well as hoped. But it can earn more money if investments outperform expectations.

By contrast, the employer chooses a defined benefit plan, which remains locked with the employer after an employee leaves. It pays a guaranteed monthly amount for as long as a retiree survives. North Carolina state employees contribute 6 percent of their income to the plan. It is more costly for the state because taxpayers must close the gap when investment earnings don't meet necessary levels to fund future payouts.

The state treasurer's office administers the \$87 billion state pension plan.

"I don't know if the treasurer's office is as excited about this as they are about some of the things we've already done, [limiting] pension spiking and some of those things," Collins said.

"We have not finalized our legislative agenda for the 2015 session and do not see this issue coming up, but are ready to work with lawmakers on any public employee retirement issues that arise," said Schorr Johnson, treasurer's office communications manager.

Johnson said the treasurer's office has "one of the most solid defined benefit pensions in the country, and an excellent offering of optional defined contribution plans as well."

Various sources have ranked North Carolina's pension plan as high as the second-best-funded in the nation, though there are differences of opinion over whether it is underfunded by \$15 billion or has assets of \$1.1 billion

above its liabilities.

It is uncertain whether the Senate might make pension plan reform a priority.

"Senate Republicans are still discussing their policy goals for 2015, so at this stage it is premature to speculate on legislation that may come up in the long session," said Shelly Carver, a spokeswoman in Senate leader Phil Berger's office.

One vocal opponent of adding a defined contribution plan to the pension mix is the 55,000-member State Employees Association of North Carolina.

"Of course we like the defined benefit concept, and we want to stay with the defined benefit concept," said SEANC lobbyist Mitch Leonard. "A defined benefit plan to us is just a better type of plan, more security for the employee, and that's where our interest lies."

SEANC members oppose diluting the current pension structure with a defined contribution plan because that would shift investments away from the longstanding defined benefit plans and could jeopardize future payouts of that plan, Leonard said.

The UNC system is the only place in state government that offers its employees the option of choosing a defined contribution or a defined benefit plan, he said. Legislation creating the dual options was passed in the 2011-12 session.

Some SEANC members in the university system "have chosen a defined contribution plan, not understanding fully what they were doing," Leonard said.

When they decided to switch back to a defined benefit plan they learned that is not allowable under the university structure.

"That's not surprising" that SEANC opposes creating more choices for employees, Collins said. He has not heard backlash from state employees to making such structural change.

"I don't think it's progressed enough to where the rank and file have really gotten involved in it," Collins said.

Empowering employees to choose a plan voluntarily that best suits their needs would be unlikely to create pushback "unless they get stirred up by someone who leads them to believe that it will cause the defined benefit plan to be underfunded," Collins said. "That would be the only scare tactic."

State Rep. Stephen Ross, R-Alamance, chairman of the House Committee on Treasurer Investment Targets and State Employee Retirement Options, and a member of the State Personnel Committee, supports creation of a dual-option retirement structure by adding a defined contribution alternative.

"The problem that you run into is that mathematically it's something that you have to do on a gradual basis, it's something that you have to work out a lot of logistics ... where you're not torching the other plan, so to speak," Ross said.

While many unanswered questions remain, "I do think that ultimately we will see some form of defined contribution plan," Ross said.

"One of the things that we have talked about is having a hybrid" that would allow employees an opportunity at some point to move money they accumulated in one plan to the other as their priorities change, he said.

According to a report released earlier this year by the Center for State and Local Government Excellence, 48 states offer at least a supplemental defined contribution plan. About 11 percent of public-sector workers now have a primary defined contribution plan, and that is expected to rise to 19 percent by 2042.



Dranias: Balanced Budget Amendment Needed to Rein in Debt

By DAN WAY
Associate Editor

RALEIGH

The states could put a stake through the heart of America's "fundamental problem" of unlimited borrowing capacity that has created nearly \$18 trillion in national debt by adopting a balanced budget amendment that could be ratified within 12 months, a constitutional scholar and fiscal reformer says.

Nick Dranias of Phoenix, Ariz., president and constitutional scholar at the Compact for America Educational Foundation, detailed the balanced budget amendment Dec. 15 at the John Locke Foundation's Shaftesbury Society luncheon.

Among other functions, the amendment would limit federal debt to 105 percent of its level at the time the amendment passed. Congress would have to gain the approval of a majority of state legislatures to exceed that debt limit. Further, it would require a two-thirds majority vote of the whole number of each chamber of Congress to approve a new or increased general revenue tax.

Failure to get spending under control in the next three to seven years would cause the irreversible crash of the U.S. economy, Dranias warned. Compact for America's plan to prevent that differs markedly from other balanced budget amendment proposals in one key respect.

It would forgo the traditional method requiring a two-thirds vote of members in each house of Congress to originate an amendment. Instead it would create an interstate compact to leverage Article V of the Constitution. That article grants states the power to call a convention to propose constitu-



Nick Dranias of the Compact for America discussing constitutional issues on a panel at Harvard University in 2011. (Image via YouTube)

tional amendments.

Congress has originated 27 constitutional amendments, but none in more than 200 years. States never have introduced and ratified a constitutional amendment under Article V.

"Congress can jam up an Article V amendment in a lot of ways," Dranias said, primarily because the process is perceived to be cumbersome and prolonged.

Those obstacles could be overcome, Dranias said, by creating a compact of a mandatory 38 states — a compact commission — with a compact administrator to speed and simplify the process. The compact approach could accomplish everything in just one legislative session, Dranias said, rather than the five or more sessions previous state-initiated amendment attempts have entailed.

The compact approach would require only two pieces of legislation. One would contain all components of the amendment and the convention process for approval by state legislatures. The other would be a congressional resolution consenting to the compact, calling for the convention, and referring the amendment to the states for ratification.

The convention would meet and have only 24 hours to approve the amendment before the convention ended. This process would prevent a runaway convention that could alter other parts of the constitution or the national government framework.

If it works, this approach could be the vehicle to pass other long-sought amendments such as term limits and tax reform.

Establishing a hard-and-fast debt limit is not unusual. Forty-nine states have some form of debt limit or balanced budget amendment, Dranias said.

"It's a radically weird thing that the federal government has nothing... Did you know we don't even have a debt limit right now?" Dranias said. He likened Congress to an addict, saying, "You don't give an addict control over his supply."

By empowering politicians with unlimited borrowing capacity, "suddenly there are no limits on what they can promise to get elected," he said.

Politicians can borrow from the future with no immediate political costs, only political gains, which is "the absolute height of immorality and irresponsibility" in taxing future generations without representation, he said.

"It is unlimited borrowing capacity that creates the illusion of unlimited resources, which is the source, the prime cause, of unlimited government," Dranias said.

Every balanced budget amend-

ment from Congress "has secured at least simple majorities of both Houses of Congress," Dranias said, but fell short by just a handful of votes of the two-thirds threshold every time. There have been over a dozen such proposals in the past 25 years.

A key feature of the balanced budget amendment is impoundment. When 98 percent of borrowing is reached, the president would be required to designate what to fund and what to freeze when the debt limit is reached. Congress could override his decision without a presidential sign-on.

Requiring the president to cite what programs would not be funded months in advance would be much more transparent and would take away his leverage as the debt limit approaches, Dranias said.

"He puts a gun to grandma's head minutes before the debt limit is going to kick in, and everybody folds" when he threatens to withhold her Social Security or not issue veterans' checks, Dranias said. "There's no way to beat the president when he's got a gun to grandma's head."

Sara Imhof, director of education and grass-roots advocacy at The Concord Coalition, has reservations about the plan.

"We have been advocates of balanced budget amendments historically because we saw it could happen 20 years ago. Now we are more of an advocate of working toward a more balanced budget than we are pushing a balanced budget amendment," Imhof said.

The Concord Coalition is a national, nonpartisan organization advocating fiscally responsible governance founded in 1992 by the late former U.S. Sens. Paul Tsongas, D-Mass., and Warren Rudman, R-N.H., and former U.S. Secretary of Commerce Pete Peterson.

Shifting debt limit power to the states is not a cure-all, she said.

"We need to be realistic in not thinking the pressures are going to be less just because we want to take on more on the state level," Imhof said.

"Even if it were possible mathematically to solve this problem only on the spending side, we believe greatly as an organization that for lasting progress that we need to look both at revenues and at spending. Whatever is the actual mix of those policy changes doesn't have to be half and half," Imhof said.

"We need to see where we can rein in on the spending and also raise revenues" by reducing the "Swiss cheese" of loopholes, subsidies, and giveaways to special interests in the tax code, which account for about \$1 trillion a year, she said.

"Our tax system is very complicated and imperfect, so looking at comprehensive tax reform would be great," Imhof said.

CJ

Skvarla Moves From DENR to Commerce in McCrory Cabinet Shuffle

Decker leaves post to join digital film restoration company

BY BARRY SMITH
Associate Editor

RALEIGH

Gov. Pat McCrory choked up a bit Dec. 2 when he announced that his friend, Sharon Decker, was leaving her post as Commerce secretary to take a job in the private sector. "I'm sad to announce that she is resigning as Commerce secretary," McCrory said. "But she has left a legacy of jobs for North Carolina."

Decker will become president of Nuray Media, a company started by the family who founded Raycom Sports, when she leaves the Commerce Department.

John Skvarla, the current secretary of the Department of Environment and Natural Resources, is replacing Decker at Commerce in early January.



Gov. Pat McCrory announces the resignation of Commerce Secretary Sharon Decker (left) and the appointment of her successor John Skvarla (far right) as Skvarla's wife Liz looks on. (CJ Photo by Barry Smith)

McCrory hasn't picked a successor to Skvarla yet. He said he and his team will consider "both internal and external candidates" to replace Skvarla.

The announcement of Decker's resignation came during a press conference in the old House chamber in the state Capitol.

The governor credited Decker with reorganizing the Commerce De-

partment, working with Division of Employment Security Director Dale Folwell to cut the unemployment insurance debt, and working to increase jobs in North Carolina.

McCrory said that during an October walk around the Executive Mansion, Decker let him know that she wanted to seek other employment and spend more time with her family.

"Governor, thank you for an opportunity that came out of the blue, and an opportunity that has changed how I see the world," Decker said. She said she had a "bittersweet feeling" about leaving the job and moving on.

At DENR, Skvarla faced some criticism by environmental groups for arguing the agency had not been responsive to the concerns of businesses. In August 2013, Skvarla made a presentation to the Shaftesbury Society at the John Locke Foundation during which he explained how economic growth did not have to be at odds with environmental protections.

Skvarla said at the press conference he was glad there was "interchangeability among Cabinet members."

"Going to Commerce, it's just another adventure," Skvarla said. "There's only one issue in the state of North Carolina that 100 percent of our citizens understand and care about. And that's jobs."

"So it's our obligation at Commerce to assist in the realization of a job for every citizen in the state," Skvarla said. *CJ*

Report: Justice Reinvestment Reducing Recidivism, Saving Money

BY BARRY SMITH
Associate Editor

RALEIGH

Action taken by the General Assembly nearly four years ago changing the state's prison and probation strategies appears to be paying dividends, both financially and in the number of repeat offenders, notes a recent study.

The Council of State Governments Justice Center has released a study showing that the 2011 Justice Reinvestment Act resulted in \$48 million in savings during the 2013-14 fiscal year and contributed to the closure of 10 prisons. In addition, with fewer people incarcerated, North Carolina taxpayers avoided having to pay \$500 million to build and operate new prisons.

The report noted the bipartisan nature of the Justice Reinvestment Act. Work on the legislation began when Democrats held majorities in the General Assembly. The efforts became law after Republicans gained control of the legislative branch.

"The prison population has dropped 8 percent, or by almost 3,400 people, since fiscal year 2011," the report notes. "Overall prison admissions have dropped by 21 percent as a result

of fewer people entering prison for misdemeanor convictions and probation revocations."

Key elements in the success of the program include giving probation officers more time and tools to supervise felons being released from prison and requiring felons to have more supervision upon release from prison.

"In fiscal year 2009, more than 85 percent of people leaving prison who had been convicted of felony offenses under structured sentencing — about 15,000 people — left prison without any supervision as they transitioned back into the community, despite having significantly higher re-arrest rates than individuals who received supervision after release," the report notes.

The Justice Reinvestment Act now requires every person with a felony conviction to receive nine or 12 months of post-release supervision, the report says.

Probation officers have more tools at their disposal to supervise probationers. Previously, they were required to request a court hearing to modify probation conditions after violations. Now they're given more leeway in responding to violations swiftly.

Probation officers have the op-

portunity of immediately placing probationers in behavioral programming, substance use treatment, or under electronic monitoring. Probationers who repeatedly violate conditions of their probation but are not committing new crimes or absconding are sent back to prison for three months, followed by a return to supervision upon release.

In addition, the Department of Public Safety has developed a smart

phone app to help keep track of probationers. It helps officers search their caseloads, schedule visits, access contact information, and acquire driving directions. It also helps them check a probationer's criminal history and learn if there are any safety issues.

The efforts are helping offenders succeed while on probation, making it less likely they will return to prison, the report says. *CJ*

Prison population and admissions have dropped as a result of new strategies

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New Measurements Lead to Drop in N.C. Creditworthiness

State fell in ranking from 4th to 13th in Barron's report

BY BARRY SMITH
Associate Editor

RALEIGH

A recent study by the investment firm Eaton Vance found North Carolina's creditworthiness fell from fourth place among the 50 states a year ago to 13th this year — but the change was related to a new method of weighting data rather than any drop in the state's ability to meet its debt obligations.

Eaton Vance performs the study each year for the Barron's financial newspaper's "State of the States" report.

"North Carolina is definitely in our mind a very solid, stable credit [state]," said Bill Delahunty, the Eaton Vance researcher who conducted the study. Even though North Dakota is No. 1 and North Carolina is No. 13, Delahunty said the two states are much closer than the rankings indicate.

"Overall, North Carolina is in better shape than most states," said Joe Luppino-Esposito of State Budget Solutions, a free-market group that studies state fiscal policy. "Recent changes and reforms to government spending have made it clear that the state is improving."

Citing the state's pension liability, Luppino-Esposito said, "North Carolina has the third-best-funded system when you look at fair market valuation of the state's assets. The problem is that North Carolina's pension system is

only 50 percent funded," using the ratio of the current valuation of the pension fund's holdings to its liabilities, or the total amount it owes in benefits.

Ideally, a state's pension system should be funded at 100 percent, with the understanding that there will be some minor fluctuations from year to

year, Luppino-Esposito said. However, he said that the "magic number" for state pension funding ratio is around 80 percent, although there is some disagreement among experts in the field on that number.

In State Budget Solutions' ranking of states based on the funding percentage of pension plans, only Wisconsin (67 percent) and South Dakota (52 percent) have a higher funding percentage than North Carolina. Illinois has the lowest funding ratio at 22 percent.

North Carolina's unfunded liability as a percentage of gross state product is 17 percent (along with South Dakota's). Only six states have an unfunded liability percentage lower: Delaware at 16 percent, North Dakota at 16 percent, Indiana at 15 percent, Tennessee at 15 percent, Nebraska at 14 percent, and Wisconsin at 14 percent. Mississippi has the highest unfunded liability as a percentage of gross state

product at 58 percent.

Delahunty explained why Eaton Vance decided to change the way it ranked states' creditworthiness.

"For the two years prior to this year, what we really focused on was unfunded pensions and unfunded retiree health care burdens," Delahunty said.

Now that the analytical community and rating agencies are taking a closer look at pensions, Delahunty said his office decided to shift from pensions to overall credit quality.

"This year we looked at many more metrics," Delahunty said. "We incorporated debt and pensions into

it, but we also looked at state liquidity, their general fund balances. We looked at the economics in the state, economic growth, state population growth, how much flexibility do they have to raise taxes, median household income. There's a number of factors that go into our credit analysis to really get a holistic view of state credit quality as opposed to just looking at debt and unfunded liabilities."

State Treasurer Janet Cowell's office listed other metrics in response to the Eaton Vance report. "The Department of State Treasurer is pleased that

the [state's] top AAA bond rating was recently re-affirmed by all three ratings agencies. We are one of only 10 states with this distinction," said Schorr Johnson, a spokesman for Cowell.

The Barron's/Eaton Vance report cites North Dakota's booming economy driven by fracking as a factor in its high ranking. The report cited "well-funded pension plans" as a factor in North Carolina's ranking.

Rounding out the top five (with the reasons for the ranking) are: Wyoming (strong finances driven by mining); Utah (strong population growth, low debt); Nebraska (no general obligation debt, well-funded pensions); and Iowa (good reserves, very low debt). The sixth through 10th spots go to Alaska (economy driven by natural resources); Virginia (strong, broad-based economy); Missouri (good budget management, below-average growth); Vermont (strong fiscal management and moderate debt); and Idaho (years of surpluses).

Virginia is the only state bordering North Carolina ranked higher than the Tar Heel State. Tennessee is ranked just below North Carolina at No. 14, Georgia is No. 21, and South Carolina is No. 24.

Illinois received the lowest ranking. The Eaton Vance report cited Illinois' structural fiscal imbalance — which is expected to increase. Next-to-worst was New Jersey, followed by Connecticut, Pennsylvania, Kentucky, Rhode Island, Maine, Louisiana, Hawaii, and Arizona.

