

Dems still pushing Medicaid expansion in N.C./2



CAROLINA JOURNAL

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Another Parton-Connected Project in Trouble

BY DON CARRINGTON
Executive Editor

Dare County real estate developer Ray Hollowell was counting on Dolly Parton and her family to help him transform the Pine Mountain development, located in southern Burke County, into a more upscale community that he renamed "The South Mountain Preserve." Hollowell also was counting on Gov. Bev Perdue



Real estate developer Ray Hollowell

to help promote the project, and N.C. State University to help establish vineyards and a winery on the property.

Not long before, officials in Roanoke Rapids had counted on Dolly's brother Randy and the Randy Parton Theatre to anchor a music district that would transform the economy of the region. Soon after the theater opened, however, it became a different kind of anchor, saddling the town with millions in debt and an underused



The entrance sign to the Pine Mountain development located south of Morganton, which has hundreds of thousands of dollars in unpaid taxes, delinquent homeowner association assessments, and overdue loans. (CJ photo by Don Carrington)

performance facility. The project drew extensive coverage from news outlets across the state, led by reporting in *Carolina Journal*.

But the saga of Pine Mountain — featuring hundreds of thousands of dollars in unpaid taxes, delinquent homeowners assessments, and overdue loans — has attracted little public attention and no news stories to date. And Hollowell, along with homeowners in the development and officials in Burke County, hope that Pine Mountain doesn't suffer a fate similar to that of the Randy Parton Theatre.

Hollowell began purchasing vacant lots at Pine Mountain in 2005, using 14 different entities to acquire more than 900 individual parcels. His activities were concurrent with the development of the Randy Parton Theatre, the groundbreaking for which was in November 2005. The building was completed in March 2007.

Plans stalled

Hollowell's plans for Pine Mountain have stalled, and public records indicate he is experiencing financial difficulties. He has been unwilling or unable to pay assessments to the property owners association. He has lost

some lots in foreclosure proceedings and has other loans that are past due. His various companies owe almost \$200,000 in back property taxes to Burke County.

Hollowell met with *CJ* May 27 in Raleigh and said the Partons no longer are involved. "We had a list of things they were going to do, but the economy killed the resort development business," he said.

"I have millions invested in the project. I can't walk away. I believe that it is a good project and hope to secure the financial resources to see it through. It is the best project that I have seen in over 30 years of resort de-



Randy and Dolly Parton at the groundbreaking of the Randy Parton Theatre in Roanoke Rapids in 2005. (CJ file photo)

Corporate entities

Burke County real estate and tax records, as well as corporation records in Virginia and North Carolina, show that Hollowell has used at least 14 different entities to acquire land in Pine Mountain. Nine companies were incorporated in Virginia. They include:

- New Highland, LLC
- Outerbanks Kinnakeet, Inc.
- Outer Banks/Kinnakeet Associates, LLC
- BGMC, LLC
- Bon View Developers, LLC
- Tall Pines West, LLC
- South Mountain Preserve, LLC
- Spring Brook, LLC (with partner Richard Watson)
- Burke Mountain Southeast, LLC
- My Mountain Hideaway, LLC
- Virginia Highland Properties, LLC
- South Mountain Real Estate, LLC
- Antioch Ridge, LLC
- Ray Hollowell (as individual)

velopment. I have been appreciative of the property owners association board and the county with their patience and understanding," he said.

"People need to understand what it has been like in the last eight years of the development world," he added.

Neighbors concerned

Pine Mountain residents David and Edie Stitt, along with other neighbors who met with *CJ*, believe Hollowell either should pay his bills or sell his interests in Pine Mountain, where the Stitts have lived since 1995. Edie Stitt is the current secretary to the board of directors of the Pine Mountain Property Owners Association. She told *CJ* that Hollowell still has several supporters in the community. "His supporters refer to him as a developer, but he has not developed anything here. So far, he has just been a land speculator that doesn't pay his bills," she said.

She said Hollowell currently owes Pine Mountain Property Owners Association \$378,000 in back assessments and a note for \$155,000 plus interest.

Developer has employed 14 different entities to acquire over 900 parcels

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Democrats Still Pushing for Medicaid Expansion

By DAN WAY
Associate Editor

RALEIGH

Some of the House Democrats' most vocal advocates for Medicaid expansion in North Carolina have filed House Bill 1083, committing the state to add more of its poorest residents to the government health insurance program.

And state Sen. Floyd McKissick, D-Durham, believes a Medicaid program overhaul advanced by the McCrory administration eventually could open Medicaid eligibility to more than a half million low-income residents who lack health insurance.

While H.B. 1083 addresses a position popular among Democrats, it appears to have no chance of passing the General Assembly's short session, based on comments from Republican leaders. Even so, several top Republicans have not ruled out some form of Medicaid expansion, so the issue remains alive.

Meantime, conservative health care analysts warn that states opting for Medicaid expansion may not be able to pare back the enhanced benefits if the federal government trims its share of the costs of higher coverage. One compares it to the Eagles' song "Hotel California" — states entering the program cannot get out.

H.B. 1083 would require the state to cover all residents with incomes of less than 133 percent of the federal poverty level. That change could add more than 500,000 North Carolinians to the Medicaid rolls.

In a midterm election year with House Speaker Thom Tillis, R-Mecklenburg, trying to unseat incumbent Democratic U.S. Sen. Kay Hagan, every major issue the General Assembly addresses this session is being viewed through the prism of electoral politics.

Republicans are hitting hard at Hagan's support for the Affordable Care Act, which is facing a consumer backlash over rising premium costs and decreasing coverage options. Hagan, meanwhile, has attacked Tillis in interviews and on her campaign Facebook page for refusing to back Medicaid expansion.

Medicaid expansion is an outgrowth of Obamacare. The federal government offered to pay 100 percent of the costs for the first three years of newly enrolled Medicaid patients in the states that expanded their eligibility. After that, the federal share of the reimbursement rate would shrink gradually, reaching 90 percent in 2020. North Carolina opted out of the expansion.

"At this time, no, we will not expand Medicaid, but the governor will keep the door open for all options in the future. The governor's goal is to address the issues with the current system before expanding it," said Ryan Tronovitch, deputy communications director for Gov. Pat McCrory.

"In terms of Medicaid expansion, in business you would never put more money into a failing business until you got the business on the right track," Tillis said during a May 7 news conference on the opening day of the General Assembly's short session. Tillis cited a report by Auditor Beth Wood showing hundreds of millions of dollars in Medicaid waste. "Once we figure out how to stabilize things so that we make sure the maximum amount possible is going to help people that really need help, then we can talk about expanding it."

Amy Auth, spokeswoman for Senate leader Phil Berger, R-Rockingham, said the senator typically doesn't comment on House bills until they reach the Senate. But she said Berger has no plans to revisit Medicaid expansion or McCrory's reform proposal in the short session, and referred to the Senate's rejection of expansion last year because it would have added \$1 billion to state health care costs by 2019.

To varying degrees this year, Indiana, New Hamp-

shire, Pennsylvania, Tennessee, Utah, and Virginia have examined alternative Medicaid expansion plans with elements such as private options, premium assistance, and work-search requirements.

And while the Obama administration has turned up the pressure on expansion-resistant states to reconsider, the Republican Governors Association has aired ads this year in South Carolina, Arkansas, and Wisconsin opposing Medicaid expansion.

McKissick, a member of the Senate Health Care and Appropriations on Health and Human Services committees, said there have been "ongoing conversations for quite some time" with the governor and Republican leadership, and Medicaid expansion "needs to be revisited as a matter of coherent public policy."

Many hospitals and doctors favor Medicaid expansion, he said, and many interest groups "are concerned about the availability of health care for low-income individuals."

If North Carolina were to expand the program, and the federal government failed to keep its promise to maintain its matching share at 90 percent, "There's nothing to say you have to continue providing it," McKissick said. "You can make commensurate reductions if you chose to do so."

Jonathan Ingram, director of research at the Florida-based Foundation for Government Accountability, who has been studying Medicaid issues for years, cautioned against that thinking.

"Some states eager to implement this Obamacare Medicaid expansion were wary of the federal government breaking its [funding] promise, and have tried to insert what they consider triggers or circuit breakers into their expansion plans, where the expansion would be rolled back if the federal government ever actually broke its promise," Ingram said.

"But there's a large, looming question over whether states ... can legally exit the Obamacare Medicaid expansion once they entered into it," Ingram said.

Robert Alt, president of the Ohio-based Buckeye Institute for Public Policy Solutions, called the opt-in scenario the "Hotel California" effect — "You can opt in, but you can't opt out."

Alt said there's nothing in the law allowing states entering the system to exit it, other than nonbinding promises by former Secretary of Health and Human Services Kathleen Sebelius. "They're making an assumption based upon nothing more than naked statements made by an administration that [lied] time and time again" about the health care law, including the promise "that you could keep your plan if you liked it," Alt added.

Ed Haislmaier, senior research fellow in health policy studies at the Washington, D.C.-based Heritage Foundation, said despite the Supreme Court's Obamacare ruling giving states the option of participating in Medicaid expansion, the section of the regulations under which the new population gains coverage is mandatory and binding in all states that sign on.

Even if the federal government allowed states to drop coverage of the expanded Medicaid population, Haislmaier said, the "affected individuals [could] have standing to go to the court, and say clearly they have been harmed, and that the court should enforce the statute as written," forbidding newly added participants from being dropped.

Alt said states trying to opt out once they have opted in face additional hurdles. If the federal government did not meet its funding promises, and a state rescinded its coverage of the newly added population, the state could lose its entire federal funding share of Medicaid programs Alt said, "the feds have a big stick, and that big stick is the ability to withhold that first dollar of Medicaid funding." CJ



SEANC Asks SEC to Investigate State Pension Fee 'Violations'

By DAN WAY
Associate Editor

RALEIGH

An organization representing 55,000 state employees has asked the U.S. Securities and Exchange Commission to investigate "widespread potential violations of law" involving State Treasurer Janet Cowell's handling of investments from the \$87 billion state retirement system.

The State Employees Association of North Carolina also recommends legislation to curtail pervasive secrecy surrounding billions of dollars in investments; reviews by the state Attorney General's Office, North Carolina Secretary of State's Securities Division, and U.S. Attorney's Office; tougher auditing of the retirement system; and IRS investigations.

Secret accounts

"The bottom line is that \$30 billion has been swept into secret accounts," said Edward Siedle of Ocean Ridge, Fla. Siedle, founder of Benchmark Financial Services, did a preliminary forensic review of North Carolina's Teachers and State Employees Retirement System.

"They've been put into the highest-price, highest-risk, least-transparent investment products ever devised in the history of Wall Street," said Siedle, a former SEC attorney.

"State employees have taken cuts, and will have to take more cuts" because, among other things, Cowell's investment strategy has lost \$6.8 billion, Siedle said. "Taxpayers are going to have to chip in more money. This is not going to end well."

Because the pension system is known as a defined-benefit plan, taxpayers must cover the full cost of pay-

ing benefits to retirees if the pension fund fails to deliver the returns that have been anticipated.

Substantial sums of money might be invested in a vast array of offshore holdings, and foreign countries' regulatory laws may make it impossible to recoup investments, as happened recently to three Louisiana pension funds with investments in the Cayman Islands, Siedle said.

Unaccounted investments

"At the end of the day, you may have to file a lawsuit in Patagonia" to recover unaccounted, far-flung investments, he said. "It's far easier to lose money than it ever is to get it back."

Siedle's blistering report alleges Cowell spent \$1 billion on fees to Wall Street money managers and political insiders, but disclosed only half that amount. Fees "skyrocketed" 1,000 percent on Cowell's watch, he said.

"This is not beating up on Janet Cowell," Siedle said. "This is a national phenomenon that's having dire consequences" in Illinois, Kentucky, Rhode Island, and South Carolina. "It's well-known that Puerto Rico is ready to collapse its pension fund. This is a national crisis," he added.

"The report is simply wrong. Every dollar of the pension fund is documented in the annual report, which is publicly available on the treasurer's website," said Schorr Johnson, communications manager for the treasurer.

"All management fees paid for by the pension fund are disclosed on the website as well," Johnson said. "The pension fund's external fees have been examined by third-party experts, and found to be reasonable and within industry standards. Last year, fees represented just 0.52 percent of the fund."

Detailed response

Johnson said the treasurer's office would provide a detailed response to the charges in the report. The response was not available at press time.

Far from losing money, he said, the pension fund has grown more than 45 percent during Cowell's term in office, and is the third strongest in the country.

But Ardis Watkins, director of legislative affairs at SEANC, which

commissions Siedle's study, said it is impossible to verify many of the treasurer's defenses because she uses a trade-secrets shield to reject re-

quests to view details of the public investments.

"We're pursuing legislation ... to say let's end this secrecy policy," Watkins said.

State Reps. Mitchell Setzer, R-Catawba, Tim Moore, R-Cleveland, and Linda Johnson, R-Cabarrus, did not respond to questions about the bill Watkins said the lawmakers were working on.

Siedle's report also took the state auditor's office to task for failure to give proper analysis of the retirement system's investments.

"Our office already audits the retirement system. SEANC has requested additional disclosures that would not necessarily be a part of an audit," said Bill Holmes, spokesman for state Auditor Beth Wood.

"With that said, we are having conversations with the Treasurer's Office about the existing retirement system audit and possible ways to change what is being done," Holmes said.

But Siedle determined only "certain limited pension information" provided by the treasurer for inclusion in the state's Comprehensive Annual Financial Report is audited.

'Alternative' investments

Siedle's report questions whether the auditor's office's procedures have evolved sufficiently to audit properly a retirement system with an asset allocation that has risen from 5 percent to 20 percent in risky, multilayered "alternative" investments. The auditor's

office was unaware those investments included real estate, credit, and inflation partnerships, the report said.