If Puerto Rico were the 51st state, it would have ranked 51st. The report cites the commonwealth's weak economy, high debt, and pensions as factors in its ranking. CJ



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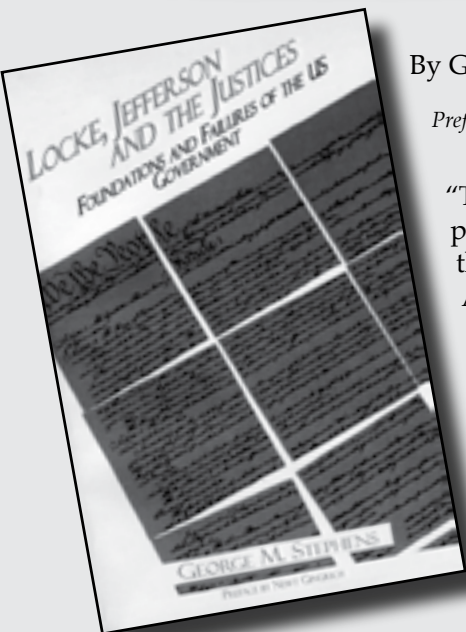
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Locke, Jefferson and the Justices:
Foundations and Failures of the U.S. Government

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
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COMMENTARY

An Agenda For Education in 2015

As the North Carolina General Assembly prepares to convene on Jan. 14, let's look at what legislators have done over the last four years to improve our public schools and consider what they still have to do.

Under Republican leadership, school choice received its most significant boost in years. Lawmakers passed legislation creating two private school voucher programs, one for special-needs children and another for low-income families. Legislators eliminated the 100-school cap on charter schools, eased enrollment restrictions, and improved the charter school approval process. They also initiated a pilot program allowing two virtual charter schools to begin offering courses to elementary and secondary school students later this year.

North Carolina families have more and better choices than ever before, but still only two groups — the wealthy and the lucky — are able to choose the school that best meets the needs of their children. Voucher funding caps, obsolete charter school rules, opposition to virtual charter schools, and burdensome regulations continue to be barriers to the broad availability of public and private educational options.

In addition to providing an average 7 percent pay increase for classroom teachers, legislators restructured a statewide teacher salary schedule that had changed little since the 1920s. They eliminated wasteful supplements for master's degrees and began transitioning from a tenure-based employment system to a performance-based teacher compensation system.

Legislators promised additional pay increases for beginning and veteran teachers in 2015, but further reforms are necessary. Lawmakers should establish a system providing additional compensation for teachers who boost student performance, assume leadership roles, teach high-need subjects, and/or teach in high-need schools. The size and timing of any pay raise, however, will depend on the amount of tax revenue received by the state and the always-unpredictable Medicaid budget.

There is near universal agree-

ment that the state testing program is broken. Teachers, parents, and others have raised legitimate concerns about the quality of state-created tests. In 2013, the General Assembly passed a law requiring state education officials to seek legislative approval to adopt a new testing program. To date, no alternatives have been advanced. Ideally, that inaction will unite Gov. Pat McCrory and legislative leaders in an effort to replace the current testing regime with an established national assessment of student performance, such as the Iowa Test of Basic Skills.



TERRY STOOPS

Between the 2010-11 and the 2014-15 fiscal years, state appropriations for the K-12 education budget grew by more than \$1 billion in nominal dollars. Last year, the state legislature appropriated more than \$8 billion to North Carolina's public elementary and secondary schools.

Local and federal funds added billions more.

Unfortunately, few North Carolinians know how much money our public schools spend each year. To increase transparency and accountability, lawmakers should require school districts to add a detailed graphic on each report card specifying the average per pupil expenditure for their child's school, the source of the funding, and how it is spent. Many county governments provide comparable information on property tax bills, so there are existing models from which to choose.

As a longer-term initiative, legislators should consider adopting an alternative public school funding method. Currently, school districts receive state education funds based on a confusing allotment system. Lawmakers should simplify how the state determines budget allocations and deliver those funds via a block grant to school districts, thereby maximizing local control, or, ideally, allow the money to follow the child.

By building on the successes of the recent past, our legislators can further secure a better future for all North Carolinians. *CJ*

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

Common Core Commission Secures Short-Term Funding

BY BARRY SMITH
Associate Editor

RALEIGH

The state commission looking into replacing the Common Core State Standards in North Carolina has gotten some short-term funding but will have to wait until lawmakers return later in January to get its own budget.

Andre Peek, who co-chairs the Academic Standards Review Commission, told his fellow commissioners during their December meeting that he and co-chair Jeannie Metcalf met with legislative leaders about the budget problem and were told the issue would be resolved this month, when the new session of the General Assembly convenes.

An earlier version of a bill that charges the commission with developing rigorous new standards for students in North Carolina's public schools included \$250,000 for an operating budget. However, the money for the commission was omitted in the final version of the budget that passed both the Senate and House and was signed into law by Gov. Pat McCrory.

"This has been a point of frustration for us as a commission," Peek told his fellow commissioners. "Jeannie and I had a meeting with the General Assembly," Peek added, specifying that they met with Senate President Pro Tem Phil Berger, R-Rockingham, Sen. Jerry Tillman, R-Randolph, Rep. Craig Horn, R-Union, and Rep. Linda Johnson, R-Cabarrus.

"They said that is no longer an issue for us," Peek said. "We will be properly funded." Metcalf, who had the flu, did not attend the December meeting.

After the meeting, Peek said, "Senator Berger pointed out that they couldn't give us the money right now because a bill has got to go through the legislature. That will be the No. 1 priority as soon as they reconvene in January."

"They just said in the interim, they had negotiated with the Department of Administration to cover our expenses up until they get the bill through," Peek said. "And then they would just reimburse the Department of Administration."

The commission is being housed under the Department of Administra-

tion for organizational purposes. Peek said that for now, the Department of Administration would reimburse commission members for travel expenses.

But that doesn't allow the commission to hire a staff person to help coordinate their efforts, a point made by State Board of Education chairman Bill Cobey, another commission member.

"I wish we had the funding for this commission," Cobey said. "We needed an administrative assistant." Cobey said that he thinks the commission needs a contractor and a policy director. Cobey said he wished that person was already on board to assist the commission members get the information that they're requesting.

Commission member Tammy Covil, who was vocal during November's meeting about the lack of funding, said she was glad to get a commitment from

legislative leaders, but noted that lack of a budget was delaying the commission's work.

"It could be months before we actually see any funding," Covil said. "The important thing is that we get some experts in to talk especially about the developmental appropriateness of the standards."

"Things move slowly in government," Covil continued. "I'm not entirely excited about this news because I know there's probably going to be delays. It will be months. This may be a snag for us in terms of moving forward."

Common Core State Standards are standards in English language arts and mathematics that have been adopted by 45 states for students in kindergarten through 12th grade. The National Governors Association, the Council of Chief State School officers, and Achieve Inc. developed them. The Bill and Melinda Gates Foundation has funded much of the project.

The N.C. State Board of Education adopted the standards in June 2010.

Three states — Indiana, South Carolina, and Oklahoma — have since rescinded their approval.

The legislation adopted by the General Assembly last summer calls on the commission to conduct a comprehensive review of all the standards and propose modifications to the State Board of Education. *CJ*



Board of Education Backs Charter School Regional Replication

By DAN WAY
Associate Editor

RALEIGH

Some state education officials are hoping that a plan approved by the State Board of Education and sent to a legislative committee for action will speed the process of letting high-performing charter schools replicate their success in underserved regions.

The State Board of Education approved at its Dec. 4 meeting a report to the General Assembly advocating a fast-track charter school replication process for charter schools that can demonstrate three years of proven academic and financial success.

"This is literally an instance of letting the market dictate the supply. My personal hope is that we will actually see replication in places where you don't see an adequate supply of charter schools," said Martez Hill, executive director of the State Board of Education.

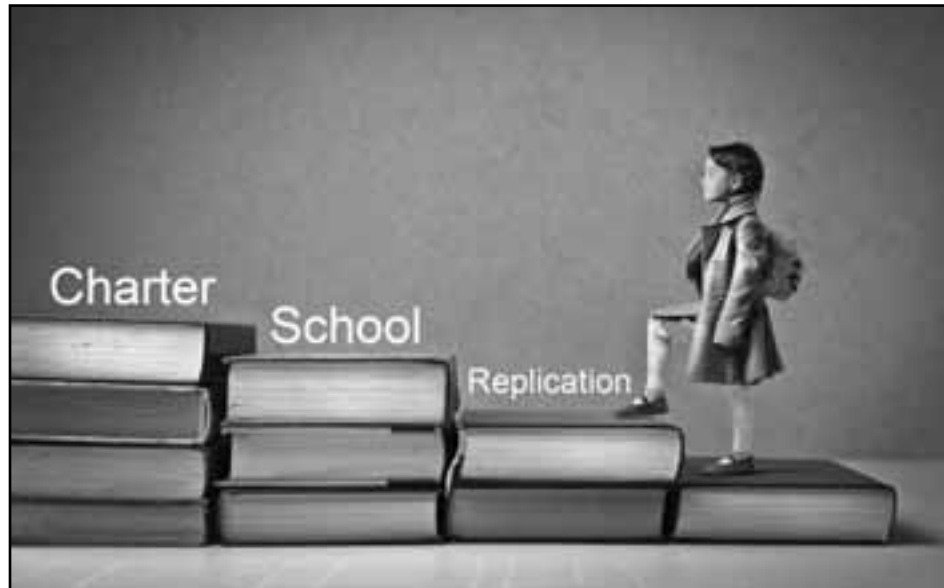
"I have a hope and a desire to see this happen in eastern North Carolina, among other regions," Hill said.

Saves a year of planning

The process eliminates a year of planning normally imposed on new charter schools and mandates a decision on approval in no more than 150 days.

"I would think we'll probably see a variety of replication models that may just focus on a certain region, or may focus on certain types of students. We're interested in all types of innovative possibilities," Hill said.

The new process, plan, and rules were required by Senate Bill 793, sponsored in the 2014 short legislative session by Sens. Jerry Tillman, R-Randolph, Bill Cook, R-Beaufort, and



Buck Newton, R-Wilson, which made changes to the state charter school laws.

The report now goes to the Joint Legislative Oversight Committee on Education for review.

"I think that's something that's crying out for help. People really want to see some changes in the education of their children, so it's certainly something worth taking a look at," said state Sen. Louis Pate, R-Wayne, a member of the Education Oversight Committee who favors the fast-track process.

'Process is sound'

"I hope that it will be received positively because the [Charter School] Advisory Board, and the state board, and our Office of Charter Schools worked collaboratively and have come forward with good recommendations," Hill said. "I think the process is sound, and I look forward to receiving replication applications."

The first batch of charter schools

that could be replicated would be able to open in school year 2016-17.

"I think we're going to see a high number [of applications]. At least I hope we see a high number," Hill said.

Dave Mahaley, head of the high school program at Franklin Academy charter school in Raleigh, is taking a wait-and-see approach as the proposal moves forward.

"I'd be interested to see what it turns out at the end of the day. If it's something that does make it through, what kind of changes or adjustments are made, and how does that impact the attraction of wanting to jump in and say, 'Now's a good time for us to expand our program and do another school.'"

Franklin Academy has no immediate plans to replicate, although the possibility has been discussed "off and on" over the years, Mahaley said.

"It's something perhaps that we would look at in the future. We'd just keep the option open," he said.

"But I think certainly the fast-tracking of programs ... could be a good thing for the overall options that parents may have," Mahaley said.

However, he has reservations about how supportive state education officials would be once the plan is in place.

Reward 'proven records'

"There are those who have been long-time supporters of charter schools. They like the idea of being able to give organizations that have a proven record options to continue to grow, and expand, and do the good things they're doing to even larger communities and locations around the state," Mahaley said.

"But on the other hand, there's always been resistance in terms of doing something different than the norm — the public schools. So charter schools have always had a little bit of a battle along those lines," Mahaley said. "Some of the dynamics change a bit with the passing of years, but I think you would find a mixed review if you were polling everyone there

at [the Department of Public Instruction]."

Terry Stoops, director of research and education studies at the John Locke Foundation, agrees with Mahaley.

"A lot of this will depend on the appetite for the education officials in Raleigh to see existing charter schools expand," Stoops said.

"Some of those charter schools, of course, have been controversial," he said.

"Even though Baker Mitchell [owner of the private Roger Bacon Academy charter-school management company] has very high-performing charter schools, there are individuals in Raleigh that don't want to see him increase the size and scope of his operations, and might be resistant to approving charter school replication for him," Stoops said. "That would be unfortunate, especially for the students."

Mitchell is a member of the John Locke Foundation Board of Directors.

Fast-track replication

Fast-track replication is not a new idea. The John Locke Foundation has been promoting it for years, Stoops said.

"But it's an idea that in 2015 legislators should take a serious look at making sure that this is a process that allows successful charter schools to replicate," he said.

He doesn't expect an initial surge of activity once the policy is operational.

Older charter schools with a proven track record, and those schools that have already had their initial charters renewed would benefit first, Stoops said.

Newer charter schools and those that have not maintained a high level of academic performance over several years are unlikely to receive any serious consideration for replication, he said.

"We do have some charter schools that are doing a fantastic job but probably need a few more years to be able to establish a track record that gives the [Charter School Advisory Board] enough data to allow them to comfortably make a decision to allow a charter school to replicate," Stoops said.

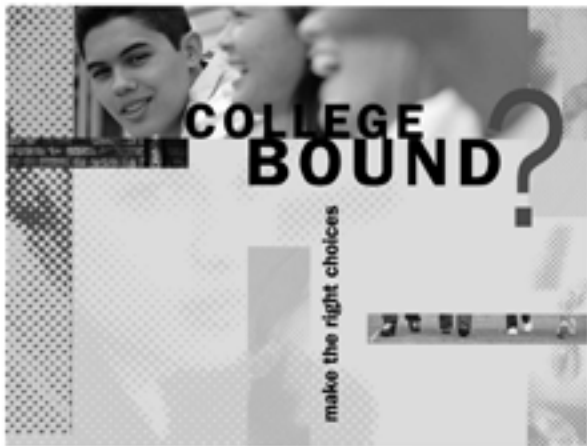
Not all will seek replication

Most charter schools probably won't pursue expansion. Some might want to expand the size of their campus to allow more students to attend, or to have a branch campus within the same county, Stoops said.

Some might seek a second nearby campus to accommodate a high number of incoming students from neighboring counties, and others might establish a smaller campus in neighboring counties to benefit long-distance student commuters.

"This is common sense," Stoops said. "We should have been doing this years ago." CJ

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High Court: State Can Prepare For Second Year of Vouchers

Constitutionality of scholarships first must be decided

BY BARRY SMITH
Associate Editor

RALEIGH

The N.C. Supreme Court says the state can commence administrative preparations for the Opportunity Scholarship Program while the court considers an appeal from a lower court's order that ruled the program unconstitutional.

"The State Education Assistance Authority may proceed with all preliminary administrative steps necessary to prepare for the 2015-16 academic year," the Supreme Court's order says. However, the court stopped short of allowing it actually to distribute funds for next year's scholarships. Distribution had been scheduled to start Aug. 15, 2015.

"We are encouraged by the Supreme Court's order granting our petition and allowing the Opportunity Scholarship Program to move forward," said Renee Flaherty, an Institute for Justice attorney representing parents of opportunity scholarship recipients. "This means that the program can continue without disruption so that families can apply for scholarships and will receive them for the 2015-16 academic year, if we prevail on appeal."

"This is excellent news for the thousands of families who missed the opportunity to participate in the program's first year and are eager for an educational option that best fits their needs," said Karen Duquette, vice president of Parents for Educational Freedom in North Carolina, which supports the voucher program. "Not only will this allow new families to apply for the Opportunity Scholarship Program, but the Supreme Court has already showed a strong sign by al-

lowing existing scholarship recipients to continue on the scholarship this year, which is hopefully a good indicator about the future of the program for next year and beyond."

Bob Orr, an attorney representing one of the plaintiffs in the case, said that the plaintiffs were surprised by the order since they hadn't filed their response to the motion allowing for the administrative work to begin. Orr said the motion isn't due yet.

"The practical effect is that the process can move forward but no expenditure of public money can take place until the court makes a final decision," Orr said. "With oral argument set for February, there will be ample time for a decision before the beginning of the 2015 school year."

The 2013 General Assembly passed and Gov. Pat McCrory signed into law the Opportunity Scholarship Program, also known as vouchers. The program provides up to \$4,200 for children who come from lower-income families to use for tuition at a private school. To be eligible, students must be enrolled in a public school the year before they apply for the scholarships.

The legislation provided scholarship funding for up to 2,400 students, but the state received more than 5,500 applications, and 4,200 of the applicants were deemed eligible for scholarships. A lottery was held to determine which students could receive funding during the current school year.

Many of the parents seeking opportunity scholarships said the traditional public schools were not meeting the needs of their children, citing mild learning disabilities and bullying as a couple of the reasons they hoped for other options.

A number of groups and North

Carolina residents, including the N.C. Association of Educators and the N.C. School Boards Association, filed lawsuits against the program. Plaintiffs claimed the law was unconstitutional, citing a provision in the N.C. Constitution requiring tax money to be "used exclusively" for public schools.

Defendants say the plaintiffs are misreading that provision of the state Constitution, and that there is no constitutional barrier to using tax dollars for vouchers. Along with the legal assistance of the Institute for Justice, state Senate leader Phil Berger, R-Rockingham, and former House Speaker Thom Tillis, R-Mecklenburg, intervened on the defendants' behalf.