The pension money is invested "in more than 300 external funds and indirectly in hundreds more through funds of funds, with portfolios consisting of substantial illiquid, hard-to-value assets custodied all over the world," according to the report.

'Fund of funds'

Those "funds of funds" are similar to mutual funds, but rather than catering to individual investors, they require massive commitments that are possible only by large institutional investors, such as corporate or public pension plans.

General Assembly oversight of the retirement system is thwarted by incoherent treasurer's reports to the Joint Legislative Commission on Government Operations, the report says.

Senate leader Phil Berger, R-Rockingham, and House Speaker Thom Tillis, R-Mecklenburg, co-chairmen of the Joint Legislative Commission on Government Operations, did not respond to requests for comment.

Siedle recommends the Gov Ops reports be reformatted because their "disorganization, misstatements, and omissions" make it impossible for lawmakers "or anyone else for that matter" to monitor and evaluate investment performance.

The Gov Ops reports "understate investment fees and expenses, as well as alternative investment percentages, and conceal significant investment underperformance against relevant passive indexes," according to Siedle's report.

Watkins said the attorney general's office was asked to verify "whether or not the treasurer was already in violation of the law" for not complying with Senate Bill 558, a contentious 2013 law passed amid acrimonious debate, requiring the treasurer to report all fees the system pays, whether directly to a manager or indirectly by one fund manager using other fund managers.

Trade secrets exception

SEANC wants Attorney General Roy Cooper to revisit an opinion he issued in 2006 that permits the trade secrets exception for investment activity.

"Attorneys with our office met with SEANC representatives at their request, but no investigation was requested, nor is there authority to initiate one," said Cooper spokeswoman Noelle Tally.

"The attorney general's office provides legal opinions at the request of government officials, and if we receive such a request to revisit the 2006 opinion, we will certainly review it," Talley said.

CJ



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Statewide Political Campaigns Not Getting More Expensive

State is growing and inflation is taking bite out of spending

BY BARRY SMITH
Associate Editor

RALEIGH

Election watchers suggest that, including outlays from candidates, political parties, and independent expenditure groups, more than \$75 million could be spent in this year's U.S. Senate campaign featuring Democratic incumbent Kay Hagan and Republican House Speaker Thom Tillis.

But that hardly would be the most expensive Senate campaign in recent state history after accounting for inflation and the growth in state population. Using the \$75 million figure to cover all spending, this year's Senate race is not the most costly in state history.

Despite claims that the costs of elections have grown beyond control, candidates for governor and U.S. senator in North Carolina aren't spending more to promote their campaigns than they were decades ago. In terms of spending, no statewide campaign has come close to the 1984 mega-race for the U.S. Senate between Republican incumbent Sen. Jesse Helms and Democratic Gov. Jim Hunt. In that campaign, Helms spent \$16.5 million while Hunt spent \$9.5 million, totaling \$26 million.

Accounting for inflation, the Helms and Hunt campaigns spent nearly \$60.8 million in 2014 dollars. Dividing the campaign spending by the 2.98 million registered voters at the time, the two contenders spent \$20.41 for every registered voter in the state.

In contrast, by November roughly 6.5 million voters will be registered in North Carolina. If \$75 million were spent from all sources in this year's Hagan/Tillis race — which is the amount estimated by Matt Bales, research director at the N.C. FreeEnterprise Foundation — \$11.54 per voter would be spent.

The real growth in spending has come from independent expenditure groups, or super PACs, that have expanded their activities dramatically after the McCain-Feingold campaign law and state-based contribution limits forced political candidates to raise money in smaller amounts from more donors.

Since super PACs can't coordinate efforts or messages with candidates, campaign committees, or political parties, a valid way to look at campaign spending from one election cycle to another is to tally how much the candidates spent through their campaign committees.

Spending By Candidate Committees, Statewide Races

Governor's races

Year	Rep./Dem	D+R current \$	2014 \$	\$/reg voter
2012	Pat McCrory/Walter Dalton	15,463,211	16,015,313	2.41
2008	Pat McCrory/Bev Perdue	24,096,195	27,082,430	4.33
2004	Patrick Ballantine/Mike Easley	12,602,681	15,966,833	3.13
2000	Richard Vinroot/Mike Easley	19,639,169	27,481,125	5.63
1996	Robin Hayes/Jim Hunt	10,665,085	16,313,661	3.79
1992	Jim Gardner/Jim Hunt	1,636,051	2,800,537	0.82

U.S. Senate races

Year	Rep./Dem	D+R current \$	2014 \$	\$/reg voter
2010	Richard Burr/Elaine Marshall	7,640,178	8,296,888	1.34
2008	Elizabeth Dole/Kay Hagan	29,158,519	32,772,126	5.24
2004	Richard Burr/Erskine Bowles	26,216,746	33,215,028	6.51
2002	Elizabeth Dole/Erskine Bowles	27,041,537	35,594,789	7.12
1998	Lauch Faircloth/John Edwards	18,100,566	26,284,026	6.05
1996	Jesse Helms/Harvey Gantt	22,594,487	34,561,264	8.02
1992	Lauch Faircloth/Terry Sanford	7,673,371	13,135,016	3.85
1990	Jesse Helms/Harvey Gantt	25,988,505	48,876,620	16.11
1986	Jim Broyhill/Terry Sanford	9,336,753	20,239,352	6.97
1984	Jesse Helms/Jim Hunt	25,961,311	60,780,152	20.41
1980	John East/Robert Morgan	2,264,717	7,281,957	3.09
1978	Jesse Helms/John Ingram	7,442,129	28,642,254	14.69
1974	William Stevens/Robert Morgan	1,318,913	6,931,370	3.21
1972	Jesse Helms/Nick Galifianakis	1,073,404	6,184,452	2.95

Sources: State Board of Elections, Federal Election Commission, U.S. Census Bureau

This year, Bales thinks the Hagan and Tillis committees will spend much less in comparable dollars than Helms/Hunt. "I would say probably between \$20 million and \$25 million" in the Senate race, he said. That would drop the per-vote total even lower — between roughly \$3.10 and \$3.85 for every registered voter in the state. Oddly enough, that would make the Hagan/Tillis race one of the less expensive ones in recent memory.

The only other statewide race to be in the same campaign spending ballpark as Helms/Hunt came in 1990 when Helms took on Democrat Harvey Gantt, a former Charlotte mayor. Those two candidates spent nearly \$48.9 million in inflation-adjusted 2014 dollars. Based on 1990 registration figures, the Helms/Gantt campaigns spent \$16.14 for every registered voter — much more than the anticipated spending per voter in this year's Hagan/Tillis race.

The first U.S. Senate race during the modern era of a competitive two-party system in North Carolina was the 1972 clash for an open seat between Helms and Democrat Nick Galifianakis, when nearly \$6.2 million in 2014 dollars were spent between Helms

(\$3.8 million in inflation-adjusted 2014 dollars) and Galifianakis (\$2.4 million in 2014 dollars) — about \$2.95 for every registered voter, slightly less than the expected spending this year. The actual figures for 1972 were \$657,216 for Helms and \$416,188 for Galifianakis, totaling nearly \$1.1 million.

Races for governor have proved to be much less expensive than U.S. Senate campaigns.

In inflation-adjusted dollars, and dollars per voter, the most expensive governor's race took place in 2000, when Democrat Mike Easley and Republican Richard Vinroot spent a combined 27.5 million in inflation-adjusted 2014 dollars. Easley's share of that was \$15.6 million, with Vinroot spending \$11.9 million. Adjusted for voter registration, the campaigns spent \$5.63 per eligible voter.

In actual dollars that year, Easley spent \$11.1 million and Vinroot \$8.5 million.

While the U.S. Senate spending figures go back to 1972, the gubernatorial campaign totals are available only from 1992 to the present. That's because the U.S. Senate campaign reports were available either on the Federal Elections Commission website or from

FEC officials. The gubernatorial reports were available on the State Board of Elections Web page dating back to 1992. Earlier, less-comprehensive reports are on microfilm at the state archives. Voter registration figures came from the State Board of Elections and the U.S. Census Bureau.

Bales noted that "much more money is truly needed in a presidential year than in a nonpresidential year." The same holds true between more-competitive and less-competitive races, he said.

For example, Democrat Kay Hagan's successful bid to unseat incumbent U.S. Sen. Elizabeth Dole in 2008, a presidential election year, saw the two major party nominees spend a combined \$32.8 million, adjusted for inflation.

Two years later, during the 2010 midterm elections, U.S. Sen. Richard Burr and Democrat Elaine Marshall spent a combined \$8.3 million in inflation-adjusted dollars. That race was never seen as competitive by most political observers.

Bales also notes that name recognition can help candidates raise more money, which they typically spend. For example, Republican Gov. Pat McCrory spent an inflation-adjusted \$7.2 million during his unsuccessful 2008 bid for governor against Democrat Bev Perdue. During his second campaign in 2012, he spent \$11.6 in inflation-adjusted dollars to defeat then-Lt. Gov. Walter Dalton, a Democrat.

"Once you've built some name ID, that is a huge growth factor in fundraising," Bales said.

Chalmers Brumbaugh, who chairs the Political Science and Policy Studies Department at Elon University, said North Carolina's U.S. senators have made a bigger splash on the national scene than the state's governors have made.

"There's nobody like Helms, there's just nobody," Brumbaugh said.

Brumbaugh worries with the shift from spending by candidates to spending from independent groups, candidates are losing their ability to deliver the messages they choose.

"Helms and Gantt, they controlled what they were doing," Brumbaugh said. "Now, the candidate simply doesn't have control over the message, or even most of the message any more."

Brumbaugh said that when he teaches a campaign management class, his students learn to keep a focus on their candidate's message.

"You want to control everything; you want to control the message; you want to control everybody who speaks for you," Brumbaugh said. Mistakes that occur outside the campaign's control, he said, mean "you could lose the race." CJ

Observers say candidates today don't have the control over their messages that candidates used to have

Tillis Vs. Hagan Showdown Headlines Races Set for November

Runoffs due in 5th and 6th congressional district races

By CJ STAFF

RALEIGH

In a May 6 state primary race with national implications, House Speaker Thom Tillis, R-Mecklenburg, defeated seven other candidates and won the Republican nomination for the U.S. Senate seat held by freshman Democrat Kay Hagan. In a contest that drew more than \$1 million in independent expenditures in the weeks leading up to the primary, Supreme Court Justice Robin Hudson, a Democrat, was able to survive a challenge from Republicans Eric Levinson and Jeanette Doran and will face Levinson in the general election.

And a close victory for the Democratic nomination in the 2nd Congressional District by “American Idol” runner-up Clay Aiken was muted when second-place finisher, former state Commerce Secretary Keith Crisco, died unexpectedly at his Asheboro home the day before the primary votes were canvassed.

Runoff elections will be held July 15 for the Democratic nomination in the 5th Congressional District and the Republican nomination in the 6th District.

Tillis won 46 percent of the vote, surpassing the 40 percent threshold needed to avoid a July 15 runoff. Greg Brannon, a Cary obstetrician, finished second with 27 percent. Charlotte pastor Mark Harris finished third with 18 percent. The other five candidates split the remaining 9 percent of the votes.

Brannon and Harris congratulated

Tillis on election night, urging unity against Hagan. Just after 10 p.m. on his Facebook page, Sen. Rand Paul, R-Ky., who had endorsed Brannon and made several appearances on his behalf, also congratulated Tillis and said he “look[s] forward to working with him” in the Senate.

National political observers see North Carolina’s results in November as a key to determining the partisan balance in the Senate. Democrats currently hold a 55-45 advantage. Hagan, who won her party’s nomination easily over two opponents, may need to hold her seat to prevent Republicans from taking control of the upper chamber.

In the Libertarian primary, Sean Haugh defeated Tim D’Annunzio, 61 percent to 39 percent.

At a post-primary forum sponsored by the N.C. FreeEnterprise Foundation, President Joe Stewart predicted that outside groups may spend as much as \$60 million to drive turnout for the Senate campaign.

Supreme Court

In an ostensibly nonpartisan contest pitting a Democratic incumbent against two Republican challengers, Justice Robin Hudson won 43 percent of the vote. Former appeals court Judge Eric Levinson got 37 percent and will face Hudson in the Nov. 4 general election. Raleigh attorney Jeanette Doran, another Republican, won 21 percent. Republicans currently hold a 4-3 majority on the state Supreme Court, and are certain to add a seat as Democratic Chief Justice Sarah Parker is retiring

and two Republicans — Associate Justice Mark Martin and Superior Court Judge Ola Lewis — are running for the top spot on the court.

Congress

U.S. House District 1

• Arthur Rich won the Republican primary with 51 percent of the ballots cast. Brent Shypulefski had 49 percent.

• Incumbent G.K. Butterfield, who has represented the district since winning a special election in July 2004, won the Democratic primary with 81 percent of

the ballots cast against runner-up Dan Whittacre.

U.S. House District 2

• Two-term incumbent U.S. Rep. Renee Ellmers won the Republican nomination with 59 percent of the ballots cast against challenger Frank Roche.

• Aiken narrowly avoided a runoff for the Democratic nomination, receiving just over 40 percent of the ballots cast. Crisco got 39.5 percent of the votes, and Democratic Party activist Toni Morris received 20 percent.

U.S. House District 3

• Ten-term incumbent Walter Jones won the Republican primary and will face Democrat Marshall Adame, who had no primary opposition, in the Nov. 4 general election. Jones received slightly less than 51 percent. Taylor Griffin collected 45 percent of the ballots cast, and Al Novinec got 4 percent.

U.S. House District 5

• Five-term incumbent U.S. Rep. Virginia Foxx easily outdistanced Philip Doyle for the Republican nomination, getting 75 percent of the ballots cast. Doyle received 25 percent.