In August, as most schools in the

state prepared to open the new school year, Superior Court Judge Robert Hobgood ruled that the program violated the N.C. Constitution. His order barred distribution of any money for the vouchers.

About 1,900 would-be voucher recipients enrolled in private schools anyway. Some parents said that they had faith that the money eventually would be released to pay for their children's education.

The Court of Appeals in September allowed the release of those funds. In October, the N.C. Supreme Court said it would take the case for review, allowing for a quicker disposition of the appeal.

Both plaintiffs and defendants hailed the move, saying it would make it more likely that the program's constitutionality could be resolved before the 2015-16 school year begins.

The Supreme Court plans to hear arguments in February with a ruling to follow, perhaps by summer. *CJ*

Preliminary steps OK'd by court, but they didn't approve of fund distribution yet

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Charlotte May Require Residents To Pay Garbage Fees on Volume

BY MICHAEL LOWREY
Associate Editor

RALEIGH

The city of Charlotte is considering a move to a system that charges residents based on the amount of garbage they generate. The specifics of such a “pay as you throw” system, if implemented, remain uncertain, reports *The Charlotte Observer*.

The simplest method under consideration would offer residents the option of using smaller garbage containers than the current city-provided 96-gallon bins. Both Austin, Texas, and Seattle operate such a system. In Austin’s case, residents can pick 24-, 32-, 64-, or 96-gallon containers — with the collection cost varying between \$15.30 a month for a 24-gallon bin and \$40.15 a month for a 96-gallon container.

Not everyone is convinced that such a scheme would meet the city’s goal of reducing the amount that goes to the dump.

“You can make the case that that’s not pay as you throw,” said Anne Germain of the National Waste and Recycling Association. “Once people pick their can size, there are no longer incentives to create less trash. You aren’t looking at your bill every month.”

A move to differing garbage container sizes also would require the city to alter how it bills for garbage collection. Three-fourths of the city’s solid waste budget comes from the city’s general fund, with the rest coming from a flat \$47 fee assessed each house and added to homeowners’ property taxes each year.

A recommendation to the city council on whether to proceed with “pay as you throw” is expected by May from the city’s Solid Waste Services Department.

New Hanover sales tax hike?

New Hanover County Manager Chris Coudriet is calling for the county to enact a temporary sales tax increase, using the extra revenue for economic development projects, reports the *Wilmington Star-News*.

“There’s not enough money to go around with the tax rate we have in the county,” Coudriet said. “We have to identify alternative sources of revenue.” New Hanover County’s sales tax rate is 7 percent.

Under the proposal, the sales tax rate would rise to 7.25 percent for seven years, bringing in a projected \$49 million. The money would be used for

“pay-as-you-go” infrastructure projects (\$23 million); site acquisition and preparation for future plant sites (\$15 million); economic incentives (\$8 million); and a small business loan program (\$3 million).

Coudriet’s proposal is based on Oklahoma City’s MAPS (Metropolitan Area Projects) program of voter-approved temporary sales taxes for economic development. The original MAPS program was approved in 1993. The city is currently on its third MAPS program.

North Carolina localities typically do not fund economic development projects through temporary sales tax increases. The General Assembly would have to give the

county approval for such a program. Voter approval also would be required.

Mobility patterns

New data from the Census Bureau’s American Community Survey show how often North Carolinians move, both locally and between counties. The rate varies widely from one region of the state to another, reports the *Winston-Salem Journal*.

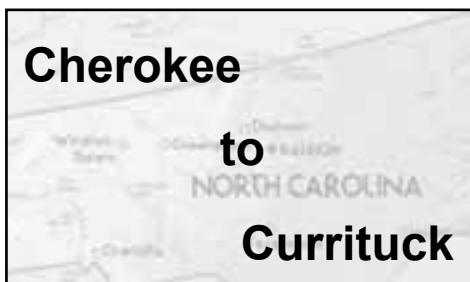
Nationally in 2013, about 85 percent of Americans lived in the same residence they had the previous year. In North Carolina, the rate was slightly higher at 86 percent. In the state’s most populous county — Mecklenburg — only 80 percent of people lived in the same place they had a year earlier. By comparison, 94 percent of Bladen and Perquimans County residents lived in the same place in 2013 as they had in 2012.

“In some rural communities, especially the Appalachians, the only movement is out,” said Keith Debbage, a geographer at UNC-Greensboro. “In more rural settings the people who stay have been there for generations. In urban communities you see a lot more turnover because of the dynamic nature of the urban economy.”

Russell Smith, a geographer at Winston-Salem State University, agreed.

“The metro counties are job generators and pull a disproportionate share of the people who are moving in to take advantage of those,” he said.

Smith noted that the limited size of the real estate market in more rural markets limits the ability of people who might be interested in living there from actually doing so. CJ



COMMENTARY

Police Accountability Essential But Tricky

The deaths of Eric Garner and Michael Brown during altercations with police officers have led to a heated national debate about the proper use of force by police departments. It has racial overtones, but it shouldn’t be a racial issue, as any American could become victim to police officers who may be poorly trained or badly supervised and all too quick to resort to force.

It’s also a difficult issue, exactly because what’s needed — effective, transparent oversight — goes against the very nature of police departments, whose operations and methods often are of necessity secretive.

Police work is inherently dangerous. Officers never know whether the next traffic stop they make will be their last, whether that domestic disturbance call might involve an abusive spouse with a gun and no desire to talk it out.

Along the way, officers will be forced to make many immediate life-or-death decisions.

And even with the best training, they won’t always react in a manner, across thousands upon thousands of interactions with citizens, that 20/20 hindsight would suggest is best. In other words, in a nation as large as the United States, some level of police work somewhere will be questionable.

There also will be those who latch onto any perceived police failings to push political agendas.

The overwhelming majority of police officers are dedicated, competent, and work very hard to make their community a better place. We should be grateful for their service.

Unfortunately, there are also bad cops out there. Some think that having a badge and a gun allows them to bully people. Some are racists. Others are simply corrupt. A few are sexual predators. Many more of them are poorly led, following poorly conceived policies.

There’s a major push to have more cops on patrol fitted with body cameras as a solution.

Would this be useful? Prob-

ably. Could such cameras help build trust with the community? Possibly. Could they help police and prosecutors build their case against certain suspects? Absolutely. Might they deter some forms of police misconduct? Sure. Would some people behave better toward cops simply because they know they are being recorded? Of course.

But would requiring police officers to wear body cameras — or use any technology — be a panacea? No. If a police department refuses to be open with its internal investigations involving cases of alleged excessive use of force, then merely having body cameras won’t satisfy residents who already distrust the police. The same would apply to police departments that don’t explain publicly disciplinary actions against officers.

Citizen review boards have been suggested as a means to address such concerns and provide public input about police methods. But there’s no agreement about how those boards should operate or what their goals should be.

Should they review only excessive force complaints or police practices generally? And merely creating such a board may be useless — Charlotte Mecklenburg has had one for some time, but it always has sided with the police because of the way the review process was structured. That hardly builds trust in the community.

There’s also a danger in the other direction. A powerful citizen review board may be dominated by those with an ax to grind against the police. If rank-and-file cops don’t buy into the process, if they see it dominated by those who use the process to generate media attention for themselves, then the result will be poor police morale, high turnover, and ultimately a less safe community.

Effective oversight is difficult to accomplish. But how to achieve it is a discussion that communities across the state and country need to have, not just now but continually. CJ

Michael Lowrey is an associate editor of Carolina Journal.



MICHAEL LOWREY



Town and County

Fayetteville water system

A state lawmaker says he'll introduce legislation to clarify issues surrounding the powers of Fayetteville's Public Works Commission, reports the *Fayetteville Observer*. Rep. John Szoka, R-Cumberland, has sent a letter to the city and PWC requesting recommendations for changes to PWC's charter.

"The consensus of a majority of the [delegation] members was that some of the issues can only be resolved by updating," Szoka said in the letter.

The Fayetteville Public Works Commission is one of two water systems in the state — the other is in Greenville — which operates independently of its municipal board. In Fayetteville's case, city council appoints PWC commissioners, sets their salaries, and approves PWC's budget.

In October, PWC sued the city, claiming it had exceeded its authority by phasing out payments to the utility when it extended sewer lines to newly annexed areas and transferring money and personnel from PWC to other city departments.

"We are hopeful an updated charter will clear up the uncertainties regarding roles and responsibilities in overseeing the Fayetteville Public Works Commission," said PWC board chairman Mike Lallier.

G'boro, HP joining forces?

It may sound unbelievable to longtime residents, but Greensboro and High Point are considering combining their economic development efforts. The discussion comes as both cities are unhappy with their existing economic development arrangements, says the *Greensboro News & Record*.

Each city now operates its own economic development agency. Under the proposal, the two cities would present a single industry recruitment message for all of Guilford County. The High Point Economic Development Corp. has a \$525,000 budget that comes largely from High Point and Guilford County, while Greensboro Economic Development Alliance has a \$1.3 million budget, which comes from the city and Guilford County as well as private donations.

The two cities for decades have competed aggressively against each other for jobs, highlighted by a 2006 bid by High Point involving nearly \$600,000 in incentives to attract La-Z-Boy's regional office from Greensboro.

"It's clear that we have a real scattered approach in Guilford County," said High Point Mayor Bill Bencini of the situation. CJ

Transit Study a Precursor to Light Rail?

By DAN WAY
Associate Editor

Wake County officials insist the launch of a new mass transit study is not an attempt to find a friendlier outcome just one year after three transit consultants determined the local market couldn't bear the costs of light rail.

Should this latest study conclude rail and/or expanded bus service is desirable, 2016 is the earliest a half-cent sales tax to fund it could be placed on a mandatory ballot referendum, according to Wake County Manager Jim Hartmann, who said the latest study was commissioned before the November election. Even so, planners are reticent to say that a commitment to rail transit has been made.

"This is a big discussion for our community. We've got existing transit in a number of different places. We've got a number of different providers, and we're inviting more and more people to move to Wake County," Hartmann said.

"So how we accommodate that in a financially feasible manner is going to be very important, and it needs to be a community discussion," Hartmann said.

All four Republican county commissioners, who were skeptical of the viability of light rail and did not place the sales tax on the ballot, lost their re-election bids in November.

Their reticence stemmed from data showing light rail would impose extremely high costs, have insufficient ridership due to lack of population density, and create a negligible impact on traffic congestion, making it unlikely to meet the criteria to attract federal funding.

Light rail "has been a very popular subject," and the previous board "helped create the planning process that we're in now, and I think embraced that [process] unanimously," Hartmann said.

He acknowledged there are many political aspects to expanding mass transit, and that is why a deliberate, transparent process will take place with a 72-member, politically diverse advisory council drawing members from business, disabled groups, Wake County municipalities, and other interests.

"There will be plenty of places where people who don't like the plans that evolve will have a voice, or people who want to offer other things will have a voice," Hartmann said. A final report is expected by June or shortly after, with interim reports being released to the public before then.

"I'm doubtful about the federal funding situation" for Wake County light rail, said Cal Marsella, a Colorado transit consultant and former CEO of Denver's Regional Transportation District. Under Marsella's direction, several times RTD's transit system was named the best in North America.

"The numbers were modest as I recall. I'm used to working with much more dense [population] numbers," said Marsella, who last year was one of the three experts asked to examine Wake County's potential for light rail. They recommended expanded bus service instead.

"There's certain criteria to be eligible for federal discretionary new-start money, and I didn't see those numbers getting there" for Wake County, he said.

The now-outdated 2011 Wake County Transit Plan called for \$4.6 billion in funding. Without reviewing more-current data, Marsella said it would be difficult for him

to determine definitively if circumstances have changed enough to justify light rail.

Some people lobby for rail because they believe it's a catalyst for economic development along the rail corridor, he said.

"I do believe that happens. But at the end of the day, it's a transportation investment," Marsella said.

"What motivates me in my evaluation criteria is basically ridership. What is going to be your cost per rider, your cost per new rider?" Marsella said.

"What's going to be your subsidy requirement to keep the operation going versus fares?" he said. When he was reviewing data for the county, he projected light rail would generate less than 20 percent of its revenue from fares. "So you're going to have an 80 percent subsidy of the operation for the foreseeable future," Marsella said.



Jarrett Walker, president of a Portland, Ore.-based transit consulting firm bearing his name, has been engaged by Wake County and other local government and nonprofit groups — along with the Kimley-Horn consulting firm of Cary — to implement the new transit study.

Walker presented an outline and answered questions at a Dec. 8 public meeting of some 600 people at the Raleigh Convention Center.

Walker's presentation of the recent history and benefits of mass transit systems used maps and grids to show how somewhat com-

parable capital cities of Columbus, Ohio, and Salem, Ore., have capitalized on expanded transit with higher frequency. But he downplayed discussion of how the transit upgrades would be paid for and whether they would include rail.

"We're talking about paying some more taxes in return for a better transit system," Walker said, "and people are going to decide for themselves ultimately whether it is worth that for them."

He said the pluses of transit are much more "diverse" than economic benefits. Transit "has social inclusion, social benefits. It has environmental benefits. It has benefits to people's sensation of liberty" and enhances income mobility for those on the lower rungs of the economic ladder.

Several times Walker linked transit with freedom, saying it provides commuters another option for travel; allows people to forgo the financial burden of owning, operating, and parking a car; and eliminates the stress of driving for people traumatized by accidents.

"We will inevitably get to a conversation about the specific rail proposals that were put before you by the last Wake County Transit Plan in 2011," Walker said. That plan included a segment of commuter rail from Garner through Raleigh toward Durham, and a proposed light rail line from Cary through downtown Raleigh and out to the northeast.

"We want to have those conversations in the context of first having a conversation about what you all want to have out of transit, and what are the values that are important to you," Walker said.

"Lots of people want to have an argument about whether transit will reduce congestion," Walker said. "That is actually a complicated argument to make. The real argument is that when your freeways get congested it can be a barrier to development and a barrier to economic growth," he said. "Transit is a very effective way of creating vast amounts of capacity and bypass[ing] that barrier." CJ

Appeals Court Upholds Six-Year Easement Limitation

By MICHAEL LOWREY
Associate Editor

RALEIGH

Utilities rely on easements to control a considerable amount of land in North Carolina. But state law also places limits on the amount of time a utility has to enforce easements it holds — currently, six years.

The state's second-highest court recently affirmed that six-year statute of limitations despite an attempt by Duke Energy to argue that the enforcement period should be longer.

Easement granted

In 1951, J.L. and Pearl Wallace entered into an agreement granting Duke Power, as it was then called, a 200-foot-wide easement to run power transmission lines on property the couple owned in Mecklenburg County. The area covered by the easement was to be kept free of buildings and trees. The easement was recorded by the Mecklenburg County Register of Deeds.

The Wallace property changed hands over the years, with John Wieland Homes and Neighborhoods of the Carolinas eventually acquiring it and building houses on it. One of the houses Wieland built, located on Lot 533 in Phase 8 of the Skybrook neighborhood in Huntersville, extended into Duke's easement by a little more than 8 feet.

Certificate of occupancy

A certificate of occupancy was issued for the house on Oct. 11, 2006.

Wieland in turn sold the home to Herbert Gray in 2007.

Duke eventually learned that Gray's house sat within the easement. In February 2010, the company sent a letter informing Gray that his house encroached on its right of way. It would not be until Dec. 12, 2012, though, that Duke sued Gray, seeking a judgment that the homeowner must remove the encroachment from its easement.

Superior Court Judge Richard Boner dismissed Duke's lawsuit, finding it came after the statute of limitations had ended.

Statute of limitations

Before the Court of Appeals, Duke made a variety of arguments saying a six-year statute of limitations shouldn't apply. The N.C. Electric Membership Corporation, the N.C. Association of Electric Cooperatives, PSNC Energy, and Piedmont Natural Gas Co. filed amicus briefs supporting Duke's position. The appeals court was, however, not per-

sued.

"N.C. Gen. Stat. § 1-50(a)(3) provides for a six-year statute of limitations for injury to an incorporeal hereditament [aka easement], which includes claims for encroachment upon an easement. Because plaintiff's claim for encroachment was filed more than six years after its claim accrued, the claim was barred by the statute of limitations," wrote Judge Sanford Steelman for the court.

Duke argument

Duke argued that the statute of limitations should begin on the date it knew or reasonably should have known of an encroachment. In support of its argument, it cited a 1999 Court of Appeals case called *Karner v. Roy White Flowers, Inc.* The appeals court said *Karner* did not apply to the current controversy. It also questioned whether the case had precedential value as the N.C. Supreme Court had reversed the appeals court decision.

Even if the appeals court had

agreed with Duke on its argument related to *Karner*, it still would have ruled against the utility in the current dispute, noting that "the statute of limitations had expired when plaintiff filed suit," wrote Steelman.

"It is undisputed that the house was completed, at the latest, by 11 October 2006, when the Mecklenburg County Land Use and Environmental Services Agency issued Wieland a Certificate of Occupancy for the house. Plaintiff should reasonably have known of the existence of a completed house that encroached on its easement, and plaintiff's claim was not filed until more than six years after this date."

Policy arguments

Duke also advanced a number of policy arguments claiming that a six-year statute of limitations was too short, including that the utility would incur "the substantial cost of continuously patrolling [its] easements, [resulting] in higher rates." The appeals court also rejected these rationales, saying that assigning responsibility for those costs was a matter for the legislature rather than the courts to decide.