• Democrats Joshua Brannon and Gardenia Henley will be in a July 15 runoff for their party’s nomination, since none of the four candidates received 40 percent of the vote. Brannon received 33 percent, while Henley got 26 percent. Also running were Michael Holleman with 23 percent, and Will Stinson with 17 percent.

U.S. House District 6

• Republicans Phil Berger Jr. and Mark Walker will be in a July 15 runoff since neither won 40 percent of the vote. They seek to succeed 15-term U.S. Rep. Howard Coble, who is retiring at the end of his present term. Berger received 34 percent; Walker, 25 percent. There were seven other candidates in the race. Soon after the primary, Coble endorsed Berger, the Rockingham County district attorney, and Walker received endorsements from the sheriffs of Guilford and Alamance counties.

• Laura Fjeld won the Democratic nomination, defeating Bruce Davis, 56 percent to 44 percent.

U.S. House District 7

• David Rouzer won the Republican nomination with 53 percent of the ballots cast in the district that had been represented by nine-term Democrat Mike McIntyre, who did not seek reelection. Runner-up Woody White received 40 percent, and Chris Andrade got 7 percent.

• Jonathan Barfield Jr. won the Democratic nomination with 58 percent against Walter Martin Jr., who received 42 percent.

U.S. House District 9

• First-term incumbent U.S. Rep. Robert Pittenger retained his seat for a second term with 68 percent of the ballots cast in the Republican primary, defeating challenger Michael Steinberg. No Democrat filed to run.

U.S. House District 10

• Five-term incumbent U.S. Rep. Patrick McHenry defeated Richard Lynch in the Republican primary, and will face Democrat Tate McQueen, who had no primary opposition, in the Nov. 4 general election. McHenry received 78 percent of the ballots cast.

U.S. House District 11

• Tom Hill won the Democratic nomination with 54 percent of the ballots cast. Keith Ruehl got 46 percent. Hill will face first-term Republican incumbent Mark Meadows in the Nov. 4 general election. Meadows had no primary opposition.

U.S. House District 12 (Unexpired term)

• State Rep. Alma Adams of Guilford County won the Democratic special election to fill the unexpired term of former U.S. Rep. Mel Watt, who vacated his seat to take a position leading the Federal Housing Finance Agency. Adams received 44 percent of the ballots cast. Finishing behind her were Malcolm Graham, 22 percent; George Battle, 13 percent; Marcus Brandon, 9 percent; James “Smuggie” Mitchell, 6 percent; and Curtis Osborne, 6 percent.

U.S. House District 12 (full term beginning 2015)

• Vince Coakley won the Republican nomination with 78 percent of the ballots cast. Runner-up Leon Threatt got 22 percent.

• Adams is the Democratic nominee, finishing ahead of six other candidates — five of whom also filed for the unexpired term. She received 44 percent of the ballots cast. Finishing behind her were Graham, 24 percent; Battle, 13 percent; Brandon, 8 percent; Mitchell, 5 percent; Osborne, 5 percent; and Rajive Patel, 1 percent.

U.S. House District 13

• Brenda Cleary won a three-way Democratic primary and will face first-term Republican incumbent George Holding in the Nov. 4 general election. Holding had no primary opposition. Cleary received 70 percent of the ballots cast. Virginia Conlon got 18 percent, and Arunava Sanyal received 12 percent.



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JLF's Agenda 2014 Touts Policies That Promote Liberty, Growth

By CJ STAFF

RALEIGH

Building on positive reforms from the past few years, North Carolina's elected leaders can take more steps to help boost economic growth, improve education, and fight overregulation. The John Locke Foundation's new *Agenda 2014* policy report offers more than 110 recommendations addressing these and other critical public policy goals.

"While in 2013 the legislature made some great strides, there is still more to be done," said Roy Cordato, JLF vice president for research and resident scholar. Cordato and his JLF research staff developed the *Agenda's* recommendations in 36 different subject areas.

"Lawmakers reformed the tax code and cut the overall tax burden for families across the income spectrum, but the state's tax system still penalizes investment and entrepreneurship in some ways," Cordato said. "Medicaid and the health care system also need reform. We've seen significant advancement in the possibilities of parental school choice, but a great deal still needs to be accomplished, particularly in the areas of curriculum, testing policy, and student achievement."

JLF has published an *Agenda* for statewide candidates every other year since 1996. *Agenda 2014* offers a resource for elected officials and candidates interested in pursuing policies that promote growth while advancing individual liberty, personal responsibility, and a free-market economy.

"We firmly believe that policies that advance these goals are policies that will create employment opportunities, lower health care costs and improve access, reduce energy costs, and

better educate our children," Cordato said. "Both in the United States and internationally, it has been proven time and again that liberty and prosperity go hand in hand."

Cordato recommends growth-enhancing policies such as ending state taxes on capital gains and eliminating double taxation of savings and investment returns. "Lawmakers should allow taxpayers to deduct savings and investment from their taxable income, similar to the way individual retirement accounts are treated under the tax code."

An *Agenda* section devoted to budget, tax, and economic issues also targets areas such as state government spending. Specific recommendations include a constitutional amendment to limit spending growth, such as a Taxpayer Bill of Rights.

"Lawmakers should set fiscal priorities each year," said Sarah Curry, JLF director of fiscal policy studies. "Search the base budget for items or programs to cut if new spending is needed in other areas. Lawmakers also should provide a five-year fiscal note with each budget. It would show the long-term impact of state spending plans."

Sixteen *Agenda* entries target education issues, such as prekindergarten programs, charter schools, testing and accountability, virtual schools, contro-

versial Common Core State Standards, and education spending.

"Elected leaders should acknowledge that empirical studies find a weak relationship between education spending and student performance," said Terry Stoops, JLF director of research and education studies. "They should embrace the idea of 'educational productivity.' It's not how much you spend, but how you spend it. Research suggests that spending on classroom instruction offers the most 'bang for the buck.'"

Health care proposals target issues such as insurance exchanges, certificate-of-need restrictions, Medicaid reform, and the proposal to expand North Carolina's Medicaid program.

"Expanding Medicaid would only add more individuals to North Carolina's dysfunctional medical assistance program," said Katherine Restrepo, JLF health and human services policy analyst. "The state has instead gone forth with reform. Reform should focus on budget predictability, accountability, and personal responsibility."

After three straight years of state regulatory reforms, the latest JLF *Agenda* offers suggestions for future legislation.

"Lawmakers should enact a REINS approach in North Carolina," said Jon Sanders, director of regulatory

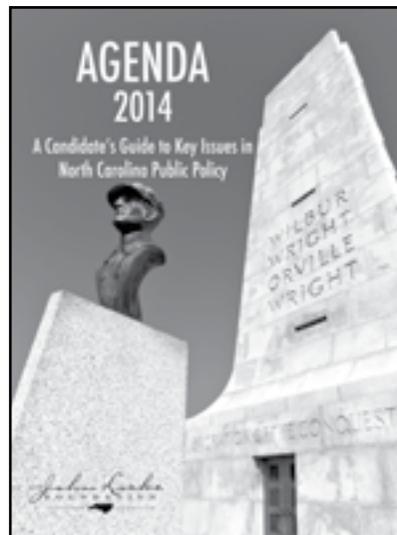
studies. "The idea is based on federal legislation titled the Regulations from the Executive in Need of Scrutiny Act. REINS would require a legislative vote before the government could pursue any rule that would have a major impact on the economy, cause significant cost or price increases for consumers, or do significant harm to competition, employment, productivity, and other healthy economic activities."

Among the *Agenda* items addressing property rights is a recommendation to repeal "quick take," which is a legal process that allows the government to take title to property under the power of eminent domain without first allowing the affected landowner to have a hearing in court.

"Quick take should be repealed so that all government takings go through the normal 120-day condemnation process," said Tyler Younts, former JLF legal policy analyst. "That includes the right to a hearing. This would satisfy the requirements of due process. It would also give local governments some incentive to negotiate in good faith with property owners in order to avoid costly court proceedings."

Agenda 2014 focuses attention on many critical issues elected officials and candidates will face during the rest of this year and in the new legislative term that starts in 2015, said JLF President John Hood.

"North Carolina adopted more free-market and conservative reforms in 2013 than any other state ever has adopted in a single year, but that doesn't mean the work is complete," Hood said. "Lawmakers looking for additional ways to promote economic growth and add North Carolina jobs will find plenty of good ideas in *Agenda 2014*." CJ



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Obamacare Lawsuit Challenges Legality of 'Death Panel'

By DAN WAY
Associate Editor

RALEIGH
One of the attorneys hoping to dissolve Obamacare through a lawsuit challenging the health reform act's Independent Payment Advisory Board said the deaths and mismanagement recently reported at Veterans Administration hospitals are "a great preview" of what lies in store if the health care law is not overturned.

Christina Sandefur, a staff attorney at the Scharf-Norton Center for Constitutional Litigation at the Phoenix-based Goldwater Institute, said oral arguments in *Coons v. Geithner* are scheduled June 10 in San Francisco before a three-member panel of the 9th U.S. Circuit Court of Appeals.

On appeal

The case is on appeal after Arizona U.S. District Court Judge Murray Snow dismissed the lawsuit. *Coons* is the only legal challenge among many to the Affordable Care Act testing the constitutionality of IPAB, whose 15 members would be appointed by the president. The panel would have virtually unlimited power to design Medicare policy and set health care payment rates.

Sandefur says congressional creation of IPAB violates the separation of powers clause of the Constitution because it transfers congressional authority to an unelected executive branch agency. The language establishing the panel insulates it from congressional and judicial oversight.

Michael Cannon, director of health policy studies at the free-market Cato Institute, called IPAB "a superlegislature" during his March appearance

in Raleigh at the Civitas Institute's Conservative Leadership Conference. "It is a body that writes laws without Congress' consent, and it scares the hell out of me."

In a recent *Forbes* article, Cannon noted that some critics of the law have called IPAB Obamacare's "death panel," but in his view, it also could be considered a "life panel," given its powers to determine allowable treatments and payments.

Sandefur said that IPAB's lack of accountability should be of concern

amid the growing revelations that VA hospitals in Phoenix, Colorado, Chicago, and elsewhere falsified records to make it appear that veterans' waiting times for service were days, when in some cases they were months. Dozens of veterans' deaths in Phoenix are linked to the delays.

As the scandal grows and scrutiny escalates, two employees of the Durham VA Hospital recently were suspended over records irregularities reporting waiting times going back to 2009, and calls are increasing for VA Secretary Eric Shinseki to resign.

"I think unfortunately what's happening in the Veterans Administration is a preview of what we're going to get with IPAB," Sandefur said.

IPAB mechanism

The VA is a single-payer system, and she believes IPAB would be

the mechanism to shift the entire U.S. health care system toward single-payer delivery if Obamacare eventually crowds out private insurers and puts the government more directly in charge of medical services, an outcome critics of the law fear and supporters encourage.



"That's why it is so important that our lawsuit proceeds," to prevent the IPAB model from becoming the future standard for administrative agencies, Sandefur said.

"This is exactly why we have the constitutional system that we do. This is exactly why we have separation of powers. This is the very reason that the founders believed that it was dangerous to put government in charge of these decisions, and that it was dangerous to put one entity in charge of decisions like these," Sandefur said.

"If the court finds that IPAB is unconstitutional, we would ask them to strike the entire law," Sandefur said. To do that, the court would have to determine whether severing the unconstitutional portion of the law would allow the rest of the law to stand and still meet Congress' intent.

Cutting costs

Sandefur contends the president and Senate Democrats who voted unanimously for the law said during legislative debate the primary reason to approve Obamacare was the law's authority to reduce medical costs.

"The only mechanism that is really designed to cut costs in health care is IPAB, and so without IPAB Obamacare can't really achieve one of its overarching goals of near-universal health care coverage — cost-cutting," Sandefur said. "So our argument is that the whole thing has to fall because you can't really have one without the other."

Chris Conover, a professor at Duke University's Center for Health Policy and Inequalities Research, said IPAB was created because Medicare has been unable since its inception to control costs. A major reason, he said, is because Congress routinely ignores recommendations for savings from the current Medicare Payment Commission. IPAB's goal was to put experts, instead of politicians, more in control of Medicare policy.

"It's a very questionable sort of constitutional legitimacy to create this unaccountable set of people who have pretty extraordinary powers, but those

powers are triggered if and only if spending goes above some certain target," Conover said.

Trigger amounts

The Centers for Medicare and Medicaid Services does not foresee Medicare spending rising above the trigger amounts anytime soon, Conover said.

Nor does he see any advantages to IPAB over the Medicare Payment Commission, comprising the "best minds from academia," Conover said.

"From the standpoint of democracy theory, if you want accountable government that is governed for the people, by the people, this seems to be a little bit off track from that," Conover said of IPAB.

"There's no law that can't be repealed" by a succeeding Congress, he said.

But Sandefur said repealing IPAB or limiting its powers is, by design, a complex and nearly insurmountable hurdle.

According to the law, legislation repealing IPAB can be introduced only between Jan. 1 and Feb. 1, 2017. It must pass both houses of Congress, and be signed by the president before Aug. 15 of that year. And to pass Congress, it must be approved by three-fifths of all members, not just three-fifths of the members present on the date of the vote.

"As far as we can tell, that is one of the most severe supermajority requirements ever in the history of this country," Sandefur said. "That is an even more severe requirement than to sign a treaty with a foreign nation."

Sandefur isn't convinced Obamacare's authors intended IPAB triggers to be activated immediately. Instead, the law is structured "to be implemented little by little to avoid problems in elections" if voters were to see all of its harmful effects at once, she said.

'No defined scope'

IPAB has no defined scope of written powers, "and if you think that what it's doing is not related to Medicare, or is rationing care, you cannot challenge its proposals that automatically become law in court because it's not subject to judicial review," Sandefur said.

None of IPAB's 15 members has been nominated or confirmed. Sandefur speculated that President Obama wants to avoid Senate confirmation battles over those nominations that would draw more attention to Obamacare so close to the midterm elections.

But the lack of appointments is troubling, Sandefur said, because the secretary of Health and Human Services would wield all IPAB's powers if no positions on the board are filled. CJ

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COMMENTARY

Market Should Set Teacher Salaries

North Carolina has a genuine teacher recruitment and retention crisis. But it has nothing to do with tales of teacher discontent spun by the mainstream media, special-interest groups, and teacher unions. Rather, the state's public schools continue to encounter a critical shortage of qualified math, science, and special education teachers.

The U.S. Department of Education report, "Teacher Shortage Areas Nationwide Listing 1990-1991 through 2014-2015," said the relatively meager supply and strong demand for math, science, and special education teachers has been a persistent weakness in North Carolina's teacher labor market.

Of course, North Carolina's public schools occasionally confronted teacher shortages in other areas, including Spanish and theater. Nevertheless, these were short-term supply issues. Lasting shortages of high school teachers in core subjects are another matter. The demand for these teachers continued to outpace the supply, intensifying the competition for math, science, and special education teachers both within North Carolina and between states.

Part of the problem is that graduates from North Carolina's schools of education do not correspond to the needs of our teacher work force. In 2013, the state's colleges and universities produced 6,155 credentialed teachers, but few graduated with a teaching degree in a high-demand area. Among that year's graduates, colleges and university teacher education programs in North Carolina combined to produce five physics teachers and 553 social studies teachers. These disparities have done little to change the way North Carolina's schools of education operate.

Appalachian State University, which has one of the most-respected schools of education in North Carolina, typifies the market-battered trend in teacher education. According to federal teacher education data, Appalachian's Reich College of Education in 2013 failed to graduate any physics education students and only one earth science education student. It managed to graduate three chemistry teachers that year, the same

number who graduated from the college's drama/dance education program.

I do not mean to single out Appalachian. All of North Carolina's colleges and universities struggled to supply science teachers to the state's public schools. In 2013, UNC-Chapel Hill, Elon University, and Wake Forest University eked out one certified physics teacher each, while Western Carolina University produced two. One obvious way to address this problem is for lawmakers to remove state-

imposed barriers to entry and cultivate alternative pipelines to the teaching profession.

Why haven't elected officials been more responsive to the needs of the state's teacher labor market? I believe that decades of negligence by Democratic leaders in Raleigh had everything to do with their fidelity to an idea that teacher unions hold dear — no

teacher deserves to make more money than any other.

Pressure from teacher unions is a major reason initiatives designed to differentiate teacher pay do not last. In 2001, North Carolina public schools began awarding annual bonuses of \$1,800 to certified math, science, and special education teachers who chose to work in a low-income or low-performing school. Elected officials discontinued the program in 2004. A study later published by Duke University researchers concluded that the short-lived bonus plan reduced mean turnover rates of the targeted teachers by 17 percent.

For years, the John Locke Foundation has urged lawmakers to provide substantial pay supplements to outstanding teachers in hard-to-staff subject areas. We believe teacher compensation should be based, at least in part, on actual labor market conditions.

To his credit, Gov. Pat McCrory's newest teacher-compensation proposal includes salary supplements for teachers in hard-to-staff subjects. Hopefully, the Republican leadership in the General Assembly will embrace this sensible and long-overdue education reform. *CJ*

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



TERRY STOOPS

Justices Let Low-Income Voucher Lottery Proceed

BY BARRY SMITH
Associate Editor

RALEIGH

The N.C. Supreme Court on May 14 lifted a lower court's order that had blocked implementation of the state's new voucher law helping children from lower-income families attend private schools.

The ruling means that the N.C. Educational Assistance Authority can move ahead with a lottery to see which children will be awarded the vouchers, called Opportunity Scholarships, for the academic year beginning this fall, according to attorneys involved in the case. The order will be in effect until the appeals process concludes, or until Judge Robert Hobgood, who issued the initial injunction, issues a final judgment on the merits of the case at the trial level.

Last year, the General Assembly enacted a law allowing vouchers providing up to \$4,200 in scholarships for children from lower-income families to offset the cost of attending private schools. The law limited the scholarships to 2,400 students in its first year. Since about 4,500 students applied, a lottery would be needed to determine which students would be awarded the scholarships.

Hobgood issued his preliminary injunction in February blocking the program. The N.C. Court of Appeals refused to overturn Hobgood's order, setting the stage for the recent Supreme Court action.

During the February hearing, the plaintiffs argued that the scholarships violate a provision of the state constitution saying the state's school fund "shall be faithfully appropriated and used exclusively for establishing and maintaining a uniform system of free public schools."

Former state Supreme Court Justice Bob Orr, representing the N.C. School Boards Association, argued that the scholarships would help private schools rather than parents. "The legislation has to fail because the benefit clearly goes to the private school," Orr said. "The parents are a pass-through vehicle."

The Institute for Justice, the libertarian public-interest law firm representing two parents who have pushed to overturn Hobgood's order, reacted positively to the Supreme Court's decision.

"In lifting the injunction, the

N.C. Supreme Court has lifted a cloud over the program, and given hope to the thousands of families who have already applied for a scholarship," said Dick Komer, senior attorney for the institute. "Although [the] decision isn't the final word on the program, it bodes well for full vindication at the state's highest court. More importantly, it bodes well for the families whose only wish is to find the best education for their children."

Reneé Flaherty, another Institute for Justice attorney working on the case, added, "The N.C. Supreme Court has sent the Court of Appeals a strong and unmistakable signal: This program should be allowed to go on."

Flaherty said Hobgood misread the text of the N.C. Constitution when he issued the injunction. Flaherty said it "in no way prohibits the creation of innovative programs, such as the Opportunity Scholarship Program, that give our poorest families additional educational options."

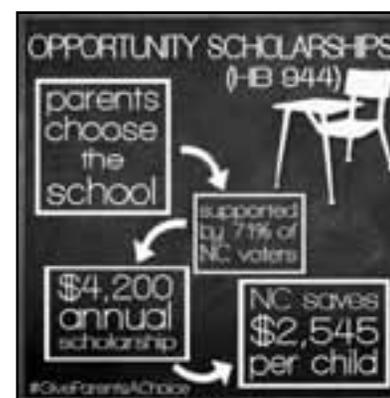
The school boards association disagreed with the justices' reasoning. "We are disappointed by the Supreme Court's decision," said Edwin Dunlap Jr., executive director of the school boards association. "The prudent thing would have been to answer these important constitutional questions before the state started spending public money on private schools."

Darrell Allison, president of Parents for Educational Freedom in North Carolina, lauded the ruling, saying it "vindicates the over 4,500 parents who applied for their child to receive an Opportunity Scholarship and puts parents back in the driver's seat in their child's education."

Allison added, "This ruling provides immediate relief to low-income and working-class families who applied for this program from across the state and also demonstrates parents [who joined the lawsuit] have a substantial likelihood of prevailing on the merits."

Senate President Pro Tem Phil Berger, R-Rockingham, added his support.

"The Supreme Court made the right decision today, and I am pleased that thousands of low-income children across North Carolina will have the opportunity to attend a school that best meets their needs in the coming year," Berger said. *CJ*



Berger Plan: Teachers Can Give Up Tenure For Large Pay Raise

By DAN WAY
Associate Editor

If you like your teacher tenure plan, you can keep your teacher tenure plan, Senate leader Phil Berger, R-Rockingham, told educators at a May 28 press conference. Just don't expect a pay raise.

Berger rolled out a \$468 million pay hike proposal that would raise teacher salaries by an average of 11.2 percent, or \$5,809, the highest teacher pay increase in state history. It would allow teachers to reach maximum pay status in 21 years instead of 37, and push North Carolina from 47th to 27th nationally in teacher pay rankings, Berger said.

"Under our plan, teachers who agree to work under an annual contract in the 2014-15 school year would move to the new pay scale and receive a substantial salary increase," Berger said. The plan would make it possible for the first time in state history for a classroom teacher to earn more than an administrator.

The plan received mixed reviews, however, including a tepid response from Republican Gov. Pat McCrory. At press time, the proposal was being debated as part of the Senate's budget package.

Among the 37 current pay steps, 18 would get boosts beyond the proposed 11.2 percent average — as high as 20 percent for teachers in year eight, 18.5 percent in year seven, and 18.1 percent in year nine. Average teacher pay would jump from the current \$45,938 to \$51,198 if the plan were adopted.

Acknowledging "well-documented resistance" to eliminating tenure, Berger said the Senate plan repeals legislation passed last year that would end career status designation as of 2018. That legislation currently is tied up in litigation and was struck down recently by a Superior Court judge.

Instead, teachers would have "a full choice" to retain tenure under the old plan, or opt for annualized contracts without it in the proposed sys-

tem.

"Those who choose to retain tenure would remain on the current pay schedule," Berger said. "That plan is frozen, has been frozen, and will continue to be frozen. ... If you choose to stay on that plan, my understanding is there is not a raise, and you won't get a step [increase], either."

The ambitious pay raise plan is the result of "the budgeting discipline that we've seen since Republicans took over the General Assembly in 2011, because of the improvement in our unemployment rate as a result of decisions that were made to modify the unemployment compensation fund, because we have prioritized where we are going to do our spending," Berger said.

Paying for the plan will not require a tax increase, and the funding will come from recurring sources, he said. The state would move from ninth place to third place in the Southeast region for teacher pay.

Not everyone embraced the proposal.

"We recognize and share the Senate's goal to improve education and help teachers. However, the McCrory administration has a different and broader approach that promotes student achievement and rewards teachers," said Josh Ellis, Gov. Pat McCrory's communications director.

"The comprehensive Career Pathways for Teachers plan, which is sustainable, fiscally responsible, and provides local flexibility, was developed through a process working with and supported by superintendents, teachers, and business leaders across the state," Ellis said.

"We have not seen the details on

the teacher pay plan and budget yet, so we don't have a comment right now," said Anna Roberts, a spokeswoman for House Speaker Thom Tillis, R-Mecklenburg, immediately following the press conference.

Rodney Ellis, president of the North Carolina Association of Educators, said the 11-percent average salary hike "actually brings us to where we belong in the year 2014. That would be a very welcome investment in public education right now."

How- ever, he said, "it's a travesty that they would attach it to career status rights, due process protections for educators." The state should grant unencumbered raises to demonstrate respect

for teachers as professionals instead of using them as "political pawns in an election year."

The state lost the tenure battle in court and is trying "to circumvent the judge's order, and actually force teachers to accept contracts or to continue to teach without due process rights. That's probably the biggest frustration I have with it," Ellis said.

Reducing the number of steps to get to the maximum salary "is a good approach," and a longtime goal of NCAE, which submitted a proposal several years ago to ratchet down the steps — or years — on the pay schedule to 15, Ellis said.

But even moving teachers to the maximum pay step 16 years faster than current law allows drew his displeasure.

"I think that's going to deter a lot of people from coming into the profession who may have teaching in their heart and want to continue to teach for the remainder of their career, which

is usually about a 30-year term," Ellis said. There would be no financial incentive for them to remain in the profession beyond 21 years, he said.

State Sen. Jerry Tillman, R-Randolph, co-chairman of the Senate Appropriations on Education/Higher Education Committee, disagreed.

"You can top out now after 20 years at \$50,000, but we've got longevity that's factored in here, and you will see some small incremental changes" in annual increases among long-term teachers, Tillman said.

Rather than discourage teachers from remaining in the profession, the quick route to top pay will lure more teachers into the profession, which some say is not happening now because it takes too long to get maximum pay, Tillman said.

"In poker terms, the Senate went 'all in,'" said Terry Stoops, director of research and education studies at the John Locke Foundation.

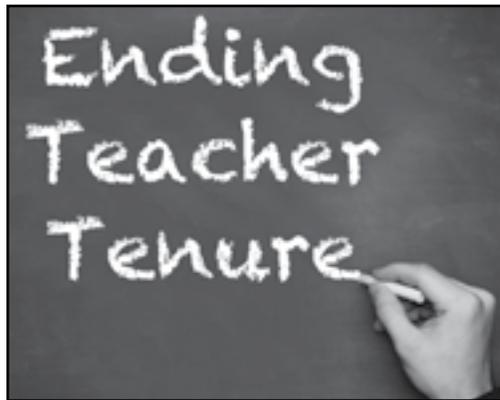
"They are trying to call the left's bluff. Those who will oppose this plan will do so based on politics alone, and not whether it is beneficial to the teaching profession," Stoops said.

"I think most were surprised by the size of the raise. Commentators agreed that a teacher pay raise was inevitable, but few predicted that the average raise would reach double digits," he said.

For most teachers, surrendering tenure in exchange for a huge pay increase is an acceptable trade-off, he said.

The proposal would extend supplemental pay for teachers with master's degrees to those who have completed at least one course in a graduate program as of July 1, 2013.

It expands opportunities for local school systems to recognize and reward top performers by allocating funds for up to 35 percent of teaching staff to receive pay-for-excellence bonus increases. A plan passed last year as part of the tenure reforms now in the courts allowed excellence bonuses for 25 percent of teachers. CJ

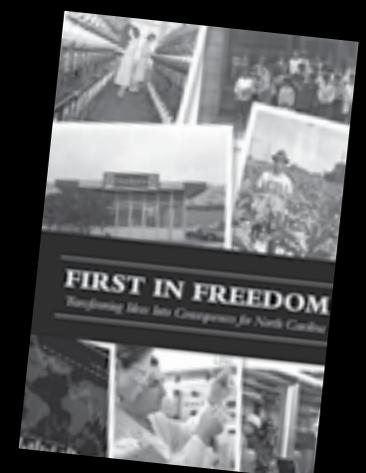


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Town and County

Garden Parkway in doubt

The N.C. Department of Transportation's new data-based project rating system has assigned a mediocre score to Gaston County's proposed Garden Parkway, but some local officials maintain hope that the highway eventually will be built, reports *The Charlotte Observer*.