N.C. Court of Appeals decisions are controlling interpretations of state law unless overruled by the state Supreme Court. Because the decision by the three-judge panel of the appeals court was unanimous, the high court is not required to hear the case if Duke appeals the ruling.

The case is *Duke Energy Carolinas, LLC v Gray, et al* (14-283). CJ



Duke argued the six-year statute of limitations started too early

E.A. MORRIS

FELLOWSHIP FOR EMERGING LEADERS

The E.A. Morris Fellowship is seeking principled, energetic applicants for the 2015 Fellowship class. Applications available online or at the John Locke Foundation. Application deadline is December 8, 2014. Please visit the E.A. Morris Fellowship Web site (www.EAMorrisFellows.org) for more information, including eligibility, program overview and application materials.

Eligibility

- Must be between the ages of 25 and 40, must be a resident of North Carolina and a U.S. citizen
- Must be willing to complete a special project requiring leadership and innovative thinking on a local level
- Must be willing to attend all program events associated with the fellowship
- Must not be the spouse of a current or past Fellow.

Timeline

Sept. 15, 2014: Application period opens	March 20-22, 2015: Retreat 1 — Pinhurst, NC
Dec. 8, 2014: Application period closes, applications due	June 12-14, 2015: Retreat 2 — Blowing Rock, NC
Jan. 5, 2015: Finalist notification & invitations to Selection Weekend	Oct. 17-19, 2015: Retreat 3 — Coastal NC
Jan. 31-Feb. 1, 2015: Hello/Goodbye Gala & Selections Weekend	

www.EAMorrisFellows.org
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DENR, Commerce Reviewing Stimulus Grants for Two Projects

Continued from Page 1

Office of Science, Technology, and Innovation.

Graham was unable to secure permanent tenants for the center, and one contractor who worked on the building said she refused to pay him between \$40,000 and \$60,000 for work he had performed on the project.

In November 2013 she removed 96 rooftop solar panels and a solar water heating system that were paid for with grant money. She then tried to get rid of the solar panels, initially posting them for sale on Craigslist then donating some of them to a nearby private school.

News stories in October reported the details of a 2010 stimulus grant awarded to JDC Manufacturing. The State Energy Office, which managed that grant, was part of the Commerce Department when the grant was awarded, but in 2012 it was transferred to DENR.

Sen. Hagan's husband Charles "Chip" Hagan and their son Tilden formed the solar energy company Solardyne in August 2010, the same week that JDC Manufacturing applied for a stimulus grant. Records show that Solardyne, now known as Green State Power, was involved in the installation of the solar panels at the JDC Manufacturing facility.

Solardyne also installed the solar panels at Graham's project in Micaville.

Bill Holmes, a spokesman for Auditor Beth Wood, confirmed to *CJ* that the auditor's office is reviewing all projects funded by the State Energy Office.

On Dec. 2, Gov. Pat McCrory announced that Decker would be leaving Commerce and that Skvarla would leave DENR and take over as the new Commerce secretary.

Expo Center plan

The Micaville facility, known as the Taylor Togs building, employed 125 workers making Levi's blue jeans before closing in 2004. Hugh Dorris of Asheville and Bobby Atkins of Burnsville formed Micaville Loop LLC in July 2008 and planned to attract another garment operation. They bought the building in November 2010 but had failed to attract another tenant.

Atkins told *CJ* that Graham approached him about her vision for the building and he decided to give her a chance. She submitted a grant proposal in March 2011 to Commerce to fund "Project Green at Mountain Heritage Expo Center."

Graham's plans were to transform the building into a mixed-use commercial building hosting a farmers market, restaurant, bank, and exposi-



The High Peaks Welcome Center, housed in a former U.S. Forest Service building in Burnsville, is another Graham project that never came to fruition. (CJ photo by Don Carrington)

tion space for conferences. She sought \$378,000 to insulate the building, add skylights, install a solar hot water system, and install a solar power system hooked up to the electrical grid. She stated that her organization would contribute \$50,000 toward the project. *CJ* could not determine if Graham actually provided any funding.

Graham stated that she would be the project manager. She also stated in the grant application, "There will be no employee from the Mountain Heritage Expo Center paid out of the grant funds." But records show that she wrote herself six checks totaling \$19,000 from grant funds.

The Department of Commerce awarded Graham the grant even though she didn't own the building and the building had been listed for sale for several years on Access NC, a website managed by Commerce.

Interviews and records obtained by *CJ* indicate that Graham worked alone in pursuing the grant from Commerce.

"Yancey County had no money in this project and nothing to do with it, other than the normal role of the building inspector," Yancey County Manager Nathan Bennett told *CJ*.

Yancey County Economic Development Director Wanda Proffitt told *CJ* that she was not involved in the grant process. "I had no involvement in the grant and didn't know [Graham] was getting it until after the fact. She was operating on her own," said Proffitt.

Proffitt's position as EDC director is a part-time job. She is also the president and owner of Carolina Mountain Realty and was the listing agent for the Taylor Togs building from May 2013 through May 2014.

Unpaid contractor

Graham hired Synergy Building Concepts, a general contractor owned by Michael and Connie Downey, to build and insulate a stud-framed wall along the interior perimeter of the building. Synergy's contract for the job was \$97,029. Graham made only two payments to Synergy totaling \$35,000.

Michael Downey met Graham in early February 2012, expecting to collect his final payment. Instead, he told *CJ*, "She told me that she needed \$25,000 to pay for a van she just purchased and said she couldn't pay me. She said she had already paid me enough." Records examined by *CJ* indicate that Graham was reimbursed by Commerce for work done by Synergy.

The project file, now housed in DENR, contained emails from Connie Downey to Graham discussing non-payment. On Feb. 22, 2012, Michael Downey sent a package to Kamilah Riley, a compliance officer under Hardin in Commerce, including a cover letter and copies of email correspondence and invoices between Synergy and Graham. The letter was not included in materials Commerce and DENR provided *CJ* as part of a records request, but the Downeys provided a copy to *CJ*.

Based on the items in the file, neither Commerce nor DENR took action to deal with the Downeys' complaint.

N.C. Green Business Fund

The North Carolina General Assembly established the Green Business Fund in 2009. The goal was "to encourage the expansion of small to medium-sized businesses to help grow a green economy." The fund operated for the first two years with state tax dollars,

and for the following two years the state funds were replaced with federal funds.

Hardin's office made a total of 46 grants totaling \$9.4 million with ARRA funds during 2010 and 2011. It retained \$586,000 to administer the grants. The grants ranged from \$24,000 for the engineering and installation of solar panels at the Onslow County Farmers Market to \$500,000 for a biowaste generator at the Storms Farms hog farm in Bladen County.

The \$378,000 grant to the Mountain Heritage Expo Center was the sixth-largest award.

The Green Business Fund has ended. "Currently, all available N.C. Green Business Fund monies have been awarded. No further funds have been allocated for the program, and no future solicitations are anticipated," reads a statement on the Commerce website.

Another failed project

Graham launched another project after the Expo Center failed. In April 2013 she created a corporation named Appalachian Resource Network Inc. The website is still active, but the listed phone number has been disconnected.

The organization's mission is "to support and cultivate rural Appalachian communities, making them more vibrant places to live and work. ARN is committed to sharing resources and building opportunities for rural Appalachia as well as raising community awareness and developing strategies for supporting important community initiatives," the website says.

Graham occupied a portion of a former U.S. Forest Service building on the main highway passing through Burnsville. Graham announced that the location also would be the home of the newly formed "High Peaks Welcome Center," managed by a committee she had assembled from a five-county region.

According to the ARN website, the welcome center would be open seven days a week, "housed within The Local Depot, a community initiative spearheaded by the Appalachian Resource Network that will be home to the new N.C. Farm-to-Table project, a Support Local Campaign, and much more," including "a gift shop, meeting space, a public commercial kitchen, an Adventure Outdoors Center, [and] a gallery for local artists." The depot will "host shows and special events for locals and to draw out-of-town shoppers and promote tourist-based economic growth."

The Welcome Center has not been launched, and Graham no longer has an office in the building. Sources told *CJ* they believe she has moved to another county. *CJ*

Long-Range State Transportation Plan Includes Tolls and Rail

Continued from Page 1

cludes study and environmental impact phases of placing express lanes on Interstate 40 from U.S. 15-501 in Durham County to U.S. 1-64 in Wake County. Construction would not begin before 2025.

The I-40 express lane proposal would allow motorists to continue using general-purpose lanes for free or pay a toll to use the express lanes.

"These are recommendations made from locals to prioritize their projects," McCrory said of the toll projects.

First under new formula

The proposal is the first State Transportation Improvement Plan under a new highway funding formula passed in 2013 by the General Assembly.

"One of our goals now is to deal with these choke points throughout the state that have deterred the economic potential of small towns and large cities alike," McCrory said, addressing the state Board of Transportation. "From Asheville to Wilmington, we need to now unleash the choke points."

"We're taking the politics out of road building and transportation, so we're getting a bigger bang for limited dollars," McCrory said, speaking with reporters after his presentation to the board.

"It's a much more efficient use of taxpayer dollars," Tata said. He said the N.C. Department of Transportation was taking a "needs-based, data-driven" approach to parsing out highway construction money. Tata said NCDOT took into account efforts to reduce con-



Gov. Pat McCrory and Transportation Secretary Tony Tata field questions from reporters at a Dec. 4 news conference outlining the administration's 10-year transportation plan. (CJ photo by Barry Smith)

gestion and travel time; how highways would help create jobs; safety; and multimodal transportation efforts.

Tata said 3,100 projects were submitted by regional planning organizations. The plan calls for NCDOT to fund 478 highway projects over the next 10 years, resulting in the creation of 300,000 jobs.

'Long-term jobs'

"Those are long-term jobs," Tata

said. "That's not jobs on the project."

NCDOT said that under the old highway formula, the department would have funded 175 high projects creating 174,000 jobs.

The cost will be about \$1.5 billion per year, or \$15 billion over the next 10 years.

McCrory said that in addition to improving traffic flow throughout North Carolina, the plan would help portions of the state connect to economic centers in neighboring states — such as Hampton Roads, Va., Greenville-Spartanburg, S.C., Johnson City, Tenn., and Myrtle Beach, S.C. — allowing economic activity from those areas to spill over into North Carolina.

Planned projects

Among the projects planned for construction are:

- Completing the Fayetteville outer loop to connect Fort Bragg to the Interstate 95 corridor to enhance military options.
- Expanding U.S. 321 between Lenoir and Hickory, improving connectivity from that part of the state to Charlotte and Interstate 85.
- Improving I-85 in Gaston County and removing a two-lane bottleneck in southern Rowan County, helping improve traffic for commuters going to Charlotte. It also would relieve congestion from Charlotte to the Greenville-Spartanburg area.
- Expanding N.C. 211 to Southport and Oak Island and improving their connection to the U.S. 17 corridor.

This is designed to relieve congestion during the tourist season and improve a coastal evacuation route.

- Widening N.C. 24-27 in Stanly County.
- Building the Mid-Currituck Bridge in Currituck County, connecting Corolla to the mainland. That bridge helps connect the Outer Banks to the Hampton Roads area of Virginia.
- Expanding U.S. 17 between Jacksonville and Wilmington, improving the commute for Marines at Camp Lejeune and their families as they travel between the Marine base and Wilmington.
- Turning U.S. 1 into a controlled-access freeway in northern Wake County, helping commuters get to and from Raleigh.
- Creating a loop around Greensboro, helping motorists reach northern counties in the state and travel to Virginia.

Both McCrory and Tata said the 10-year plan still leaves a lot of projects unfunded. McCrory said he's considering pushing a \$1 billion highway bond proposal next year. He said details on that plan are expected in January.

McCrory said the plan was designed with the future in mind.

"Whether you're running a city, whether you're running a state or a nation, those who succeed are those who don't react but [instead] those who anticipate and prepare," McCrory said. "If you react, you've already lost to the competition." *CJ*

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Schweikart: Rock's Individualism Helped Defeat Communism

By CJ STAFF

RALEIGH

Rock 'n' roll is fun; it makes us move, smile, and sing. Dr. Larry Schweikart, professor of history at the University of Dayton, says rock 'n' roll also can change the world. He's the driving force behind the movie "Rockin' The Wall." Schweikart discussed the movie's key themes 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: So how'd you get this idea of putting together the movie, "Rockin' The Wall," which tells the story [of] rock 'n' roll and its role in fighting the Cold War and bringing down the Berlin Wall?

Schweikart: Well, several things coalesced at the same time. First of all, I had a book called *Seven Events That Made America America*. And I had done a chapter in that called "A Steel Guitar Rocks the Iron Curtain." And I got some of the idea from a book called *Rock Around the Block*, but I didn't think that he went far enough, and I thought that I could add some insight to that.

At about the same time, the Vanilla Fudge lead singer, Mark Stein, and I had been in contact on another project, and basically he had asked me to co-author his biography. And I said, "I won't do it unless we can do a broad history of rock 'n' roll." And so he agreed.

So Mark began putting me in touch with all these rock 'n' rollers. And I began to realize that a lot of them had played near or behind the Iron Curtain, so I kind of folded the two projects together. And about that time, I talked to a producer friend of mine in Hollywood, and I said, "Hey, do you think this would make a good documentary?" And he says, "Yeah, I do." He said, "I happen to know a guy who'd be the perfect director for this."

So I got put in touch with Marc Leif. We started working on it over a summer in 2009. ...

Kokai: People will have to watch the movie to get the whole story, but tell us what was the role of rock 'n' roll in fighting the Iron Curtain and the Berlin Wall?

Schweikart: The first thing, and what might be surprising to many people, was it wasn't the lyrics, because so many of them did not understand English. But what appealed to them was the freedom of rock 'n' roll as a musical structure. And this meant that in rock

"[O]ne thing I think that we've really missed in the so-called war on terror is a dedicated propaganda effort through music. ... I think we need a dedicated propaganda effort in the Middle East, of music and pop culture, focused by the government. You know, we need ambassadors of music to go in there."

Larry Schweikart
University of Dayton



— country, jazz, blues, [too], but we focused on rock — these are all American music forms, and they start together as a group, they end together as a group, but in the middle you always have the solo.

And I discovered that was an expression of America, and Western values, that you do things together as a society, but you never lose track of the individual. The individual always gets a chance to shine. And I think that, as much as anything else, really appealed to people — that they could sense that coming through.

And, of course, there was a general freedom and rebelliousness of rock that is not there with classical music. Classical music is played the same from century to century to century, you know? And while you can have different players, and they can do it very well, they're essentially playing what Beethoven wrote, you know, 200 years ago. Well, rock 'n' roll changes every single time you play it because of the solos, but also because no two players play it alike, which is why we have so much cover music.

Kokai: I think one of the things that also came across from your film was the sense that this wasn't done as a conscious effort from the West to say, "Let's pump rock 'n' roll music in here." In fact, the folks who were in charge didn't think rock 'n' roll was a good use of their time to try to use that to fight the Cold War.

Schweikart: Exactly. And free-market people ought to think about this. Rock 'n' roll music came up without a dime of government support. In fact, it was opposed by government at the state/local level, even the federal level, as much as they possibly could.

And yet, it became not only the dominant music form in America, but the dominant music form in the world.

You can go in a karaoke bar in Japan, and Japanese girls who don't know English will be singing Madonna lyrics. And I talked to a guy who was bicycling through South Africa, and he was in some real remote, hilly trail, and he came to a place that was offering water at a little stand — one guy had a Van Halen T-shirt on. So rock 'n' roll is that famous word: ubiquitous. It is everywhere, and it came up solely through the free market, without any government support at all.

Kokai: One of the other pieces of this story that's quite interesting is just how much some of this rock 'n' roll music really moved people behind the Iron Curtain, who didn't have a whole lot to look forward to in their lives. Rock 'n' roll really gave them some hope, didn't it?

Schweikart: Right. You know, it's funny, I was present at all interviews. ... And I said to Marc, "There [are] two questions I want you to ask everybody. And one of them is, I want you to ask them about their impressions — what they saw behind the Iron Curtain." And we had a cut of one after another, these rock artists saying the word "gray." There's gray, gray, gray. "Everything I saw was gray." "It was dead. It was lifeless. It was gray."

And rock music pumped life into them. They came alive when they heard the music and the expressions of, you know, "Live your life. Love people. Be free. Enjoy life." And I think that that greatly appealed to them. And so when these rockers finally went in to the East after the wall fell, they were mobbed by people telling them how

much the music had meant to them while the Iron Curtain was still up.

Kokai: There's no Iron Curtain today, and Eastern Europe has changed quite a bit since the fall of the wall, but do you think there are some lessons that we should learn about the role of rock music and the role of allowing people this freedom that would apply to some of the issues we're dealing with today?

Schweikart: Yeah, one thing I think that we've really missed in the so-called war on terror is a dedicated propaganda effort through music. You know, in the 1950s, the Eisenhower administration sponsored Louis Armstrong to go on goodwill tours around the world and even into the Soviet Union. And that sent an incredible message because, whatever they could say, here was a jazz band — and again, we go back to the form of jazz — led by who? A black man.

At the very time they're telling everybody how racist and evil the Americans were — and we still had a lot of problems then — but nevertheless, here's a band of white men, mostly whites, being led by a black man. And that very image had to tell people, "Everything they're telling us isn't right."

And so I think we need a dedicated propaganda effort in the Middle East, of music and pop culture, focused by the government. You know, we need ambassadors of music to go in there, because right now what's happening is that jihadists, they like the energy of rock 'n' roll, but they're applying their own death lyrics to rock music in a lot of cases.

So far, it's not having the same impact in the Middle East, for example, that it had in Germany. CJ

Doubts Being Raised About Partnerships With Chinese

BY HARRY PAINTER
Contributor

What are the limits of the partnerships that a public institution of higher education may form? A growing number of critics, including university officials and faculty, argue that accepting funding and academic influence from the communist Chinese government crosses a line.

At the core of this controversy is a project begun in 2004 by the Chinese government to fund on-campus centers promoting Chinese language and culture, and "deepening friendly relationships" with other countries. The centers, called Confucius Institutes, partner with existing departments, rather than functioning as separate academic departments.

There are more than 400 Confucius Institutes in 120 countries, and 97 in the United States alone. There are also around 700 mini-Confucius Institutes known as Confucius Classrooms worldwide. The "classrooms" have the same mission as the institutes but rely on nearby institutes for funding and management.

N.C. State University has hosted a Confucius Institute since 2007, and the institute operates Confucius Classrooms at Central Carolina Community College, Saint Augustine's University, Enloe High School, and, since October, Wake Technical Community College.

While there's little controversy over colleges that offer programs studying Chinese language and culture, there are mounting objections to the Confucius Institutes' efforts to filter the flow of information. Penn State University and the University of Chicago recently abandoned their agreements to host Confucius Institutes.

Critics accuse the Confucius Institute of being a propaganda arm of the Chinese government. In addition to fostering a better image of China, Confucius Institutes have pressured universities into keeping mum about Tibetan and Taiwanese freedom, as well as human rights abuses like Tiananmen Square, according to reports from numerous mainstream news outlets.

Despite this concern, the hubs continue to expand.

UNC's Center for International Understanding, which promotes international relations for all the UNC campuses, thinks the partnership helps students "hold a competitive advan-

tage in an increasingly global world." It notes that one-third of the world now speaks Chinese and that China is an important trading partner with North Carolina. The UNC center runs 43 Confucius Classrooms at North Carolina elementary, middle, and high schools.

N.C. State's experience illustrates the danger Confucius Institutes pose to academic freedom. In 2009, the university had invited the Dalai Lama, the Tibetan spiritual leader, to speak on campus. N.C. State's Confucius Institute director, Bailian Li, reportedly interfered. According to a 2011 *Bloomberg Businessweek* article, Li warned Provost Warwick Arden that the speech would dampen "some of the strong relationships we were developing with China." The speech was canceled.



Jeffery Braden, dean of the College of Humanities and Social Sciences at N.C. State, said in an interview with the Pope Center that he has not heard any direct complaints about the Confucius Institutes, although some professors have voiced concerns. The college has an informal working relationship with the campus Confucius Institute.

Braden said that faculty concerns about the institute are similar to concerns about private companies and nonprofits that work with N.C. State, though he conceded that, unlike private donors that tend to be open about their goals and respectful of academic freedom, the Chinese government has shown open disdain for academic freedom and engaged in well-documented human rights abuses.

He argued that the way to deal with the moral dilemma posed by associating with China's ruling party was not to shun it.

"Do we deal with governments that don't share our values? There are two strategies — you can isolate or you can engage," Braden said. "Our country has benefited tremendously from informal engagement," he added.

Currently, the UNC Board of Governors is reviewing 11 percent of state-funded centers and institutes for potential cuts, primarily for efficiency but also to stop excessive advocacy and politicization. The Chinese government-funded Confucius Institute is not under review, nor is UNC's Center for International Understanding. *CJ*

Harry Painter is a reporter for the John W. Pope Center for Higher Education Policy.

COMMENTARY

'Leisure Studies' And Serious Academics

We know what most academic fields are about. Political science teaches about political systems and their workings; philosophy about how people have thought on questions such as ethics; literature courses have students read and contemplate worthwhile books.

But what is "leisure studies" about? Such courses are found at a number of colleges and universities.

A recent *Chronicle Review* article titled "The Labors of Leisure" sheds some light on this strange-sounding field.

It was prompted by a clash over the impact of Obamacare early this year. As evidence emerged that Obamacare was pushing employers to cut back on full-time employment, forcing many employees to work less than 30 hours per week, conservatives saw that as proof that the law was detrimental.



GEORGE LEEF

But University of Iowa professor Benjamin Hunnicutt thought otherwise and published an article titled "Why Do Republicans Want Us to Work All the Time?" He contended that less time at work is actually something to celebrate.

Conservative talk show hosts including Bill O'Reilly fired back that Hunnicutt's professorship of "leisure studies" was proof enough that he ought to be ignored. They ridiculed the notion that leisure was a subject for academic study.

Nathan Schneider, author of the *Chronicle Review* article, is sympathetic to Hunnicutt and in the piece reveals much about the genesis of "leisure studies." "Fifty or 60 years ago," he writes, "many sociologists saw leisure as an urgent challenge for their field; with more free time surely to come, how would people use it? Leisure studies departments were one result."

Not only sociologists expected an abundance of leisure time. Economist John Kenneth Galbraith argued in 1958 that America had "solved" the production problem and needed only to distribute wealth properly. Many liberal academics believed that when the economy was freed from old-fashioned capitalism and placed under the control of well-meaning government officials, long workdays

no longer would be necessary.

Hunnicutt was among them. A graduate student in history at the University of North Carolina at Chapel Hill, he was looking for something to write about. "The subject of leisure was one among many on a list of possible topics in a seminar with George Mowry, a scholar of Progressivism," Schneider writes. "Leisure was something [Hunnicutt's] Southern upbringing had taught him about, but he hadn't realized that it was something he could study."

Hunnicutt wrote his dissertation on leisure but wondered where it could lead. Then he heard about "a job opening at the University of Iowa in recreation education, a department soon to be renamed leisure studies. He could teach the history of free time to students who would spend their lives promoting it."

That was a great break for Hunnicutt, but is there any reason to believe that people should have more leisure time, or that they would if it weren't for hidebound conservatives who get in the way of our liberation from drudgery?

Schneider believes so. "Today the very idea of leisure sounds absurd to the ears of such cultural bellwethers as O'Reilly and [Sean] Hannity, and a personal insult to hardworking politicians like [Paul] Ryan."

Throughout the article, we hear hymns to leisure, which Hunnicutt calls a forgotten dream. Although he may think so, leisure isn't a "forgotten dream." Americans have enjoyed a steady reduction in working time owing to investment in labor-saving devices. That's one of the great benefits of free-market capitalism.

As far back as Karl Marx, leftists have claimed that work is somehow an unpleasant feature of capitalism. Only in American universities — fulsomely supported through people's work — could such an erroneous notion become the grounds for a field of study. *CJ*

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

Campus Briefs

Colleges around the country are scrambling to eliminate sexual violence on campus to avoid federal sanctions. They are tightening consent policies, hiring staff, mandating diversity programs, and even banning Greek life.

UNC-Chapel Hill vice chancellor Winston Crisp and Provost James Dean are embarking on a mission to reduce alcohol abuse and campus violence. They are forming a committee of senior administrators, in line with the findings of a July report from the UNC system's Campus Security Initiative, a task force of staff and students chaired by two university chancellors.

However, Dean told the Pope Center that curbing sexual assault is "certainly not the impetus behind" the report. "I think it's reasonable to expect that there would be some impact on sexual assault, but that's not the main reason we're doing it," he said. At the same time, Dean acknowledged a link between drinking and campus sexual assault. "Virtually every instance of sexual assault is associated with alcohol," he said — though not necessarily binge drinking.

In any case, while the report focused on three areas — sexual assault, alcohol and substance abuse, and non-sexual campus crime — sexual assault dominated the report's "priority recommendations" and took up by far the most space.

A white paper by Crisp's drug and alcohol advisory group, prepared for the Campus Security Initiative, cited a 2002 study finding that alcohol involvement was reported in 90 percent of sexual assaults in college communities, and that 97 percent of those assaults were perpetrated by someone the victim knew.

The paper found that numerous policies are already in place across the UNC system to curb binge drinking, including education, increased law enforcement, and "alcohol medical amnesty," a "Good Samaritan" policy to protect underage drinkers who seek medical attention.

All we know so far about Crisp and Dean's strategy is that the committee will look at binge drinking as a public-health problem, as the university did with its 2008 tobacco ban, which emphasized access to smoking-cessation classes and other treatment options for student smokers. CJ

Compiled by Harry Painter, a reporter for the John W. Pope Center for Higher Education Policy.

N.C. Universities Avoid Harmful Recession-Era Cuts

By JENNA ASHLEY ROBINSON
Contributor

RALEIGH

A new report from the Center for American Progress alleges that the "Great Recession" devastated public university investments nationwide. Specifically, it says that over a five-year period, tuition has skyrocketed, states have withdrawn public investment, and low-income families have been pushed out of higher education.

Maybe so. But how does the UNC system stack up against public universities around the country in terms of spending and student success?

Let's look at some particulars:

Allegation No. 1: College costs have skyrocketed.

The total price for in-state students living on campus in 2013-14 at the average UNC institution was \$18,820. The average for all U.S. public universities was \$21,473. And North Carolina's public universities cost less than our neighbors to the north and south. The average price in Virginia was \$24,135 this year. In South Carolina it was \$24,073.

From 2007-08 to 2011-12, in-state undergraduate tuition and fees at the average UNC institution increased \$1,222. Nationally, tuition and fees at public universities increased \$1,600 on average.

Allegation No. 2: States have withdrawn public investment from universities.

One of the reasons for UNC's relative affordability is that the North Carolina General Assembly has been generous to its universities. According to the Integrated Postsecondary Education Data System at the National Center for Education Statistics, state appropriations make up 43 percent of UNC's core revenues. At the average American public university, state appropriations only make up 28 percent of revenues. As a result, tuition represents a smaller percentage of the total revenues at the UNC schools — 22 percent. Nationally, tuition accounts for 30 percent of revenues.

The Center for American Progress' report shows that North Carolina's recession-fueled cuts to state spending on higher education have been moderate in comparison to the rest of the country.

Measured as a percentage of revenue, North Carolina's cuts were the 15th smallest in the nation — just \$677 from 2007 to 2012. North Carolina's tuition increase was the 21st-smallest in the country. North Carolina outperformed its neighboring states on every financial measure.

And there's evidence that campuses allocated budget cuts in a productive way. Across the system, 535 vacant positions were eliminated in 2012-13, effectively erasing what some

view as slush funds (funds that come when campuses keep jobs unfilled but continue receiving appropriations for them). And schools in the UNC system spend a larger percentage of their budgets on instruction (and less on support services) now than they did at the beginning of the recession.

Allegation No. 3: Cuts have hurt low-income students most.

It's true that net college costs (i.e., the total cost of college minus any grants or scholarships) during the recession rose most, as a percentage, for students with incomes of less than \$30,000 per year, even here in North Carolina.

But North Carolina's public universities remain relatively affordable. The average UNC system student with an income of less than \$30,000 paid just \$6,511 in net costs in 2011-12. By contrast, students with family income greater than \$110,000 paid more than double that amount — \$15,634. The \$6,511 figure is not all that different from the cost of living at home without attending school.

At the average U.S. public institution, net costs are much higher — \$9,300 for students from families making \$30,000 or less and \$16,920 for students from families making \$110,000 or more.

Success, not just access

But ultimately, student access to universities is only half the picture. In order to make real comparisons, we

need to know whether students succeed once they're admitted to college. It's important to know whether cuts have hurt UNC students' success rates, and how UNC schools compare nationally.

The six-year graduation rate for the UNC system is 59 percent, well above the average graduation rate for American public universities as a whole — 53 percent. UNC's better showing can't be explained by higher

spending because UNC schools spend less per student than the average public institution once all sources of revenue are included — \$22,578 compared to \$26,702.

What might be making the difference is that UNC schools are devoting

a larger portion of that spending to instruction and institutional support than do other schools. In fact, as the university experienced cuts during the recession, that proportion went up, suggesting that the cost-cutting was focused on administration more than faculty.

The cuts don't seem to have affected student performance. Graduation rates are up at almost all UNC schools since 2007-08. And this is even as total education and related spending per degree has decreased.

UNC system schools appear to have bucked the national trends, remaining relatively well-funded and affordable for students. CJ

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

UNC cost-cutting said to be more on administration than on faculty



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Opinion

Expanding Programs to Academically Weak Led to Loan Crisis

For all of the words devoted to our student loan mess (or “crisis”), little has been written on its origins. We know that student loan debt now exceeds \$1 trillion and many young Americans are struggling with a heavy burden, but how things got that way is largely a mystery.

Fortunately, a recent and enlightening book clears up the mystery: *The Student Loan Mess*.

The authors are University of Delaware sociology professor Joel Best and his son Eric Best, assistant professor of emergency management at Jacksonville State University. They do an excellent job of explaining the genesis of our student loan system and how we’ve blundered through four distinct “messes.”

Let’s go through the history. The G.I. Bill in 1944, with its college benefits for veterans, was the government’s first move into direct assistance for students. It didn’t have as much impact as most people think; fewer than half of the vets used their benefits, most of them for vocational training. G.I. Bill benefits spawned the kind of scams we hear so much about these days.

By the mid-1950s, several states had begun guaranteed loan programs for students who wanted to attend

colleges in their systems. Enrollments continued slowly increasing, as they’d been doing for decades. Then came Sputnik.

The Soviet space triumph led politicians to champion legislation to address this perceived calamity. “The Cold War,” the authors write, “demanded that America stop wasting its brainpower.”

Congress passed the National Defense Education Act. It made federal funds available to colleges they could lend to students “with superior academic background” who wanted either to teach or study science, math, engineering, or a modern foreign language. Such students were able to borrow up to \$1,000 per year.

That program also contained an idea that we hear much about today — forgiveness of a large portion of the debt for those who went into an approved line of work, public school teaching in this case.

The NDEA was responsible for popularizing the concept that it was perfectly fine to borrow for college, something that many Americans previously had regarded as inappropriate.

After Lyndon Johnson’s 1964 victory, the big majority in Congress that wanted to help more students passed the Higher Education Act of 1965. Students wouldn’t have to meet the restrictions of the NDEA to qualify



— since going to college was assumed to be good, why limit government help just to future teachers, mathematicians, scientists, and engineers?

There was another big change in the program. Rather than the federal government giving colleges money to lend to students, the HEA had students take out loans from private lenders, which the government would guarantee. While student loans originally had been an idea supported mostly by Democrats, by the time Richard Nixon became president, both parties were claiming credit for this rapidly growing middle-class benefit.

The authors call this the “wasted brainpower” mess, meaning that too many young people were failing to expand their brainpower by going to college, a supposed problem that required the federal government to “expand access.”

Those efforts, however, had unintended consequences leading to what the authors call the “deadbeat” mess.

Its key feature was the fact that a rising percentage of students were defaulting on their loans. The authors grasp that rising defaults were inevitable because expanding “access” meant admitting an increasing percentage of students who were academically weak.

Congress held hearings, where

attention was focused on the high percentage of defaulters who had gone to for-profit institutions. It came up with two remedies for this “mess.” One made it very hard for students to avoid college debts through bankruptcy. The other limited the amount of revenue for-profit schools could take in federal student aid.

The cost of college kept rising rapidly, so many students who wanted to go to college had to borrow heavily. As a result, the third “mess” began impressing itself on American minds early in the new century. Best and Best call it the “crushing debt” mess.

It focused on “students who had pursued the American Dream of higher education, only to find themselves in hock to their eyeballs.” We’ve been grappling with this mess for the last few years, with Congress responding by cutting interest rates to 3.4 percent and making repayment more lenient.

The fourth mess is mingled with the third — the current trouble with high loan default rates at for-profit schools. Best and Best are surprisingly hostile toward these institutions, writing, “Academia’s traditional system of trust goes out the window when the major purpose of a university is to make as much money as possible.”

The trouble with the Bests’ view is that for-profit management is not incompatible with educational integrity; nor is nonprofit management any guarantee of it. CJ

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



GEORGE LEEF

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• In *Digital Destiny*, Shawn DuBravac, chief economist and senior director of research at the Consumer Electronics Association, argues that the groundswell of digital ownership unfolding in our lives signals the beginning of a new era for humanity. Beyond just hardware acquisition, the next decade will be defined by an all-digital lifestyle and the “Internet of Everything” — where everything, from the dishwasher to the wristwatch, is not only online, but acquiring, analyzing, and utilizing the data that surrounds us. In practice, some of mankind’s most pressing problems, such as hunger, disease, and security, can be solved. Even as digital mechanisms take up more and more of our lives, an individual will have more freedom in action, work, health, and pursuits than ever before. For more, visit www.regnery.com.

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Book review

New Take on Bennett’s *Virtues* a Hit-and-Miss Affair

• Jonathan Last, editor, *The Seven Deadly Virtues: 18 Conservative Writers on Why the Virtuous Life is Funny as Hell*, Templeton Press, 2014, 183 pages, \$24.95.

By LLOYD BILLINGSLEY
Contributor

This book’s publisher is clearly striving for the second coming of *The Book of Virtues* by William Bennett, which sold a few copies back in the day. In the introduction, Jonathan Last of *The Weekly Standard* marks the differences between 1993, when Bennett’s book appeared, and 1971, when the federal Department of Education didn’t exist. “We are as far away from 1993 today,” Last explains, “as they were from 1971 back then.” *The Seven Deadly Virtues* provides evidence of that reality.