The Garden Parkway would loop around south of Gastonia and include a new Catawba River crossing. The cost of the project is estimated at between \$751 million and \$843 million. The parkway has generated considerable controversy, with environmental groups opposing the project and some local officials questioning whether it's worth the cost.

The proposed highway was ranked 175 out of 399 on the DOT's new ranking system, which focuses on economic development impact, cost, and congestion relief. A different Gaston County project scored much higher.

Chapel Hill zoning

The town of Chapel Hill approved a proposal to adopt a "form-based" code in an attempt to spur redevelopment in its aging Ephesus-Fordham business district. The idea is to let developers understand what the code allows before they consider projects, reducing the need for separate approvals by the town, reports the *Raleigh News & Observer*.

Under the proposal, buildings of up to five stories would be allowed near the street and buildings of up to seven stories in the district's core. Town officials project that the move to a form-based code could bring a significant amount of development to the district over the next 20 years.

"I can't imagine really contemplating applying this form-based code to any other sector of town," Councilwoman Sally Greene said.

"I really think that this is a very good solution for a particular problem, which is how to develop this particular part of town."

Not every town official agreed with the change. "My issue with this — pure and simple — is there is no evidence that it will achieve the original goals, including stormwater, including traffic mitigation, including increasing commercial tax revenue to the town," said Councilman Matt Czajkowski in voting against the proposal. *CJ*

— MICHAEL LOWREY

Three of Four Sales Tax Ballot Measures Fail

Four incumbent members of General Assembly defeated

By CJ STAFF

RALEIGH

Along with the May 6 primary elections for congressional, legislative, judicial, county, and municipal offices, voters in more than a dozen North Carolina counties decided measures involving taxes, debt, and alcohol sales.

Three of the four referendums increasing local sales taxes by 0.25 percent failed. Voters in Bertie County rejected their proposal by a margin of 69 percent to 31 percent; in Bladen County, the "no" vote was 72 percent to 28 percent; Brunswick County's proposal failed, 40-60. Only Davidson County's measure passed, by a vote of 56 percent to 44 percent.

Meantime, by a 78 percent to 22 percent margin, Gaddy Township voters in Robeson County approved a 10-cent increase in the local property tax rate to finance a separate fire district with a volunteer fire department.

Local bond measures fared better. Bald Head Island residents passed a beach improvement bond referendum by a whopping 90-10 margin. Davie County enacted a school bond measure, 54 percent to 46 percent, and a parks-and-recreation bond, 56-44. Mooresville voters approved a street-and-sidewalk bond proposal, 63-37, and a parks-and-rec measure, 55-45. Goldsboro residents approved a parks-and-rec measure by a similar 55-45 margin.

A handful of counties considered expanding alcoholic beverage sales. Residents of the Cleveland County town of Patterson backed the sale of malt beverages and fortified wine. Pender County voters approved a measure expanding the sale of beer by the glass in Topsail Beach. Rockingham County voters authorized the sale of mixed drinks in restaurants and approved a county ABC store. In contrast, Bladen and Sampson county voters rejected measures allowing the sale of beer and wine in unincorporated sections of the county and in towns that had not approved alcohol sales.

Carteret and Northampton county voters expanded the sale of mixed beverages. Carteret hotels, restaurants, and convention facilities countywide will be able to offer mixed beverages. (Currently, only restaurants in some beachfront towns can sell cocktails.) Establishments throughout Northampton County also will be allowed to sell mixed beverages; currently, only licensed facilities located within one mile of Interstate 95 can do so.

General Assembly

Most incumbents in the General Assembly fared well as they faced voters from their own party for the first time since the historic 2013 session. But four incumbents lost their primaries and became lame ducks when the short ses-

sion of the General Assembly convened May 9.

- Six-term Sen. Clark Jenkins, D-Edgecombe, lost to Erica Smith-Ingraham, 49 percent to 40 percent in the Senate District 3 primary.

- Rep. Robert Brawley, R-Iredell, a frequent critic of House Speaker Thom Tillis, R-Mecklenburg, lost to challenger, John Fraley by 106 votes in the House District 95 race, 2,881 to 2,775. As a result of his public criticism of Tillis, Brawley was censured by the House Republican Caucus soon after the session opened. The vote barred Brawley from attending private caucus meetings during which political strategy and policy issues are discussed.

- In House District 80, Rep. Roger Younts, R-Davidson, lost to Sam Watford, 55 percent to 45 percent.

- Rep. Annie Mobley, D-Hertford, fell to Howard Hunter III in the Democratic primary in House District 5. Mobley originally was appointed to the House seat in 2007 when Hunter's father, Rep. Howard Hunter Jr., died.

In the Jenkins, Brawley, and Younts races, no candidate from an opposing party filed before the primary. Barring write-in or unaffiliated campaigns, each of the primary winners will win the general election.

In other legislative

aces:

- In Republican Senate primaries where the winner faces no Democratic opposition, Sen. Stan Bingham, R-Davidson, won District 33; Sen. Fletcher Hartsell, R-Cabarrus, won District 36; Sen. Bob Rucho, R-Mecklenburg, won District 39; and Sen. Ralph Hise, R-Mitchell, won District 47.

- In other Democratic Senate primaries where the winner faces no GOP opposition in November, Sen. Don Davis, D-Greene, won with 72 percent of the vote against two challengers in District 5. In District 21, Sen. Ben Clark, D-Hoke, handily defeated three challengers. Sen. Gladys Robinson, D-Guilford, prevailed against Skip Alston in District 28. In District 40, Joyce Waddell defeated three other candidates, avoiding a runoff with 42 percent of the vote.

- In other House Republican races where the primary winner faces no Democratic opposition, Rep. George Cleveland, R-Onslow, fought off a challenge in District 14. In District 15,

Rep. Phil Shepard, R-Onslow, easily won, as did Rep. Leo Daughtry, R-Johnston, in District 26. Other GOP winners included Lee Zachery in the open District 73 seat and Rep. Harry Warren, R-Rowan, in District 77. Rep. Jeffrey Elmore, R-Wilkes, handily won the primary for his District 94 seat, as did Rep. Dana Bumgardner, R-Gaston, for his District 109 seat.

- In other House Democratic primaries where the winner faces no GOP opposition, Shelly Willingham led in District 23 with 35 percent of the vote and faces a runoff against Rusty Holderness. Rep. Jean Farmer-Butterfield, D-Wilson, was re-elected in District 24, Rep. Michael Wray, D-Northampton, won District 27, Rep. Pricey Harrison, D-Guilford, won District 57, Ralph Johnson won the open seat in District 58, as did Cecil Brockman in the open seat in District 60. *CJ*



Several counties expanded alcohol sales, while Bladen and Sampson opposed expansion

Guilford, Alamance Suspend Discussion on Border Dispute

By MICHAEL LOWREY
Associate Editor

RALEIGH
Efforts to clarify the location of the border between Alamance and Guilford counties may have hit an impasse after the affected property owners said they'd rather be in Alamance County. Guilford County officials have suspended talks, possibly pushing the issue back to the General Assembly, reports the Greensboro *News & Record*.

Modern technology allows boundaries to be mapped with great precision. More accurate mapping can place property owners' land in a different jurisdiction than they originally thought. Or worse, it can divide the land among two jurisdictions. That was the case in 2007 when the border between Alamance and Guilford was remeasured.

To reduce the confusion, last year the counties agreed on a plan to modify slightly the 2007 border. Rather than have a straight line splitting parcels, property owners on the border could choose which county they preferred and keep their parcels intact.

Or that was the agreement until every property owner along the border opted for Alamance. The property at issue is worth \$8.5 million.

"It's not the plan that we were sold," Guilford County Commissioner Ray Trapp said, noting the proposal was intended to have a minimal impact, if any, on the tax base of either county.

"We're stewards of the taxpayers of Guilford County, and for us to agree to vote to voluntarily give up that tax base would have been doing an injustice to our constituents."

The selection of Alamance over Guilford shouldn't have come as a surprise, as Guilford's tax rate of 77 cents per \$100 of assessed property value is much higher than Alamance's 54-cent rate.

Charlotte airport spending up

While it's unclear what entity will oversee Charlotte Douglas International Airport over the long term, the airport is spending more money now, reports *The Charlotte Observer*. The airport's proposed \$129 million budget for the fiscal year that begins July 1 is 8 percent higher than the current year's budget.

Last year, the General Assembly passed a bill that would transfer control of the airport from the city of

Charlotte to a regional authority. The city objected to the measure and went to court to retain control; the legal issues remain undecided and the city remains in control for now. Negotiations continue between Gov. Pat McCrory and the city with the hope of fashioning a compromise. For now, both the city and airport authority have agreed to have Brent Cagle act as interim aviation director.

Cagle's budget ups spending in several areas, most notably on shuttle buses the airport uses to move passengers from remote parking lots to the terminal.

"Anyone who's ridden our buses lately has probably seen a ripped seat or two," said Cagle. "There's been some deferred maintenance. We need to reinvest in the facility."

Cagle noted that 29 of the airport's 59 shuttle buses were out of service when he made his budget presentation to the airport authority. His budget also would make 150 shuttle bus drivers and temporary workers at the airport full-time employees.

Asheville anti-graffiti plan

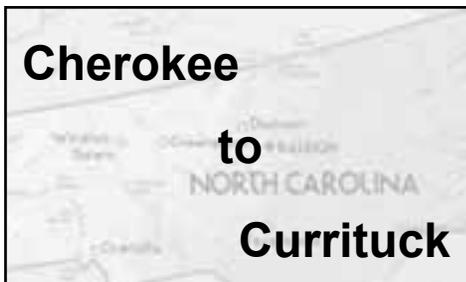
The Asheville City Council has adopted a new plan to address graffiti, opening with a city-funded three-month campaign to remove graffiti, reports the *Asheville Citizen-Times*.

Much of the debate in Asheville has focused on how much responsibility should be placed on property owners to remove graffiti once their buildings have been defaced.

Under the new plan, the city will pick up 90 percent of the cost of removing graffiti from private buildings from July 1 through Sept. 30, with building owners paying the remaining 10 percent. Thereafter, building owners would be responsible for the entire cost of graffiti removal. The city could force owners to remove graffiti from their buildings, but owners would not be fined for failing to remove graffiti in a timely manner, as was proposed earlier.

"We agree that we should do this project, and we want to work with the city," said downtown property owner Chris Peterson. Peterson had been an outspoken critic of the proposal to fine those who didn't remove graffiti from their buildings.

The city's plan also establishes civil penalties for individuals who tag buildings, and it asks the state to toughen criminal penalties related to graffiti. *CJ*



COMMENTARY

N.C. Taxation Without Representation

My most recent John Locke Foundation Spotlight report discusses Haywood County's plans to increase its occupancy tax — a variety of taxation without representation that's levied by local governments across North Carolina. If the General Assembly allows it, the increase would leave Haywood County with the highest rate in the region at 6 percent.

In 1983, the General Assembly passed the first legislation authorizing counties and municipalities to impose an occupancy tax. The tax was authorized mostly in populous counties like Buncombe, Mecklenburg, Forsyth, and New Hanover, but also included smaller Haywood County. Since that time, the General Assembly has allowed more than 200 counties and municipalities to levy an occupancy tax.

Even though the tax must be authorized at the state level through a local act in the legislature, only local governments may levy an occupancy tax. Once authorized by the General Assembly, the local government's governing authority — a city council or board of county commissioners — must pass a resolution formally levying the tax.

Generally this process includes only a public hearing and not a referendum, as is the case with the sales tax. Similar to most local taxes except property tax, the occupancy tax remains in place until it is repealed. The only changes that can be made to the tax must be done through either the local governing authority or the General Assembly.

Most of the occupancy taxes in North Carolina are between 3 percent and 6 percent. Brunswick County has the lowest rate at 1 percent, while Mecklenburg County/Charlotte has the highest rate at 8 percent and the only one above 6 percent. The extra 2 percent was authorized in 2005 to help finance the NASCAR Hall of Fame museum.

In the 2011-12 fiscal year, total county collections were more than \$135 million and municipal collections were more than \$30 million. That's a combined \$165 million

taken from tourists, business travelers, school groups, or anyone else who stayed in a hotel or rental accommodation in North Carolina during that time.

The funds collected from this tax are used for specific purposes such as tourism, beach nourishment, or the building or operation of convention and performing arts centers. Tourism is the major focus of occupancy tax revenue.

When the tax is introduced to a local government for the first time, a local Tourism Development Authority is created to control the spending of occupancy tax revenue. During 2011-12, almost \$90 million of the collected tax went to TDAs across the state.

Local governments may think they can use occupancy tax revenues to force visitors to pay for local amenities and impose no costs on local residents or businesses. That is not the case.

When a hotel or bed and breakfast posts its nightly rate on the Internet, travelers can compare prices with competing businesses. If an occupancy tax pushes the room price higher than that charged in a neighboring county or city, then the traveler may choose to stay where the rate is lower. The higher occupancy tax also may push lodging operators to eat the cost of the tax increase (and reduce their profits) to keep room rates competitive with businesses in neighboring

jurisdictions. Accountability is another concern. TDAs are not accountable to voters. While any sales tax increase must be put on a ballot for a vote, an occupancy tax increase does not — leaving not only out-of-town visitors but also affected local businesses with no voice.