The book comes billed as “humor,” and on Fox News, Jonah Goldberg, one of the 18 conservative writers on the roster, billed it as a veritable laugh riot. That’s too much to put on any book, particularly one of this type. To entertain and instruct is a tough task, but a few of the writers in *The Seven Deadly Virtues* manage to pull it off. P.J. O’Rourke, for example, has never seen protesters chanting “No prudence! No peace!” We all want justice, he says, but nobody seems happy when they get it for themselves. Indecencies are all alike, and every decency is decent in its own way. And O’Rourke knows what the deal is.

In current arrangements, government is virtuous on behalf of individuals, grabbing their money and, after overhead, spending it much more wisely than they ever could, and with much better results. “We have faith in government though we may deny it,” O’Rourke writes. “The very size of the Leviathan is a mark of our faith.” As for tithing, “government lays claim to 40 percent of our entire GDP. And, as for government services, daily attendance by Americans is almost 100 percent.”

In O’Rourke’s view, traditional virtue survives, but “it just doesn’t provide modern Americans with the minimum compensation that they feel is necessary to meet their basic needs.” And as editor Last notes, “The superficial moral framework of the modern virtues turns out to be an insufficient organizing principle. When it comes to virtue, the old ways are still the best ways.”

Andrew Ferguson notes that boorishness is the opposite of prudence and characteristic of the New Science. He cites London School of Economics evolutionary psychologist Stoshi Kanazawa, who caused a firestorm recently when he blogged at *Psychology Today*’s website that women of all races are more attractive than men, “except for black women.” This sort of thing is the result, says Ferguson, of the view that human beings are a “not-so-special species, nagged and pulled by unconscious impulses, the random consequence of a blind and pointless process stretching back to the beginning of time.”

RALEIGH

On the virtue of courage, Michael Graham wonders how a nation born in rebellion can “let the government tell us what size sodas to drink” and endure the “cattle call” of airport security. Graham sees courage as the essential virtue: “What good is intelligence if you’re not strong enough to stand up for good ideas?” Good point.

Andrew Stiles cites C.S. Lewis’ observation that temperance never meant abstinence but “going the right length and no further.” Now temperance is “a means to demand fealty to the whims of those who think they know better.”

On the virtue of chastity Matt Labash cites Lewis’ observation that sex was supposedly a mess because it was “hushed up.” Now we chatter about it all the time, and it is “still a mess.” Further, Labash says, “no matter how much sex we are having, we as a culture are making a lonely, sad, muted sound.” And sexual morality, editor Last observes, “is now a function of health outcomes.”

Joe Queenan laments that pithy expressions from our glorious past no longer resonate in this grasping, fun-loving society. He finds that thrift is a laudable virtue, but one that should be used only in emergencies. Cheap people are repulsive, he says, and “thrifty people are merely annoying.”

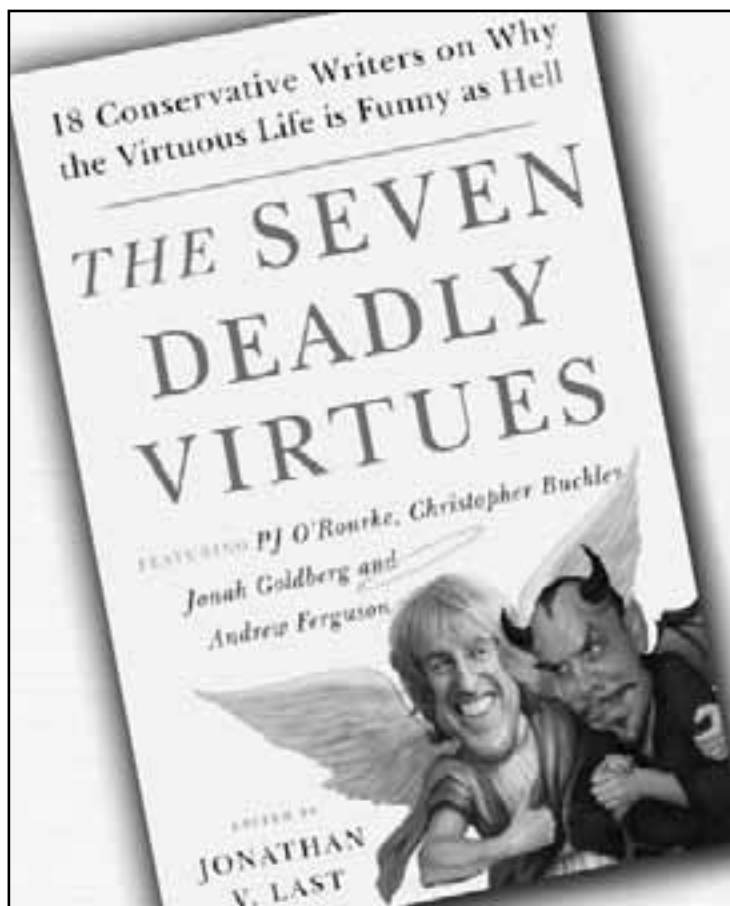
Jonah Goldberg explains that integrity “is the measure of how successful we are at acting on our desire to have the right desires.” The standards of integrity once meant something but now involve adhering to one’s own principles, “because they are the only legitimate principles.”

Christopher Buckley holds forth on the virtue of perseverance, which “must march hand-in-hand with her sister virtues. When she does, she is majestic indeed.” That closes out the 18 contributors in this rather slender volume. Even so, between O’Rourke and Buckley, readers will find plenty of filler, in places moderately instructive and sometimes unintentionally entertaining.

Sonny Bunch of the *Washington Free Beacon* website says, “forbearance is the rare virtue that provides its own rewards.” He also writes that one of the most unsettling aspects of the politicized life is that “those who embrace it are not un-self-aware.” Alert readers may recall George Orwell on the “not-un” formulation: A not un-large dog was chasing a not un-small cat across a not un-green field.

The Seven Deadly Virtues is a mixed bag, but it’s good to see that conservative writers still read C.S. Lewis, whose works have maintained their appeal. Lewis avoided “forced jocularities” on serious subjects and believed that readers should not allow themselves a new book until they have read an old one in between.

Between Bennett’s 1993 book and this one, readers might consider Richard Grenier’s *The Marrakesh One-Two* (1983) and John Kennedy Toole’s 1980 *A Confederacy of Dunces*. Even in the Age of the Tweet, these books can make readers laugh out loud while serving up a supersized helping of the truth. CJ



Early Naturalists Marveled at N.C.'s Natural, Geographic Diversity

One can stand on a beautiful overlook in the Appalachian Mountains, then drive and enjoy the verdant Piedmont, and later listen to the cresting waves of the Atlantic Ocean — all in one day.

Years ago, many naturalists marveled at North Carolina's geographic and natural diversity and wildlife. John Lawson (1674-1711) and Andre Michaux (1746-1802) were two notable examples.

A London native, Lawson was an intellectually curious young man at Gresham College, where he had opportunities to listen to England's and Europe's leading botanists and naturalists. As a 25-year old, he embarked in 1700 on a naturalist adventure in what is now South Carolina.

His journeys took a somewhat circuitous arc starting in Charleston, heading north through the Piedmont regions of what are now the two Carolinas, and later ending in eastern North Carolina. Lawson later helped found Bath, North

Carolina's first town.

Lawson documented his travels in *A New Voyage to Carolina* (1709) and described various plants, geographical features, and animals such as bears, panthers, polecats, wolves, raccoons, and fox squirrels. He also compares, for instance, the quality of apples and pears in North Carolina with those in Europe. Among many lists and descriptions, he describes various Carolina oaks.

One humorous incident — at least after the fact — involved his first encounter with an alligator. (Alligators were prevalent in North Carolina during the Colonial Era. If readers are interested, read Janet Schaw's *Journal of a Lady of Quality*, in which she includes North Carolinians' interactions with nature and animals, in particular alligators, in the Cape Fear region.) Sleeping in a house by the "Fork of Neus-River," elevated (likely more than a few feet) above an alligator's sleeping spot, Lawson awakened to "a Roaring, that ... made the House shake about my Ears, and

so continued, like a Bittern, (but a hundred times louder, if possible) for four or five times. The Dog stared, as if he was frightned [sic] out of his Senses; nor indeed, could I imagine what it was, having never heard one of them before." Lawson believed something "diabolical" was happening, but when his amused guide returned later that night, Lawson learned "what it was that made that Noise."

Lawson also contributed to New Bern's founding and continued exploring, including into the Chesapeake Bay area. According to scholar and biologist Vincent Bellis, Lawson "failed to ask ... permission" in 1711 to cross Tuscarora land — tensions already were heightening between the English and Tuscarora — and Lawson's exploration party was captured. All were released except Lawson, who died at the hands of the Tuscarora.

Another fascinating figure was Andre Michaux, a French naturalist and explorer. Financed with a 1785

commission from the French government, he traveled to North America and later Carolina to learn more about trees. (In many ways, this botanical trip had economic and military importance; the French government was interested in learning information that might improve naval construction.) Michaux sojourned to places such as Mount Mitchell, Grandfather Mountain, Linville Gorge, and the French Broad River. He visited North Carolina five times, and Michaux inventoried Western North Carolina.

He cited the existence of several plants, including the *shortia galacifolia* (Oconee bells), and he noted the growth of ginseng while obtaining samples for a specimen inventory. Michaux was awed by North Carolina's scenery: Overwhelmed at the top of Grandfather Mountain, Michaux recorded that he and his guide, writes historian John Inscoe, "sang the new French hymn 'La Marseillaise' and cried: 'Long live America and the French Republic! Long live Liberty!'"

Eventually, Michaux received no more support for his North American adventures, so he moved on to explore Africa. At 56, he died in Madagascar. *CJ*

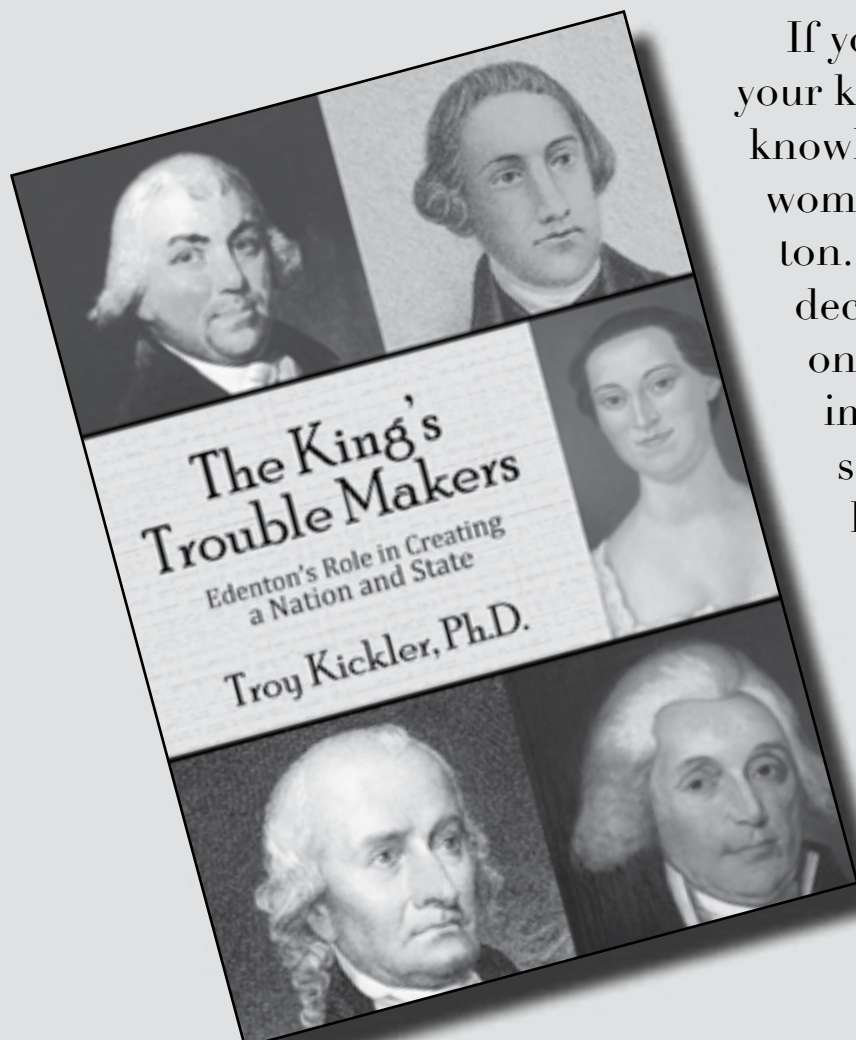
Dr. Troy Kickler is director of the North Carolina History Project (northcarolinahistory.org).



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.

Book review

Aspiring Adults Adrift Sustains Questions of the Value of College

• Richard Arum and Josipa Roksa, *Aspiring Adults Adrift*, University of Chicago Press, 2014, 264 pages, \$55.

BY GEORGE LEEF
Contributor

For a long time, those who argued that higher education's standards are eroding had to use anecdotes to support their case.

Many professors said they had lessened the rigor of their courses for various reasons (student incompetence, student vindictiveness on evaluations, administrative pressure, and so on), and some students bragged about how they'd partied their way through college.

Unfortunately, there wasn't much empirical evidence to show how little students learned.

Then, in 2011, sociology professors Richard Arum and Josipa Roksa published *Academically Adrift*. Their book presented solid evidence that a wide swath of American college students learned little or nothing that added to their stock of useful knowledge and skill while in college. No longer could defenders of the higher education status quo dismiss complaints about falling standards as just a few anecdotes.

Happily, the Arum and Roksa team decided to continue investigating the results we get for our huge investment in college education. They have published their findings in a new book, *Aspiring Adults Adrift*.

In it, the authors focus on the post-college lives of 1,000 students they surveyed for their first book to see how they are faring two years after graduation.

Their new book adds support for their earlier conclusion that college doesn't do much good for many young Americans. It's a cold shower for the "We've got to put more of our people through college" crowd.

Crucially, a majority (53 percent) of the graduates surveyed who had not pursued additional formal education either were unemployed, employed only part time, or working in jobs paying less than \$30,000 annually. A quarter of them were living with their parents.

Those numbers are illuminating, but Arum and Roksa have uncovered additional, highly pertinent

information about recent graduates. One finding, contrary to what most people would assume, is that a recent graduate's success in the labor market has little to do with whether he or she earned a degree from a selective college.

Some graduates of selective colleges were working in jobs such as delivery truck driver and grocery store cashier. Conversely, some graduates of nonselective schools had found more lucrative employment. "Parents and the general public might be surprised that graduates' earnings often do not closely track with the types of institutions they attended, but a significant body of social science research is consistent with this result," the authors write.

That should make people question the assumption that the high price of the nation's elite universities is worth paying because getting a degree from those schools is close to a guarantee of success. It isn't.

Our selective schools aren't all they're cracked up to be. In fact, our entire higher education system tends to fall short because, the authors argue, it largely has succumbed to an anti-academic mentality.

"Educators have increasingly ceded their authority to students, and administrators have shifted institutional emphasis from students' academic and moral development to their personal growth and well-being. Empowering and catering to students as consumers has only exacerbated these broader and deeper changes," they write.

Precisely. Whether students attend prestigious or nonprestigious schools, they often coast through to their degrees without gaining much in

knowledge or skills. After college, that hurts many of them.

But most students believe they learned a great deal in college — apparently because many typically received good grades. Some probably realize that low grades are now rare in many courses, but nevertheless they're convinced that college boosted their skills.

"Critical thinking led the way," the authors write, "with more than three-quarters of students reporting high levels of skill development in that domain. Students thus embraced the message, prominent in higher education rhetoric ... that critical thinking was a key skill developed during college."

The key word there is rhetoric.

For years, college leaders have proclaimed how they teach "critical thinking" to students, but that doesn't mean instructing them in logic and reasoning. All they mean is that they impart ideas intended to make students critical of our economy, culture,

and history.

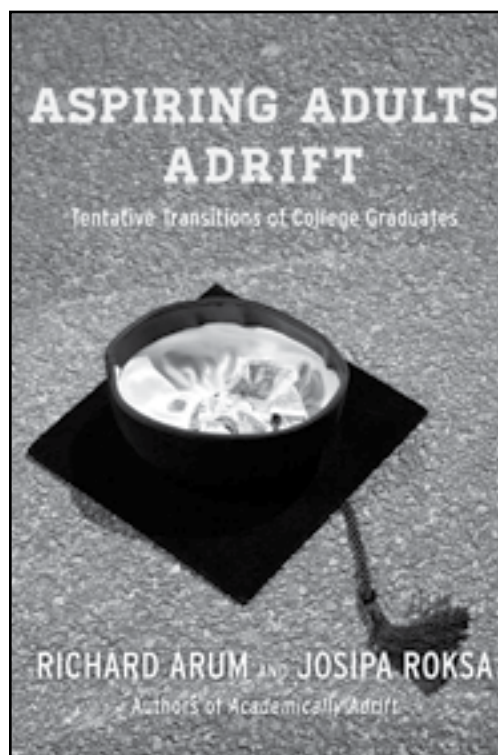
Even though a large percentage of the students Arum and Roksa surveyed hadn't found good employment or become financially independent, they were overwhelmingly optimistic. Most graduates reported that they thought college had been "worth it" and would prove beneficial. The book strongly leaves the impression that their thinking is unrealistic.

Contemplating the dreary landscape of higher education, the authors issue this declaration: "Consumer satisfaction is not a worthy aim for colleges and universities." To change that, they want education leaders to make college more rigorous, emphasizing both subject-specific knowledge and generic competencies.