If Haywood County raises its occupancy tax rate, it would show how taxation without representation is still alive and thriving in North Carolina local governments. *CJ*



SARAH CURRY

The legislature has authorized more than 200 counties to levy occupancy taxes

Sarah Curry is director of fiscal policy studies for the John Locke Foundation.

Court: Trial Must Decide if D.A. Violated Free-Speech Rights

By MICHAEL LOWREY
Associate Editor

RALEIGH

Former Mecklenburg County District Attorney Peter Gilchrist must convince a court that he didn't violate the First Amendment rights of an employee he fired who was running in a judicial election. The 4th U.S. Circuit Court of Appeals ruled May 14 that a trial was needed to determine if public comments criticizing a program promoted by the D.A.'s office made by Sean Smith, who served as an assistant district attorney under Gilchrist, led to Smith's termination.

Smith started working in the D.A.'s office in 2004 and in early 2010 he filed for a seat on the District Court in Mecklenburg County. State law allowed Smith

to keep his job in the DA's office without resigning or taking a leave of absence while running for judge, though Gilchrist urged him to quit.

Later that year, Smith took a defensive-driving class at his own expense and on his own time. The course, operated by a nonprofit agency, allows drivers who have received traffic tickets to complete the class and accept a plea to a lesser charge, reducing their penalties and preventing their insurance rates from going up. Arresting officers give ticketed drivers a pamphlet notifying them of the option to take the class. Having the class available reduces substantially the number of cases the D.A.'s office has to prosecute.

July 9, 2010, Smith gave a television interview as part of his campaign and criticized the defensive-driving course, claiming, among other things, that some students weren't paying attention, police officers were giving legal advice by pushing students to take the course rather than fight the tickets, and drivers were unwise to take the course without looking into other alternatives.

After learning of Smith's interview, but without seeing it, Gilchrist called Smith into his office. Smith told

Gilchrist he had problems with the defensive-driving course and thought the D.A. should stop promoting it. Gilchrist then asked Smith if he disagreed with other policies in the office. Smith said he did but declined

to say what they were. Gilchrist fired Smith the next day.

Smith then filed suit against Gilchrist in federal court, claiming that he had been fired for exercising his free-speech rights in violation of the U.S. and North Carolina constitutions. Gilchrist countered that he dismissed Smith for insubordination because he would not identify policies he did not support.

The case never reached a trial. District Court Judge Robert Conrad dismissed the lawsuit, determining that the legal doctrine of "qualified immunity" gave Gilchrist an absolute defense against Smith's suit. Qualified immunity is the legal doctrine protect-

ing government officials from being sued as individuals when they are performing jobs that are part of their normal duties. In his ruling, Conrad determined that "a reasonable official in Gilchrist's position could have believed that the interest of the DA's office as employer in suppressing Smith's speech outweighed Smith's interest in speaking as a citizen on a matter of public concern."

Smith challenged Conrad's ruling before the 4th Circuit, which includes North Carolina.

Competing interests

Courts previously have addressed the issue of the free speech rights of public employees. In the 1998 case *McVey v. Stacy*, the 4th Circuit established a three-part test to determine when terminating a government employee violates free speech rights. Smith's appeal centered on the second prong, "whether the employee's interest in speaking upon the matter of public concern outweighed the government's interest in providing effective and efficient services to the public."

The appeals court concluded that Smith's televised remarks had nothing to do with the Mecklenburg County

D.A.'s office policy — he leveled his criticism at the nonprofit running the driving course, the police officers, and the drivers.

"Calling attention to a significant weakness in a course designed to protect the public safety, alerting the public to improper legal advice, and attempting to protect citizens from unwittingly making legal decisions that are not in their best interests are critical services that a D.A.'s office has no legitimate interest in opposing," wrote Chief Judge William Traxler for the appeals court.

Traxler added that any reasonable official would have been aware of this. "The notion that programs that reduce a government agency's workload are somehow off limits from criticism by government employees even when there is no reason to expect that the criticism will actually hamper the government office's efficiency finds no basis whatsoever in the law."

The appeals court remanded the case for a trial to determine whether Smith's constitutionally protected remarks played a substantial role in Gilchrist's decision to fire him.

The case is *Smith v. Gilchrist* (No. 12-2503). CJ



Keep Up With the General Assembly

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

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



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

JLF: Research Backs N.C. Choice-Based Education Reforms

By CJ STAFF

RALEIGH

A survey of nearly 900 academic studies from the past quarter-century shows North Carolina has been moving in the right direction on education reform in recent years. That's a key conclusion from a new John Locke Foundation Spotlight report.

"Based on findings from 888 studies published in peer-reviewed journals or by the National Bureau of Economic Research since 1990, North Carolina officials have enacted policies that will likely improve the efficiency and efficacy of our education system in the coming years," said JLF president John Hood, the report's co-author. "Policymakers should resist attempts to backtrack from the significant accomplishments already achieved." (The report can be found here: <http://bit.ly/1qYqh1A>)

Hood and co-author Terry Stoops, JLF director of research and education studies, scoured studies assessing the impact of school spending, teacher quality, teacher pay, testing, school choice, and other variables on student achievement.

"It's the responsibility of policymakers to make decisions based on the best available empirical evidence about how education systems really work, not just folk wisdom, anecdotes, or newspaper editorials," Stoops said. "This paper gives North Carolina policymakers a place to start."

Among the new report's key findings:

- Higher spending was associated with higher student performance just 32 percent of the time in 116 studies exploring that relationship.

- More than half (56 percent) of 90 studies found mixed or statistically

insignificant results when examining the link between average teacher salaries and student outcomes.

- Just 41 percent of 132 studies found a positive effect of additional years of teaching experience on effectiveness in the classroom.

- Only 16 percent of 114 studies showed a positive relationship between a teacher's graduate degree and student outcomes.

- In contrast, 61 percent of the 34 studies on teacher incentives for individual or school-wide performance, or both, found statistically significant gains in student outcomes.

- Roughly two-thirds (66 percent) of 73 scholarly studies associated public school choice and competition with higher student outcomes.

- A similar rate (65 percent) of 127 studies found positive, statistically significant benefits for students from private school choice and competition.

"Examine those numbers, and you'll see that the empirical research does not offer solid support for the strategies of increasing education spending indiscriminately, raising average teacher salaries, or paying teachers higher salaries based on either years of experience or graduate degrees earned," Stoops said. "On the other hand, the data look good for merit pay and increased school choice — both public and private."

Overall results can "obscure some important subtleties," Hood and Stoops note on more than one occasion. For instance, a significant number of studies found that a teacher's experience mattered during the first few years of her career.

"While teachers with seven years of experience are often more effective than those with two years of experience, the difference between teachers with seven years of experience and those with 30 years of experience is often negligible," Hood said. "The research suggests that a 'frontloaded' teacher pay system leads to better student proficiency in reading and math than systems that offer greater rewards for years of experience."

Hood and Stoops find that both very small and very large schools tend to produce below-average student outcomes. Once school districts grow "very large," at more than 25,000 students, results also turn negative.

Those findings suggest moderation in both district and school size, Stoops said. "Unfortunately, our state isn't moderate when it comes to the structure of our public education system," he said. "School sizes in North Carolina are 15 percent higher than the national average for elementary grades and 20 percent higher for secondary grades. Thirteen North Carolina districts enroll more than 25,000 students. Wake and Charlotte-Mecklenburg public schools enroll more than 140,000 students each."

A slight majority of 17 studies of national board certification for teachers found positive relationships between certification and student outcomes. "The findings suggest using board certification as a signal for teacher quality isn't unreasonable, but it's not a par-

ticularly strong one," Stoops said. "It's also a relatively expensive signal in North Carolina, where board certification leads to a 12 percent pay increase."

Hood and Stoops find research support for using both value-added assessment data and principal evaluations in decisions about teacher retention and compensation.

More than three-quarters of academic studies found a positive relationship between centralized, independent, and rigorous standardized tests and higher student outcomes. While centralization appears appropriate for testing and accountability, nearly two-thirds of studies supported decentralized educational governance. "As districts and particularly schools gain more autonomy to make operational decisions, students appear to make larger gains in test scores and other performance measures," Hood said.

The report offers four key conclusions:

- There are no automatic benefits from raising government spending on education.

- North Carolina's teacher salary schedule should place greater emphasis on effort and effectiveness, with less emphasis on credentials and experience.

- North Carolina needs to adopt the right mix of centralized and decentralized authority.

- North Carolina should continue to encourage parental choice and school competition statewide.

"Above all, we demonstrate that the very factors that produce high performance in other industries and professions — factors such as entrepreneurship, choice, and competition — also produce high performance in education," Hood said. CJ



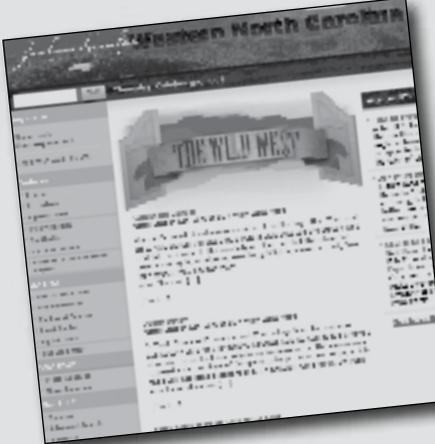
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Another Development With Parton Family Connections in Trouble

Continued from Page 1

Art Linkletter's role

Originally named Pine Mountain Lakes, the development is located 20 miles south of Morganton and adjoins South Mountain State Park. It was started in 1973 and contains 2,600 acres, 27 miles of roads, more than 1,000 individual lots, and a significant amount of open space. In the early years, television and radio personality Art Linkletter promoted the development on his programs, and a 5,500-square-foot home built in 1973 for him is still referred to as the Linkletter home.

Most of the lots are approximately one-half acre. The planned lakes proved to be unfeasible, and the name was shortened to Pine Mountain. An 84-room hotel and restaurant on the property are closed and for sale. Today, there are approximately 70 homes and 30 townhomes in the development, which is managed by the Pine Mountain Property Owners Association. The association also operates a public golf course that appears to be in good condition.

Watson's role

A document obtained by *CJ* titled "The South Mountain Preserve Strategic Marketing Plan" outlined Hollowell's plans. The document included a photograph of Dolly Parton, her brother Randy, and other members of their family posing with Hollowell.

According to the marketing plan, Hollowell's partner in the South Mountain Preserve project is Rick Watson. Watson, who now lives in Garner, was the former CEO of the Northeast Commission, a state-funded economic development organization based in Edenton, serving northeastern North Carolina.

Hollowell told *CJ* that Watson is no longer involved in the project, even though he owns several lots in Pine Mountain under the name of Spring Brook LLC.

Watson was instrumental in bringing the Randy Parton Theatre to North Carolina. He traveled with Randy Parton throughout northeastern North Carolina in 2004 and early 2005 looking for a community to host and finance a theater project. They settled on Roanoke Rapids. Dolly Parton attended a groundbreaking ceremony in November 2005. Watson's Northeast Commission board of directors forced him to step down in 2006 when they learned he had acquired an ownership interest in Parton's company, "Moonlight Bandit Productions."

'High-quality entertainment'

Hollowell was a board member of the Northeast Commission when he signed a "binding letter of intent to serve as the key development partner"



From left, Randy Parton, Rachel Parton Dennison, Dolly Parton, Ray Hollowell, and Cassie Parton King depicted in a South Mountain Preserve promotional brochure.

with Parton in "bringing high-quality musical entertainment and affiliated mixed-use entertainment district developments to northeastern North Carolina." The agreement stipulated that Hollowell pay \$50,000 to a company controlled by Parton upon signing the document.

Roanoke Rapids borrowed \$21 million to build the project. The 1,500-seat theater was completed in March 2007 and was turned over to Parton to manage. Parton's first show with his band took place July 26, to a sold-out crowd, but attendance eventually declined to audiences of 100 or less.

City officials became concerned that under Parton's management the theater would not generate enough revenue to repay the \$21.5 million debt. The city scrapped the original contract with Parton in November 2007 and re-

moved him as the theater's manager.

The situation quickly deteriorated. In December 2007, then-Mayor Drewry Beale asked Parton, who appeared to be intoxicated, to leave the theater just before his show was to begin. He exited the back of the building and never performed there again. City officials quickly renamed the facility The Roanoke Rapids Theatre. It since has been renamed the Royal Palace Theatre, where HSV Entertainment operates 1,500 Internet sweepstakes machines and occasionally hosts country music performances.

Hollowell told *CJ* he was committed to Pine Mountain prior to the demise of the theater. He asked the Partons to join in on the project.

Special meeting with Partons

When Dolly Parton performed in



Burke County Commissioners Jack Carroll, left, and Johnnie Carswell are concerned about Hollowell's unpaid property taxes. (CJ photo by Don Carrington)

2008 at what is now the PNC Arena in Raleigh, Hollowell organized a private meeting and photo session with her for a group of potential lot buyers. He said Parton even mentioned the South Mountain Preserve project between songs. "We invited 160 people and had 120 show up," he said. "That was the last event we had with the Partons." (See related story at bottom of page 15.)

Numerous companies

Burke County real estate and tax records, as well as corporation records in Virginia and North Carolina, show that Hollowell has used at least 14 different entities to acquire land in Pine Mountain. Nine companies were incorporated in Virginia (see chart on page 1). Hollowell told *CJ* that he used different companies so people wouldn't know that he was trying to acquire all the vacant lots.

Hollowell has shifted property between the companies. For example, on March 4, 2013, Hollowell incorporated Burke Mountain Southeast, LLC in Virginia. Two days later, South Mountain Real Estate transferred 557 properties to Burke Mountain Southeast. The property taxes for 2013 have not been paid. Property taxes from 2009-12 also are due on 589 properties owned by South Mountain.

Also on March 6, 2013, South Mountain Preserve, LLC transferred 29 properties to Burke Mountain Southeast. The property taxes for 2013 have not been paid, nor were any taxes paid on those properties going back to 2010.

Mountain Overlook, LLC

Records indicate that in 2008 Hollowell sold six half-acre Pine Mountain lots to Dolly Parton's sister, Cassie King, and her husband, Scott King. The indicated sales price was \$115,000 for each, even though the average tax value of each lot was just \$3,450.

In August 2008, Dean Scott King and Cassie P. King of Sevierville, Tenn., formed and registered Mountain Overlook, LLC in Virginia.

In September 2008, under Hollowell's signature, Virginia Highland Properties and Tall Pines West each deeded three lots to Mountain Overlook, making the company the owner of six lots in Pine Mountain. The excise tax indicates the sales price for each lot was \$115,000 for a total price of \$690,000.

Mountain Overlook has not paid any property taxes or association fees for any of the six lots. The Burke County Tax Office told *CJ* that Mountain Overlook owes \$1,374 in taxes going back to 2008.

On April 25, *CJ* asked Scott King about the property in Burke County. "I don't recall any lots being in our name. I recall it being part of the conversa-

Continued as "Another," Page 15

Another Development With Parton Family Connections in Trouble

Continued from Page 14

tion, but I don't remember the details," he said. King said he didn't pay any money to Hollowell or any of his companies.

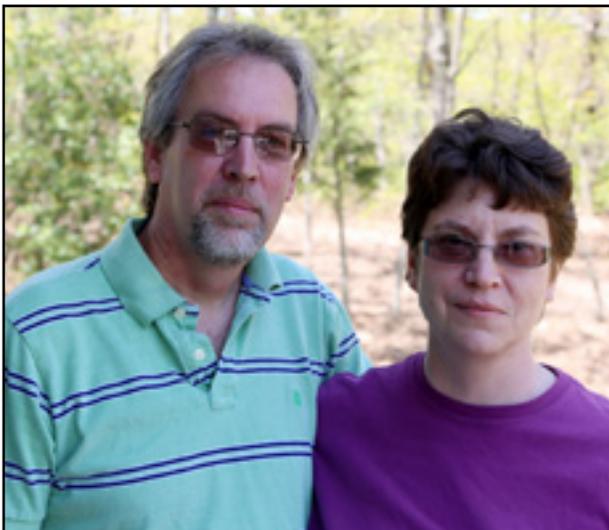
"This is the way they wanted it done," Hollowell said. "Scott knew what was going on. They wanted the lots identified at that price. The lots were part of the arrangement for their help."

Bankruptcy, foreclosures

In 2007, Hollowell was purchasing land in Burke County while a company he owned filed bankruptcy associated with a \$7 million loan for a Dare County project. The filing ultimately led to Eastern Savings Bank of Maryland foreclosing on some of his Dare County properties.

In 2009, Hollowell-owned companies secured a loan from First South Bank using 11 lots in Pine Mountain as collateral. Hollowell did not repay the loan, and First South Bank directed the trustee to foreclose the deed of trust and sell the property through auction. First South ended up owning the 11 lots.

Hollowell also is behind on final payments for at least four loans secured by Pine Mountain lots: \$1,949,160 to Kennedy Funding Inc.; \$350,000 to George Brown and Charles Miller of Maryland; \$117,000 to Elizabeth City resident Renee Brandt; and \$620,000 to Gary Breen Smith of LaGrange, N.C.



Pine Mountain residents David and Edie Stitt are concerned about Hollowell's ability to pay his bills and continue development. (CJ photo by Don Carrington)

Burke County taxes

According to Burke County tax administrator Daniel Isenhour, Hollowell's various companies currently owe the county \$191,172 going back to tax year 2008.

Seeking to collect past-due property taxes, Burke County officials had filed a complaint against South Mountain Land Company in December 2008. The complaint sought a total payment of \$11,005 for unpaid taxes on 145 parcels

Attorney Daniel Kuehnert, an attorney representing the county, filed a voluntary dismissal in May 2012. "We dropped it because Hollowell eventually paid the taxes and some of our legal fees," Kuehnert told *CJ*.

Records show that Hollowell made several property transfers from one company to another without addressing past-due property taxes.

Burke County Commission Chairman Johnnie Carswell and Commissioner Jack Carroll told *CJ* that Hollowell had taken advantage of county procedures allowing a deed to be recorded without the assurance that property taxes had been paid. In March 2014, the Burke County Board of Commissioners closed that loophole. The board passed a resolution banning deeds from being recorded if taxes are delinquent. This process affects all deeds recorded May 1, 2014, and after.

The Register of Deeds now will refuse to record a deed that has not been certified and stamped by the Burke County tax office.

"Back taxes is our issue, but it was so convoluted. This is hard to piece together because there were so many companies involved, but I also became alarmed when I saw some of the same names involved in here that were involved in Roanoke Rapids," Carswell said.

"I don't want the county to own his lots in Pine Mountain, but foreclosure is the leveraging tool we have," Carswell said. "We have to treat everybody equally. Hollowell got special treatment because we couldn't pin down who owns what," Carroll said. *CJ*

Hollowell's Plan Included Parton Reality Show, Museum, Winery

BY DON CARRINGTON
Executive Editor

RALEIGH

Ray Hollowell told *Carolina Journal* that he and Rick Watson signed a promotion agreement in March 2008 with Dolly Parton's sister, Cassie Parton King, and Cassie's husband, Scott King. The marketing plan was developed in 2009 not long after Gov. Bev Perdue took office.

"The Parton family relationship, headed up by Cassie Parton and her husband Scott, is quite meaningful in the fact that no international iconic name has this significance in terms of promoting a North Carolina Mountain Community. This starts with the little known fact that both sides of the Parton Family (Owens – the Mom) are originally from North Carolina and later migrated to Tennessee," the marketing document says.

'Thumbs up'

"At the appropriate time, with the final blessing of the Partons, we plan to make this an issue, or shall we say 'news item.' Mr. Rick Watson, partner and I have discussed with the Partons the idea of creating the same type of give and take with Tennessee that North Carolina and Ohio have over the Wright Brothers. At this point it's a thumbs up.

"We believe because of our political ties we can engage the Governor's Office. Governor Perdue loves the Partons.

"The idea of promoting or announcing our development has already been discussed with [then-Lt. Gov.] Perdue two years ago. ... She pledged her support of this unnamed North Carolina Mountain Project of 2,500 acres involving the Partons whenever it was appropriate to divulge the location and the players."

The plan went on to explain more about the project. It included the production of a "Parton Family Reality Show," to be filmed at a newly constructed log cabin. There also would be a "Parton Family Recording Studio" on site, along with a "Parton Family Museum." "The Partons, Cassie, Rebecca, Richie, Randy, and Dolly literally have tractor-trailer loads of memorabilia for use at the Museum."

"A major Parton family home designed by Cassie Parton for the production and in-house family music events, is currently planned and financed."

"The remaining significant component of the South Mountain Preserve Business Model is the commercial development outside the gate. We are going to develop a miniature version of Pigeon Forge, Tennessee, and Branson, Missouri. This will begin after we sell the first 150 pre-development sales program home sites. We've talked to the powers that be at the highest levels of government and we have their support."

In February 2008, Amy and Brian Gordon of Emerson, N.J., bought a lot from Virginia Highland Properties.

The excise tax of \$220 indicates the Gordons paid \$110,000 for the lot. The Gordons signed a deed of trust to Virginia Highland Properties for a loan of \$105,000. Amy Gordon told *CJ* that her father lived in Avon, N.C., and his wife had worked for Hollowell. "We have never seen the property. A huge selling point was the involvement of Dolly Parton's family," she said.

She said Hollowell made a special deal with the first 10 purchasers to buy the property back at a certain percentage in two years. He did not honor that agreement. "We ended up paying a total of \$10,000 to \$15,000 for the property, but he didn't require any more payments," she said. Hollowell has not recorded any document indicating the deed of trust has been satisfied.

NCSU 'support'

The marketing plan also stated that N.C. State University would play a major role in developing vineyards and a winery. According to the plan, "N.C. State University, the State University, provides an extremely important and incredible strategic relationship there are many facets of this relationship that will benefit the marketing of The South Mountain Preserve and the site itself. Approximately a year ago the university established a team comprised of its finest academic talent in the areas of viticulture from the College of Horticulture, College of Agronomy, and the College of Food Sciences. This will

provide us with the best vineyard and wine making program in the state."

"The university is excited about this relationship all the way up to the Chancellor's Office. Rebecca Parton is the family member assigned to the viticulture relationship on behalf of the Parton family. The family as a whole is truly ecstatic about these possibilities considering the credibility of the parties involved. N.C. State University professors and staff members have visited The South Mountain Preserve numerous times and have been all over the mountain and the surrounding properties evaluating the most likely locations for success in having productive vineyards."

"Like many high profile vineyards today, we plan to make Parton Family Vineyards at The South Mountain Preserve a destination."

In January 2009, Hollowell deeded two lots from South Mountain Real Estate to the N.C. State University Student Aid Association (aka the Wolfpack Club). The organization provides private support for athletic scholarships and facilities at N.C. State. The current tax values of the lots are \$3,858 and \$3,680.

Also that month, Hollowell deeded 12 lots to the North Carolina Agricultural Foundation, a public charity at N.C. State that supports agricultural research extension and teaching activities in the College of Agriculture and Life Sciences. The current average tax value of those lots is \$3,557. *CJ*

Eggers: Social Entrepreneurs Helping Solve Our Thorniest Problems

BY CJ STAFF

RALEIGH

Whether you turn first toward the family, friends, government, nonprofit groups, or business to solve society's largest problems, you might find some interest in the latest work from William Eggers. Global research director for the public sector practice at Deloitte, Eggers has co-authored *The Solution Revolution: How Business, Government, and Social Enterprises Are Teaming Up to Solve Society's Toughest Problems*. Eggers discussed key themes from that book 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: In what way are we actually seeing a revolution in coming up with solutions to problems?

Eggers: We're seeing, essentially, a major paradigm shift in how we go about solving society's toughest problems. You know, for quite a long time it was basically the job of business to serve shareholders and make a profit, and the job of government was to solve problems and nonprofits in there, too. Yet, what we're seeing is a big change in that respect. We're seeing the whole new class of social entrepreneurs arising. They're coming out of business schools and others, and they're saying they want to both make a profit and solve problems.

There are millions of them now globally, and they didn't exist before. We're seeing businesses that are saying, "You know what? We can serve a double and triple bottom line where we can basically help to solve a problem like reducing diarrhea in India" — and diarrhea is one of the second-biggest killers of children — "and at the same time, make a profit by doing so by selling soap and shampoo and figuring out how to employ 45,000 women," and so forth.

And so this is a big shift because it used to be really solely government incented to this, and now what we're looking at is this whole new growth of other problem solvers, which is good because, you know, governments need a lot of help to do this. Let's face it.

Kokai: Some people might hear this and say, "OK, that sounds good. What sort of difference does it make having these different types of entrepreneurs and business people involved and not just government?"

Eggers: Let's look at an issue like traffic congestion. OK. So how did we try to solve traffic congestion before? Well, we would either build more

"We're seeing the whole new class of social entrepreneurs arising. They're coming out of business schools and others, and they're saying they want to both make a profit and solve problems. There are millions of them now globally, and they didn't exist before."

William Eggers
Global Research Director
Co-author of *The Solution Revolution*



roads or build more public transit or have more public buses or so forth. Those all cost a lot of taxpayer money. And what would happen? Well, the roads would just fill up with more people. There wouldn't be enough people on public transit and so forth.

Well, what's happening now is a lot of entrepreneurs are going in and saying, "You know what? We're going to use mobile apps, and we've got other ways of trying to solve those problems. We're going to offer ridesharing services because the biggest waste in the transportation system is 85 percent of people driving to work by themselves. And that's wasted resource in those things."

So how do you connect people who need a ride with those who need a car? Well, you can use GPS and your mobile device. And now there are companies like Lyft and Sidecar and RelayRides and Uber, which are basically providing ridesharing services.

You've got other companies that are providing services — mobile parking helping you understand where is there a parking spot in a place like this. And so you add all of these up and traffic information services, and you could potentially reduce traffic congestion as much as you could essentially from a lot of traditional means. And what does it cost government? Almost nothing, right? Because they're basically increasing throughput. And so for every major problem we're seeing this whole group of kind of social entrepreneurs and other companies coming in and saying, "Other people see that as a problem. We see that as an opportunity to fix."

Kokai: I was listening to what you were just saying and thinking to myself, "Well, in some respects this sounds like the private sector doing what it has always done." How is this

a little bit different? Is it just that there are more people thinking about things that in the past nonprofits and governments have mainly focused on?

Eggers: Certainly, you know, other entities still have a role. But, I mean, the big difference is essentially for many of these areas that we're seeing markets developing are where it's essentially people had said previously there was either a market failure or government failure. Right?

So let's take an issue of serving what's called the base of the pyramid. Those are essentially the poorest billion people in the world, or 2 billion people. And essentially most companies did not view them as actual markets, right, because they didn't make enough money. So there was actually no one trying to sell them goods, so they weren't being served as consumers.

Now companies are saying, "You know what? If we can get the cost down enough, they can actually be consumers right now. And they will actually pay for good education and health care if we get the cost down enough."

So there's a company that we talk about: Bridge International Academy is a social enterprise. They're providing education to the poorest of the poor in Kenya, private schools that they've scaled up from one in 2009 to over 200 today, serving 53,000 kids, and they're doing it for about \$5 a month. You know, about the price of a Happy Meal. How? They're doing a franchise model. They're taking a page from McDonald's and FedEx and UPS, and they're franchising the development of these schools.

So what we're seeing is people are taking business models and then they are looking at these areas that traditionally have been in the province of

government, and they're saying, "How do we create a market to actually serve these individuals?"