Laudable goals, but I think it is beyond the ability of college leaders to make much headway so long as most incoming students have the attitudes and expectations they do. Many are disengaged from academics, averse to serious intellectual work (such as reading for more than a few minutes), and impatient with even the slightest criticism.

The authors understand that colleges have become "financially dependent on satisfying the demands of students acting as consumers," but don't see how difficult it would be for a school to return to rigor in the face of students who will go elsewhere to avoid toil and trouble.

Higher ed has sunk into the poor state the authors describe for a reason: It's the way a great many students want it. CJ



Half of graduates who don't go to grad school are unemployed or underemployed

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Book Review

Voegeli Chastises Liberals Who Make Politics a Morality Play

• William Voegeli, *The Pity Party: A Mean-Spirited Diatribe Against Liberal Compassion*, Broadside Books, 2014, 289 pages, \$26.99.

BY LLOYD BILLINGSLEY
Contributor

Coming from an outfit like Broadside Books, *How Liberal Compassion Leads to B.S.* [expletive abbreviated], would have been a better title than *The Pity Party*, but it actually heads up chapter four, with sections on Gun B.S., Green B.S., Diversity B.S., Comprehensive B.S., and even Generosity B.S.

William Voegeli, visiting scholar at Claremont McKenna College, and author of *Never Enough: America's Limitless Welfare State*, explains how all the B.S. got there.

"Liberals believe compassion is the quality that defines liberalism, certifying its moral excellence," writes Voegeli. "This belief corresponds to their conviction that a shocking lack of compassion, manifested in callous indifference to human suffering, is the quality that defines conservatism, certifying its moral depravity."

Liberals also have turned the Democratic Party into the pity party, boasting the ability "to make compassion the political sea we swim in."

By way of example he cites radio host and author Garrison Keillor, who says, "I am a liberal, and liberalism is the politics of kindness." But as the author shows, liberals are not kind to those on the other side.

The late Tip O'Neill, former House speaker, said that "the evil is in the White House at the present time." That would be Ronald Reagan. "He's cold. He's mean."

More recently Paul Krugman, in his gentle way, charges that "conservatives take positive glee in inflicting further suffering on the already miserable" and are guilty of "almost pathological meanspiritedness."

In the age of Twitter and with a nation having the attention span of a hummingbird, Voegeli provides a helpful guide to the debate. On the liberal side, the classic works include *A Theory of Justice* by John Rawls, *The Affluent Society* by John Kenneth Galbraith, Michael Harrington's *The Other America*, and Arthur Schlesinger Jr.'s *The Vital Center*.

More recently we find *Don't Think of an Elephant! Know Your Values and Frame the Debate*, by George Lakoff. Readers also encounter material by Teddy Kennedy, Robert Kennedy, and Mario Cuomo, along with Jimmy Carter's "malaise" speech, and even Susan Sontag's nuanced pronouncement that the white race is the "cancer of history."

The author also taps Hillary Clinton's "politics of meaning" and *It Takes a Village*, along with Barack Obama's *The Audacity of Hope*. In Obama's telling, Voegeli writes, "the American experiment was conceived less to prevent government from doing harmful things than to enable it to do splendid ones."

On the other side, Voegeli is well-schooled in the *Federalist Papers* and on

the theoretical level cites Rousseau, Immanuel Kant, Adam Smith, and even Leo Strauss. For some readers, *The Pity Party* will be a welcome introduction to works such as *The Liberal Mind* by the late Kenneth Minogue, and free-market classics such as Milton Friedman's *Capitalism and Freedom*.

Voegeli also has tracked down liberals capable of self-examination.

For example, in 1986, during the second Reagan administration, Mickey Kaus observed that compassion is "mushy-headed because it provides no principle to tell us when our abstract compassionate principles should stop." Kaus added that liberals deploy compassion for both the working poor and the "unmotivated delinquent who would rather smoke PCP than work."

The author crunches some numbers, and the material on "Poorlandia" and "Richistan" is informative and entertaining. The book is not about immigration, but the author sees merit in treating the issue the way Harvard treats college admission, or the New England Patriots handle the draft. That is, immigration is a way to invite the talented who can benefit the country, as opposed to a sacred civil right possessed by 7 billion foreigners.

On the central theme of liberal compassion *The Pity Party* makes a strong case, but the author is well

aware that liberals often remain unaffected by argument and even facts. He cites the late William F. Buckley that liberals are often shocked to learn that there are other points of view. Arguing with liberals, Buckley observed, "is as futile as presenting a devout worshipper with syllogisms constructed to refute his faith's central revealed truth."

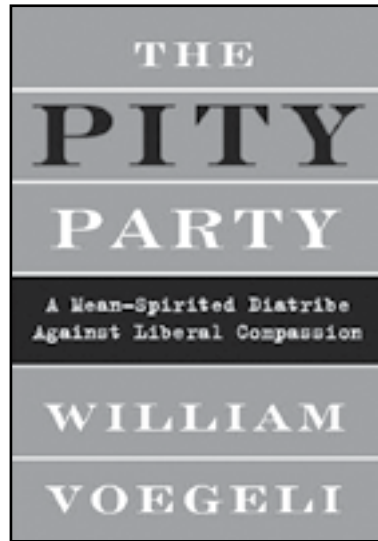
In the liberal view, a city like Dallas can be responsible for the assassination of president Kennedy, with Marxist Lee Harvey Oswald, according to George Packer of *The New Yorker*, "merely an unstable figure breathing the city's extraordinarily feverish air."

For all its virtues, *The Pity Party* may wind up as more preaching to the choir, and it does leave a loose end. There is a brand of conservatism that places social pedigree above ideas and tends to disdain ordinary working Americans. *The Pity Party* does not indicate that Voegeli is of this brand, but it is well-known that the phenomenon is "not inconsiderable," as the author says on another theme.


A number of American politicians fully agree with the arguments Voegeli advances. They tend to talk a good game but when they gain office fail to deliver. Even Ronald Reagan failed to eliminate federal agencies such as the U.S. Department of Education.

Likewise, an energetic conservative such as Jack Kemp found himself in charge of a useless and counterproductive agency such as the Department of Housing and Urban Development.

Given the opportunity, politicians claiming to be conservative have failed to roll back the limitless welfare state that never has enough, and which liberals hail as the flywheel of compassion. A chapter on these lines would have made *The Pity Party* a better book. CJ




BOOKS AUTHORED BY JLF STAFFERS



By John Hood
President of the
John Locke Foundation

Selling the Dream

Why Advertising is Good Business



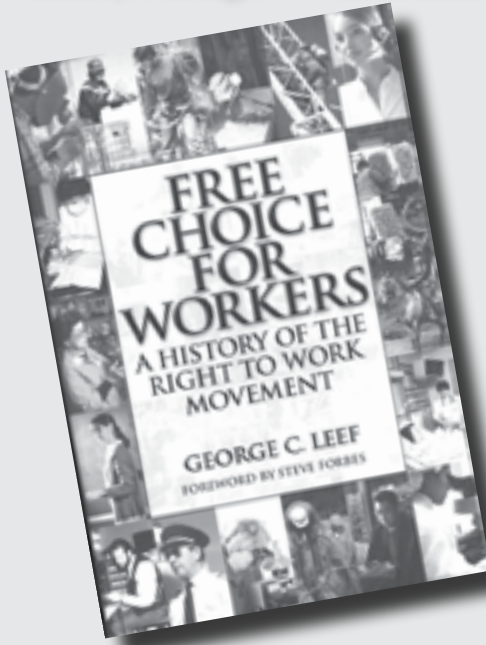

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COMMENTARY

Health Care Winners and Losers

During a recent 24-hour period, the state of North Carolina, invoking the infinite wisdom of politicians and bureaucrats, announced plans to subsidize investments of several favored biotech and pharmaceutical firms while at the same time denying the right of a Wilmington clinic to pursue its investment plans.

Gov. Pat McCrory and outgoing Commerce Secretary Sharon Decker announced that the state would be giving away over \$640,000 in taxpayer money through the One North Carolina (slush) Fund to 13 research and technology-related health care businesses.

It should be noted that in order to qualify for these state funds, the 13 businesses collectively needed to show they already had received millions of dollars in federal corporate welfare. These companies are particularly good at sucking up to politicians and latching on to the taxpayers' udder.

Almost simultaneously, using its near dictatorial powers under certificate-of-need laws, the state also announced that it is denying the right of Wilmington Health to add two new operating rooms. Wilmington Health is a private health care provider that describes itself as a "multispecialty clinic with primary care providers integrated into the system."

Certificate-of-need laws micromanage the expansion of nearly all health care facilities, including the building of hospitals, purchasing new technologies, adding new patient beds and operating rooms, and numerous other health care investments in the state of North Carolina. State-government central planning boards decide whether or not CON-covered investments can be made based on a complicated formula that allegedly determines whether the investment in question is "needed" by the community.

The decision to go ahead with any covered investment is taken out of the hands of health care entrepreneurs and consumers, i.e., the health care marketplace, and placed in the hands of bureaucrats in Raleigh. It represents a level of power over local health care investment

decisions that President Obama, through his Affordable Care Act, only can dream of having.

These two decisions demonstrate that the state of North Carolina is dedicated fully to the central planning of health care investment decisions. From the kinds of technologies that are researched and developed to basic health care consumers' needs, such as how many operating rooms there should be in a clinic, the state has decided that it knows better than the free market

which businesses should be the winners and which should be the losers — the marketplace be damned.

Of course, this is nothing new. The assumption by politicians and bureaucrats of picking winners and losers has been a part of the political culture in Raleigh for many decades. And, for certain, there is no economic justification for substituting the decisions

of politicians and their appointees for those of entrepreneurs and investors in the private sector who are putting their own capital at risk.

The only outcome can be slower economic growth and fewer and lower-quality services for consumers. In health care, where free markets are needed the most, this is a tragedy.

Many of us held some hope that, under the leadership of a new regime touting a belief in free markets and the value of private entrepreneurship, this might change. Unfortunately, this is a disease that infects politicians regardless of party. Nobel Laureate Friedrich Hayek called this the "pretense of knowledge."

Politicians and central planners fool themselves into thinking that they can make better investment decisions than market participants by pretending to have information about consumer needs and investment possibilities that they cannot have. The unfortunate thing is that, particularly in the area of health care, our market overseers in Raleigh are not just playing with other people's money; they're playing with other people's lives. CJ

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



**ROY
CORDATO**



EDITORIAL

'Voter Suppression' Myth Busted Again

Liberals are desperate to prove that North Carolina's new election law constitutes the second coming of Jim Crow-era voter suppression. Thanks to the latest turnout data released in late December by the State Board of Elections, the "voter suppression" bandwagon just lost another wheel.

Even before the 2014 midterms, when most of the new rules took effect for the first time, there was ample reason to believe that North Carolina electoral participation wouldn't be affected much by the changes. Statistical correlations between, say, voter turnout and the number of days of early voting are hard to come by.

The Left's weak argument has become a nonsensical one. In North Carolina, voter participation was higher in 2014 than it was in 2010, the last midterm election. More than 2.9 million people voted this year, accounting for 44.3 percent of registered voters. In 2010, 43.3 percent of registered voters turned out.

Because voter registration rates are higher than they used to be, comparing current turnout rates among registered voters to those from elections back in time isn't meaningful. The relevant statistic to use is turnout as a percentage of the voting-aged population. Using the new Board of Elections data and population estimates from University of Florida scholar Michael McDonald, North Carolina's turnout was 38.2 percent of the voting-aged population in 2014 — the second-highest rate of vote participation in a midterm election since the advent of true two-party competition in North Carolina in the early 1970s. (Before that time, general-election

turnouts were sometimes weak because the real action was in the spring Democratic primary.)

Not only did voter participation rise rather than fall this year, but also it changed in ways that might have benefited Democratic candidates rather than damage them. Black voters, the vast majority of whom vote reliably Democratic, made up 21.4 percent of the electorate in 2014, up from 20.1 percent in 2010. Young voters, also disproportionately Democratic, voted at higher rates this year than in 2010.

Obviously, it's impossible to know how many more North Carolinians might have voted in 2014 under the old rules but were deterred from voting by the new ones. Given the paucity of empirical support for the Left's claims from the electoral experiences of other states, however, it is reasonable to draw the following conclusions from the available data.

There was no significant "voter suppression" in 2014. The vast majority of voters who wanted to vote cast ballots without incident. Voter participation rose, especially among those groups supposedly suppressed. Compressing the early voting calendar by offering more sites and hours during fewer days appears, if anything, to have increased the rate of early voting among North Carolinians. And to the extent some voters were confused or frustrated by the new rules, elections officials and voter-education groups seem to have done a good job answering questions and addressing concerns.

In a rational world, the experience of actual voters in 2014 would settle the question. Unfortunately, we do not reside there. CJ

EDITORIALS

Start Me Up

Entrepreneurship key to economic growth

The U.S. economy continues to recover from the depths of the Great Recession, and North Carolina continues to recover at a faster rate than the national average. But few would describe the general trend as impressive.

Consider one statistic: average income per person. Since Barack Obama took office, it's risen 1 percent after adjusting for inflation. Compared to the 11 percent increase in per-capita income during the same share of the Reagan presidency and 8 percent growth during the same share of the Clinton presidency, that's underwhelming. No wonder most Americans still express disappointment about the recent past and pessimism about the near future.

There is a growing consensus across the ideological spectrum of economists that a decline in entrepreneurship may be one explanation for the economy's lackluster performance — and that public policy may be a factor.

In the *Journal of Economic Perspectives*, Harvard Business School professors William Kerr, Ramana Nanda, and Matthew Rhodes-Kropf recommended that policymakers pursue "a careful consideration of the broader regulatory framework, including labor laws and requirements with which new entrants need to comply, with a focus on how they affect incentives for

entry. These efforts ... are admittedly less glamorous than announcing a new biotech cluster initiative, but they are far more likely to have sustained effects."

Here in North Carolina, the General Assembly has made great strides over the past four years in reforming the regulatory process to remove artificial barriers to starting new enterprises. During the 2015 session and beyond, lawmakers should add to this success by rethinking the extent to which the state limits entry into new occupations and professions. North Carolina scores 39th in George Mason University's Mercatus Center "Freedom in the 50 States" project ranking states on the extent and complexity of licensing regulations. We license more occupations than the average state, and our rules are often more onerous than those in states that license the same occupations.

Business starts and job creation occur when the economy is churning — when the pressures of competition and innovation open the door to new ways for organizing people and resources to meet changing consumer demands. In addition to licensing restrictions, other public policies that keep economies from churning include pro-union labor laws and government bailouts during recessions.

North Carolina leaders can help — by getting out of the way. *CJ*

Minimum Losses?

Boosting minimum wage cuts employment

Correct ideas are not always popular ones. We freely admit that most North Carolinians favor increasing the legal minimum wage. Supporters believe it would help workers rise out of poverty, and that the cost would be borne primarily by business owners or consumers. They are wrong about this. Government-mandated minimum wages nearly always boost the incomes of some workers at the expense of other workers losing their jobs.

The latest evidence comes from two economists, Andrew Hanson of Marquette University and Zackary Hawley of Texas Christian University, who offer a reasonable estimate of how President Obama's proposed minimum-wage hike to \$10.10 an hour would affect North Carolina's labor market. Their paper, published in the *Journal of Labor Research*, shows the hike would eliminate as many as 46,100 jobs in our state.

Fairness requires us to point

out that other workers would gain from the policy. They'd get more pay. Minimum wages act as income redistribution — kicking some workers to the curb in order to pay other workers more.

But the welfare gains aren't apportioned in a way that left-wing supporters of the policy ought to like. Middle-income whites boosting their discretionary incomes are disproportionately among those who gain. Lower-income black and Hispanic youngsters are disproportionately among those who lose.

The best way to boost the wages of low-skilled workers is to boost the productivity of their labor. Better tools and equipment are one answer. Better education and training are another. Also keep in mind that on-the-job training can't happen unless someone is, indeed, on the job. So making it attractive for entrepreneurs to start new firms and businesses to hire more workers will help, too. *CJ*

COMMENTARY

Many Factors Affect State Growth

What do Colorado, Texas, Utah, Massachusetts, and North Carolina have in common?

Not much, it would seem. Yet according to the latest data, they are among the states leading the national pack in economic performance. The closer you look at the list of top performers, the more you start to see patterns that help explain why some states are faring well and others aren't within America's lackluster economic recovery.

To create my top-performers list, I used the "coincident index" of economic activity produced each month by researchers at the Federal Reserve Bank of Philadelphia. It uses four variables — payroll employment, the unemployment rate, wages, and hours worked — to construct an index that, over time, tracks with growth in gross domestic product. The latest data are for October.

Using this measure, 14 states have experienced economic growth at least a percentage point higher than the national average since the beginning of the decade. But two have faltered recently, posting below-average growth since the beginning of 2014. So here are the 12 consistent top performers since early 2011: Colorado, Idaho, Indiana, Massachusetts, Michigan, North Carolina, North Dakota, Ohio, Oregon, Rhode Island, Texas, and Utah.

Notice the geographic dispersion. Only two, Texas and North Carolina, are in the South. Massachusetts and Rhode Island are in the Northeast. Michigan, Indiana, and Ohio ring the Great Lakes. The remaining states are sprinkled across the Great Plains, Mountain West, and Pacific Northwest.

Resource extraction — oil, natural gas, timber, and mining — plays an outsized role in half the top performers. (North Dakota and Texas are far ahead of the rest in economic growth.) So the recent worldwide boom in such commodities is clearly a relevant trend. But keep in mind that other states have bountiful natural resources, as well. Some of them have less-favorable regulatory climates that limit the ability of private firms to tap these resources. On the other hand, some states with massive resource-extraction

industries, such as Alaska and Louisiana, have performed poorly of late. So other factors must be at work.

Public policy is likely to be one. Decades of peer-reviewed studies have found a statistically significant relationship between economic freedom (measured with tax rates, spending levels, and regulatory burdens) and state

economic performance. Interestingly, the latest Economic Freedom of North America study by the Canada-based Fraser Institute shows that eight of the 12 top-performing states — Texas, North Dakota, Indiana, Utah, North Carolina, Colorado, Massachusetts, and Oregon — ranked above the U.S. average in economic freedom in 2012, the most recent year measured.

That's suggestive. But other jurisdictions with relatively low taxes and small governments haven't been doing as well lately. And Rhode Island, which ranks 45th in economic freedom, has experienced an economic upswing.

Economies are complex networks of institutions, personal decisions, and unexpected changes. Michigan, Indiana, and Ohio are experiencing rebounds in durable-goods manufacturing. Research-based firms continue to thrive in Massachusetts, Utah, and North Carolina. As social scientists gather more data from the post-Great Recession period, there'll be more empirical research with which to draw firmer conclusions.

Still, freer states where entrepreneurs have good opportunities to start new firms, drill, mine, and manufacture are likely to outperform other states in job creation and wage growth over time. Geography isn't destiny any more. Neither is weather. High levels of education are certainly a plus, but there is no consistent relationship between government spending and educational outcomes.

North Carolina may not float on a pool of oil. But the other building blocks of superior economic performance are either already present in our state or available to us if state and local policymakers continue to make wise decisions. *CJ*

John Hood is chairman of the John Locke Foundation.



JOHN HOOD

MEDIA MANGLE

Are J-Schools Teaching Bias?

I've been writing about media bias for 20-plus years, since that day in the early '90s when the scales fell from my eyes and I saw what was happening in my chosen profession.

I was managing editor of *The Herald-Sun* in Durham, and I began seeing things I didn't like, not only in the national media, but in my own newspaper.



**JON
HAM**

Why did we use the descriptor "right-wing" so often, but never "left-wing"? Why were some groups always called "conservative" but liberal groups were never called "liberal"? Why was a story about a liberal/Democrat in trouble handled differently than a story about a conservative/Republican in trouble?

Many say that liberals are simply attracted to journalism in greater numbers than conservatives. That's undoubtedly true, but that hasn't always ensured biased stories. Every reporter on my first newspaper in 1973 was a liberal, but our editors, equally liberal, wouldn't allow bias in our stories.

That does not seem to be the case today. In fact, with liberal bias becoming the norm in the mainstream media, I'm guessing it's rewarded.

When did this sea change take place? When I was in journalism school, we were required to take ethics courses that taught us that personal biases showing themselves in a news story were the scourge of the news business. Bias destroyed credibility and harmed the profession, we were taught. Is that still the case? Somehow, I don't think so.

Recently we had the sensational story in *The Rolling Stone* of an alleged gang rape at the University of Virginia. The resulting journalistic hysteria was similar to that which occurred in 2006 in the infamous Duke lacrosse rape hoax story. Liberal biases were deployed to produce a narrative that fit left-wing sensibilities.

Gradually, however, the rape story fell apart. Soon it became evident that many of the claims by "Jackie," the alleged victim, simply were not true. You'd think this would cause mea culpas to issue from the media, but that was not the case.

An editor of the University of Virginia student newspaper, a future mainstream journalist, I would imagine, reacted to the dissolving story by arguing that "to let fact checking define the narrative would be a huge mistake."

Where did she learn such nonsense? Who trained this woman to believe that the narrative trumps facts? I'm guessing she learned it in journalism class, or "media studies," as they call it there.

All social sciences today are obsessed with race, class, and gender, journalism classes included. I'm guessing that UVa editor learned her warped journalistic values from her professors. And that's the nub of the problem right there. CJ

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



The Tenuous Middle Class

During the political campaigns leading up to the recent elections, we heard a lot about the middle class. Many — if not most — candidates tailored their message and promises to helping the middle class improve their lives.

Why did candidates do this? There are several political and strategic answers that I will leave to political science experts and campaign managers. In terms of identity, traditionally most people in our country like to consider themselves "middle class" — whether or not they are by some empirical measure. This affinity for the middle class probably goes back to some of the anti-aristocratic feelings prevailing in the early days of our country.

But there are some economic reasons for appealing to the middle class. Simply put, there are real problems in the middle class — problems that are relatively new and which threaten the very existence of the middle class as a large and viable entity. Therefore, politicians are giving so much attention to the middle class because this important group in our society is in trouble.

The first step in discussing anything about the "middle class" is defining it. Obviously the term implies households in the "middle" — especially of the income distribution — but how broad is the middle, and where does it begin and end? There are many answers and measures. Here, I will define "middle class" as households earning between \$35,000 and \$75,000, which puts a spread around the average (median) household income of approximately \$50,000.

Using this definition we can quickly see one issue — the middle class has been getting smaller. In North Carolina between 2007 and 2012, the percentage of households defined as middle class (by the above definition) declined from more than one-third of all households to just above 30 percent.

The earnings of middle-class households also have been dropping in the last five years. After adjusting for inflation, middle-class households experienced a 7 percent fall in income. This was a decline

twice as fast as that experienced by those at the top of the income ladder, though it was smaller than the loss for those at the income ladder's bottom rung.

Additionally, middle-class households are stressed by some of the spending challenges they face. Many middle-class households naturally want their children to attend and graduate from college because they know a college degree is one of the best tickets to a good standard of living. But it's been well-documented that college costs and college debt have both been rising rapidly (although it should be recognized that North Carolina public universities have some of the most affordable tuitions in the nation). Also, there is uncertainty about where health insurance premiums are headed.

Middle-class households face changes in the workplace. Traditionally, manufacturing was one of the largest employers of middle-class workers. But for several decades, machines and other technologies have replaced many factory jobs. Other middle-income positions — in sales, finance, and even management — may be on the chopping block as well in the future. Economists actually have a term for the replacement of labor by machines and gadgets — "technological unemployment." This likely will continue and perhaps could strengthen and broaden.

Plus, there's maybe an even bigger reason to worry about the stability of the middle class. Historians tell us authoritarian rule was replaced by democracies when the middle class developed and expanded in countries. So if the middle class shrinks — leaving an upper class and a lower class but not much in between — there may be reason to worry about the longevity and stability of our political system.

So what's the answer to strengthening the middle class? Many think the ultimate answer is education: making sure individuals have opportunities for training for middle-income jobs, and opportunities to be retrained and re-educated for different jobs when necessary.

The middle class is at the heart of most successful modern economies and political systems. Saving, protecting, and even expanding the middle class may be the issue of the century. CJ

Michael Walden is a William Neal Reynolds Distinguished Professor at North Carolina State University.



**MICHAEL
WALDEN**

The John Locke Foundation Turns 25

It's hard to believe, but February 2015 marks the 25th anniversary of the John Locke Foundation. The doors officially opened Feb. 19, 1990.

Initially in those early days, the Locke Foundation consisted of John Hood, Marilyn Avila, and me. I served as president for the first five years and now am a senior fellow.

The man who saw the need for a free-market, research-based organization for North Carolina was Art Pope. It was a "big idea" that Art had thought out carefully.

He had chosen John Locke for the name of the foundation because of Locke's philosophy of limited government and his influence on Jefferson and the U.S. Constitution, among other things. Art inherently understood the impact that a free-market organization would have on the lives of North Carolinians. He knew ideas had consequences, but



MARC ROTTERMAN

they must be backed up by facts.

Art always understood that good research was the key to promoting free markets and limited government in the Tar Heel state. He and his father — the late John W. Pope — provided the seed money, the counsel, and the encouragement that let the idea grow.

In the early days it was sometimes hard to get traction. Some dismissed us as "right wing," and many times others would call and ask to speak to John Locke himself — and with regret we had to inform them that John Locke had passed some time ago, but they were certainly welcome to talk with me or John Hood.

As you can imagine, at that time raising money in North Carolina for a center-right organization was not easy. Many giving foundations were polite but not helpful, and others, frankly, were dismissive. We always made payroll, but at times it was close. Art and Mr. Pope would help if we had a cash-flow problem, but we were encouraged to get other like-minded souls to provide grants.

In the early stages, individuals like Bob Luddy were very helpful in providing support and guidance

on the board. Jim Trotter and David Stover were as well.

After about two years in, we began to make an impact. *Carolina Journal* was getting out the door largely because of John Hood's writing and editing as well as his ability to pick first-rate writers and columnists. And in 1992, John had an idea to critique "Hillarycare" in a report we called "Dangerous Medicine: A Critical Analysis of the Clinton Healthcare Program." We had help from a staffer at the Cato Institute who drafted the report, and it was thoroughly fact-checked and edited by John.

"Dangerous Medicine" was distributed to every member of Congress who dealt with health care and likewise to many state legislators. We also sent the report to other free-market think tanks that used some or all of the report in their publications.

Long story short: We promptly were audited by the Clinton IRS.

This was unheard of for an organization that was barely two years old and had an operating budget of less than \$200,000. (The result: The John Locke Foundation was given a complete clean bill of health in the IRS

review.) We later learned we were not the only group that had come under the gaze of the Clinton IRS. When we were audited, we sensed we were on the map and that we had struck a nerve with the Left.

As the John Locke Foundation grew, we initiated a speakers program and along the way were able to entice scores of consequential national figures to come and speak for the foundation.

I could go on, but suffice to say I am extremely proud of the work and the quality of reputation the John Locke Foundation has earned over the last 25 years. In short, in the view of many people, the John Locke Foundation has become the "gold standard" for state think tanks.

John and Art Pope's "big idea" has come to fruition, and congratulations are in order to the Pope family for having the vision to start this venture and to continue to support individual freedom and free markets in North Carolina. *CJ*

Marc Rotterman is a senior fellow at the John Locke Foundation.

Much to Do in New General Assembly Session

The 2015-17 session of the General Assembly convenes this month. Republicans again have supermajorities in both chambers, holding 74 of the 120 House seats and 34 of the 50 Senate seats. They will meet to organize on Jan. 14 and then begin the real work Jan. 28 to adjourn at a date yet to be determined. What will they do in the months ahead?

Since 2011, conservative, free-market reforms have changed the direction of our state. The focus shifted to creating jobs and expanding the economy. We're seeing results. Comprehensive tax reform has lowered rates, job-killing regulations have been repealed, public schools are more accountable, school choice has expanded, infrastructure funding is based on need rather than political favors, and the state's fiscal house is in order. We have an improving economy, hundreds of thousands of new jobs, and a government accountable to taxpayers. The state is headed in the right direction. Lawmakers should not back down on any of these reforms.

The new year will bring additional opportunities to streamline government. More services need to

be privatized. Further reductions in layers of bureaucracy and consolidation of programs make sense. When presented with a choice of expanding or shrinking government, legislators should choose the latter every time.

Unwise actions by past legislatures and tough economic times have depleted the state's savings accounts. Any additional revenue for the next two years should be reinvested as savings. Every state agency should be required to adopt zero-based budgeting, going back and justifying every line item of spending rather than using last year's expenditures as the starting point for next year's budget.

Major new tax reforms may need to wait until the economy recovers further and revenues stabilize. However, two adjustments would bring investments in line with the goals of the reforms — increasing the per-child tax credit would encourage investment in human capital, and repealing the capital gains tax would eliminate double taxation on savings and investments.

Following last year's landmark teacher pay raise, the focus moves from how much teachers are paid to how teachers are paid. A performance-based compensation system rewards the best teachers and ensures every student has an opportunity to succeed. Many families also find options outside the traditional district schools best meet their needs. Charter schools

need to continue to flourish, and vouchers should be available to more disadvantaged students.

To ensure low energy costs and sustain economic growth, the General Assembly needs to repeal the renewable energy portfolio standard that requires 12.5 percent of our energy supplies to come from expensive renewable sources. Hydraulic fracturing is on track, with rules to be completed in early 2015 and permits issued in early spring. Exploration of new energy sources should be encouraged, bringing with it increased economic activity and high-paying jobs.

Medicaid is 18 percent of our state budget. It is the fastest-growing and most unpredictable part of our budget. Patients who receive their health care under Medicaid do not experience positive health outcomes. Medicaid reform should focus on quality, low-cost care that produces positive outcomes for patients. A full audit should be conducted to root out any fraud and abuse in the system. Lawmakers should request waivers or block grants from the federal government to allow North Carolina to develop programs that best meet our needs. A more patient-centered program would allow patients to craft their care to best meet their individual needs, allow competition, and infuse accountability.

Some states have taken the bait from the federal government to

expand Medicaid under Obamacare with promises that Washington will pay almost all the bills for the new enrollments. North Carolina has resisted and should continue to do so. There are too many uncertainties to take action now. A new Congress is about to convene, the U.S. Supreme Court could gut much of the law, and a new president will be elected in 2016.

We need to wait and see what direction the federal government takes on health care reform before even considering the expansion of Medicaid.

The General Assembly can expand free-market health care by repealing our onerous certificate-of-need law, which lets state-level bureaucrats decide when medical facilities can be expanded. North Carolina has one of the most restrictive certificate-of-need laws in the country. This system impedes competition, limits access to care, and drives health care costs up. Many states have done away with their certificate-of-need laws, and we should do the same.

The 2015-17 legislative session brings challenges and opportunities. Legislators should stay the course, continue reforms, and keep North Carolina on track to economic prosperity. *CJ*

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



BECKI GRAY

New Farm to Lunchroom Program Arrives at N.C. Schools (a *CJ* parody)

By E.B. DAWSON
Agriculture Correspondent

RALEIGH
The U.S. Department of Agriculture has chosen North Carolina to lead a pilot program bringing the trendy concept of farm-to-table dining to public school lunchrooms across the state.

As part of the Healthy, Hunger-Free Schools Act of 2010, inspired by the advocacy of First Lady Michelle Obama, the USDA will help underwrite the cost of placing organic produce gardens, livestock grazing areas, and poultry ranges on school grounds.

In addition, school facilities now used for shop classes or science labs will be retrofitted to accommodate dairy cattle and goat milking, along with the processing and cold storage of freshly slaughtered cows, pigs, and chickens. Students will be "an integral part of the process," said U.S. Agriculture Secretary Tom Vilsack.

"We look forward to the day an eighth-grader can wring the neck of a free-range chicken she raised from the nest. She'll dress the bird, roast it, and serve it to her classmates, all in the same school day," Vilsack said.

North Carolina's program will be funded from a 2015 USDA Farm to Lunchroom Grant, enabling the N.C. Department of Agriculture and the Department of Public Instruction to



A student in the pilot Farm to Lunchroom grant program milks a cow at a North Carolina elementary school recently so that it can be shared with classmates in the school lunchroom. Other students killed chickens for the chicken "tenders" also served at lunchtime. (CJ spoof stock photo)

host a series of eight "Procuring Local Foods" workshops demonstrating how schools can "successfully procure local foods (including meat, dairy, and produce) following USDA guidelines," according to a USDA press release.

New facilities will be constructed

on school grounds. In addition to the food processing areas, athletic fields will be converted into grazing pastures and gardening space. Solid waste from livestock and poultry, along with unused vegetable matter, will be recycled or composted for use at the school

farms.

"We look for this process to be a fully closed circle," Vilsack said, pointing out that schools will be able to supplement their revenues by selling any excess meat, dairy, or produce items at the State Farmers Market. "What proud parent wouldn't want to tell his neighbors to visit the farmers market and look for heirloom Black Tuscan Palm Tree kale that their kids grew?"

One of the more contentious components of the grant is the experimental "udder-to-sippy-cup" project that has students in the upper grades milk cows directly into the drinking vessels used by K-3 students. The project forced the USDA to overlook its longstanding opposition to the consumption of raw milk, but Vilsack said the agency relented because "fresh trumps safe."

N.C. Agriculture Commissioner Steve Troxler wasn't sold on the program initially, but he said, the longer President Obama remained in office, the more it made sense.

"The president's reckless economic and fiscal policies have ruined the prospects for most of these kids to ever make a decent living," Troxler told *Carolina Journal*. "At least they'll learn some survivalist skills so that they can scrape by when the day comes that they have to raise their own food or starve." *CJ*

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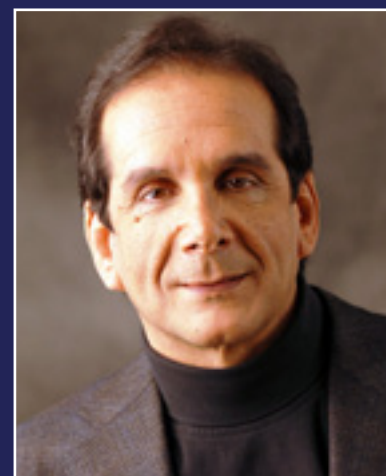
Celebration and Surprises Await You

We cordially invite you

to the John Locke Foundation's
25th Anniversary Dinner

featuring

Charles Krauthammer



7p.m. Saturday February 7, 2015

Sheraton Imperial Hotel
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Sponsorship opportunities and VIP tickets available

info@johnlocke.org, 919-828-3876