Kokai: This sounds like it is all to the good. How do we ensure that more of this happens?

Eggers: First of all, government has a role to play in this. You know, government needs to set standards. Government can overregulate and drive a lot of these out of the marketplace, as we've seen with some cities around ridesharing services or even, like, Airbnb and HomeAway and others, which are providing sharing economy elements. So, first of all, government needs to make sure that they help these movements, not try to overregulate them or compete against them.

The other thing you can do is governments can offer prizes and challenges around "Here are some big problems, and we're going to open this up to the world to try to solve." NASA right now has done over 75 challenges for their toughest scientific problems. Instead of just saying, "We're going to do them in-house," they've opened them up, and some of them have been won by people halfway across the world.

And at the same time, I think when you look at business schools right now, well, every business school now has classes on social enterprise. They have classes on impact investing and a variety of other things, so what we're doing is starting to create that kind of education for this to happen. And when you have the best and brightest talent moving into this area, I think that's something that you say it's only going to get better over time and just starting to create capital infrastructure around it. Right now, there are literally billions of dollars of investment every year that are going into trying to create social impact.

Changes at Peace Rankle School's Traditionalists

BY HARRY PAINTER
Contributor

RALEIGH

In 2010, when tiny Peace College in downtown Raleigh hired a new president, a cascade of changes began, all designed to protect the future of the institution.

But the transformation also started a torrent of criticism. A group of three students unhappy with the school's use of resources and its alleged lack of transparency organized a student petition in April demanding, among other reforms, the president's immediate resignation.

"Change is really hard," said Debra Townsley, the president of William Peace University, in a Pope Center interview. Working with the board of trustees, she has ushered in the new era for Peace. But that new era has brought alumnae criticism, the loss of donor support, and negative press.

The changes were big. To start, in 2011 the college's name changed to William Peace University, placing a stronger emphasis on the name of founder William Peace. And, just two years after the formerly all-female college began allowing men to take courses in its night program, Peace announced that it would enroll men on a full-time basis. The school also cut faculty and programs.

However, the petitioning group's website claims that of the 37 percent of Peace's traditional day student body who signed the petition, 52 percent were from the class of 2017. Those signers aren't likely to be motivated by anger over those changes.

Maigan Kennedy, a 25-year-old senior and spokeswoman for the group — called We Want Peace — said that one problem driving the group's petition is faculty and staff turnover.

Today, there are 31 full-time faculty members, with five more soon to be hired, according to Townsley.

Under Townsley's leadership, Peace cut tuition, expanded enrollment, and boosted online and evening programs. Those feats are similar in nature to the turnaround Townsley was credited for when she headed Nichols College in suburban Massachusetts.

An audacious and controversial move, however, came last year when Peace purchased the Seaboard Station shopping center adjacent to the cam-

pus, spending one-third of its endowment to do so.

The News & Observer of Raleigh reported last July that Peace had refused to provide the names of its trustees, who unanimously approved purchase of Seaboard. This lack of disclosure took place despite a requirement that colleges file these names publicly with the IRS each year.

When the Pope Center asked about the college's decision not to disclose its 2012-13 trustees, Townsley said, "Nobody asked us the names."

That said, the Pope Center obtained e-mails between *The News & Observer* and a public relations firm working on behalf of Peace at the time showing a formal request from the newspaper. In a follow-up interview with the Pope Center, Townsley said the request was so long ago that she could not remember be-

ing asked for the list.

The school now lists its trustees, a move board member Rick Martinez said was uncontroversial.

Yet the We Want Peace petition indicates that distrust of Townsley lingers in the Peace community. Kennedy, a student in the theater program, said that students pay \$30,000 or more in tuition and should know what they are getting. "The university is a business, and the students are paying customers," Kennedy said.

We Want Peace gathered more than 300 signatures for its petition opposing "radical cuts" and "excessive secrecy," among other things. On April 24, *The News & Observer* reported a protest against the Peace administration at which students, alumnae, and faculty participated.

The school acted aggressively to deal with a declining enrollment, but in doing so, it antagonized a devoted community of alumnae — and now, students and teachers — who, it seems, are dedicated to preserving forever the special qualities that attracted them to Peace initially.

Townsley and the board, however, view their role as remaking the 150-year-old college for the 21st century. Townsley says she hopes Peace will last another 150 years. CJ

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



COMMENTARY

STEM Degree 'Shortage' Imaginary

Many Americans are convinced that the country faces a STEM crisis. That is, we don't have enough teachers in science, technology, engineering, and mathematics; don't have enough students taking degrees in those fields; and don't have enough STEM workers to maintain the country's leadership.

Influential studies have come to that conclusion, and it's been repeated by many politicians, including President Obama. The groundwork for those beliefs was set in place by research done years earlier.

Those findings, however, are starting to come under critical scrutiny.

In his book *Falling Behind: Boom, Bust & the Global Race for Scientific Talent*, Michael Teitelbaum, a senior research associate at Harvard Law School, shows that the United States has been through at least five STEM-related cycles since World War II.

In each instance, alarms about a perceived shortage of STEM workers led to federal action to stimulate STEM research and education. But after the government's stimulus ended, we were left with a surfeit of people with STEM degrees who could not find work commensurate with their training.

Far from "falling behind," Teitelbaum finds a glut of people with STEM education. After surveying the best research, he states that America "produces far more science and engineering graduates annually than there are S&E job openings — the only disagreement is whether it is 100 percent or 200 percent more."

Nevertheless, many Americans instinctively believe there is something special about science, engineering, and technology. They drive progress. We might have too many lawyers or baristas or interior designers, but we just can't have too many STEM workers.

Also, the interest groups that want more STEM education, research funding, and workers know how to capitalize on that belief to get politicians to enact the policies they want.

Apparently without knowing it, Teitelbaum (who isn't an economist) has grasped how public

choice theory works in the realm of education. Influential business and educational groups lobby for good-sounding policies that benefit them, frequently employing dubious arguments and misleading claims.

The costs of those pro-STEM policies are dispersed among the public, and fall particularly hard on the unfortunate individuals who invest many years of their lives pursuing credentials that may become almost worthless.

That is the essence of public choice: Narrow interests seek government policies for their own benefit, while the costs are spread out and mostly hidden.

Not only do we have many people with STEM credentials working in jobs that do not require that training, but also a fairly large number of people are working in STEM jobs who don't have the "right" degrees.

Teitelbaum doesn't make that point, but electrical engineer Robert Charette does. In the trade publication *IEEE Spectrum* Charette writes, "Of the 7.6 million STEM workers counted by the Commerce Department, only 3.3 million possess STEM degrees." At the same time, "about 15 million U.S. residents hold at least a bachelor's degree in a STEM discipline, but three-fourths of them ... work outside of STEM."

Charette's point suggests that the American labor force is more flexible than the alarmists would have us believe.

The next time we hear someone declare that the country faces a crisis, or a "Sputnik moment," or something similar that demands government action to prevent a shortage of STEM workers, we should be skeptical. Think about the large number of people now holding STEM degrees who could be induced to leave their non-STEM jobs, not to mention the fact that many people who don't have STEM credentials can perform STEM jobs.

We don't need educational central planning to get the "right" number of STEM grads. CJ



GEORGE LEEF

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

Campus Briefs

Four North Carolina community college presidents took the rest of the community college system by surprise in April. Three of them — Tony Zeiss of Central Piedmont Community College, Stephen Scott of Wake Tech, and Kandi Deitemeyer of the College of the Albemarle — appeared before the General Assembly's House Study Committee on Education Innovation to ask for a legislative study about adding four-year bachelor's degrees to their mission.

The degrees proposed were "applied baccalaureate degrees," which the presidents said are based on employers' needs. They include degrees in paralegal studies, fire science, and digital media, among others.

A fourth president, John Dempsey of Sandhills Community College, did not attend the presentation, but he was involved in the plan, according to a spokeswoman for the North Carolina Community College System.

The proposal rocked the community college establishment. The North Carolina Association of Community College Presidents expressed disapproval at its April state board meeting. Linwood Powell, chairman of the board, condemned the decision to go before the committee because the presidents had short-circuited the usual process for proposing changes.

"It is not about what is right or wrong in offering a four-year degree — it is all about the process," Powell said.

The legislative committee did not adopt the proposal. Still, the move signals that North Carolina could join a controversial national trend. Twenty-two states now allow community colleges to offer bachelor's degrees, but this is the first sign that such a proposal has been gestating in North Carolina.

The Pope Center interviewed Lawrence Rouse, the head of the presidents' association, who said the association spoke with the four presidents at a May 16 meeting. "I think they had a sense of urgency," Rouse said, to "get the issue out there."

The number of states allowing community colleges to offer bachelor's degrees has almost doubled in less than a decade. North Carolina's adoption would add the nation's third-largest system — at 58 colleges — to the growing list. CJ

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

BOG's Lax Enforcement of Rules Benefits N.C. A&T

By JESSE SAFFRON
Contributor

RALEIGH

Broad discretionary authority given to the University of North Carolina Board of Governors may explain why, in three different cases, N.C. A&T State University, one of the state's five public historically black universities, has obtained advantages not enjoyed by other schools in the UNC system.

The nursing program

N.C. A&T's nursing program has struggled for years. In 2005 and 2006, program graduates had a 69 percent first-time passing rate on the state's nurse licensing exam — the lowest rate of the system's 10 programs at the time (13 nursing programs exist in the system today). The passing rates improved over the next three years, but dropped significantly in 2010 and 2011.

After 2006, and again after 2011, the nursing program should have been eliminated according to system policy. The president is supposed to ask the board to initiate program termination procedures for any program having a first-time passing rate of less than 75 percent for two consecutive years.

The program was given a pass each time.

As a condition of the second waiver in 2012, N.C. A&T officials promised to raise standards and increase licensing exam success. Despite that promise, graduates' passing rates fell below the board's minimum in 2012 and 2013.

At the April 10, 2014, meeting of the UNC Board of Governors, the issue came up again. Chancellor Harold Martin lobbied for another extension, promising to make improvements.

This time, N.C. A&T did not get its way. Several members of the Educational Planning Committee, who weren't Board of Governors members when the previous waivers were granted, expressed frustration with the program and the fact that it hadn't received closer scrutiny in the past.

The board voted to suspend the program after 2014 and convene a panel that would consider eliminating the program. The panel will make its decision regarding program elimination by the middle of June.

Enrollment funding

The UNC system's enrollment funding formula is intended to help finance instruction costs as they fluctuate with enrollment changes. But campuses that overestimate their enrollment figures suffer only "minimal consequences," according to a 2010 report by the General Assembly's Program Evaluation Division.

That is because the Board of Gov-

ernors can ask the legislature to grant "hold harmless" status to a school, protecting the school's base budget during periods when enrollment declines.

N.C. A&T overestimated its enrollment for the 2006-07 year. It was granted the "hold harmless" status and was able to keep \$2.1 million for "unrealized growth." That amount was not just a one-year gift, but was built into future enrollment funding.

From academic years 2006-07 through 2010-11, the university continued to receive "hold harmless" status, which means that it was able to keep more than \$10 million during that span. (At press time, neither General Administration nor N.C. A&T officials had responded to a question asking whether the "hold harmless" status continued after 2010-11.)

In-state vs. out-of-state

UNC system policy places an 18 percent cap on the number of out-of-state students that universities can enroll. In part, the rule is designed to ensure that North Carolinians — who pay state taxes or come from households that do — take precedence in admissions.

After N.C. A&T exceeded the enrollment cap by 72 percent in 2012, the Board of Governors began considering

the possibility of exempting select universities — mostly schools that system officials call "HMIs," or historically minority institutions.

Martin has argued that his university has difficulty attracting enough talented students from North Carolina. The school has a focus on engineering — a highly competitive field — and North Carolina's top minority students are recruited vigorously around the country.

Earlier this year, after debating the issue and receiving a letter from Martin promising to maintain a commitment to in-state students, the Board of Governors decided to run a "pilot program" in which N.C. A&T will, for one year, be able to increase its out-of-state student population to 25

percent. After the first-year trial, the UNC system president can renew the program.

As justification for its actions and to give future "pilot programs" legitimacy, in February the Board of Governors added a clause to its out-of-state enrollment policy stating that the board "may, on the president's recommendation, authorize enrollment pilot programs that are exempt from the requirements of [the preceding rules]." CJ

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



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Opinion

It May Surprise Some That the UNC System Is Ripe For Budget Cuts

Budget cuts are coming. Between a revenue shortfall, a raise for K-12 teachers, and the increasing cost of Medicaid, the state of North Carolina needs to find savings. It may surprise some, but the University of North Carolina system is a smart place to look.

Higher education, including UNC and the community college system, takes up 18 percent of the state's \$21 billion operating budget. The UNC system alone receives \$2.5 billion annually. Including tuition, federal money, private grants, and donations, the UNC system's annual budget totals \$9 billion. In short, the UNC system has room for cuts.

Despite loud complaints from activists and university lobbyists, last year's reductions of roughly \$65 million produced positive results, and in-state tuition was not increased. According to a 2013 report by the UNC General Administration, nearly 70 full-time equivalent positions previously funded by the state were shifted to other sources of funding following last year's cuts, and 537 vacant positions were eliminated. Universities focused a larger percentage of their total funding toward instructional costs.

More can be done. Seven UNC campuses eliminated zero filled positions after the 2013-14 budget reduc-

tion. The UNC General Administration eliminated only one filled position. Many redundant programs and administrative positions still exist at UNC.

Even after the administration of Gov. Pat McCrory told all state departments to ask for no more than a 2 percent increase in funding for the 2014-15 fiscal year, UNC officials responded by asking for nearly 12 percent more money. State Budget Director Art Pope responded with a memo calling the request "not realistic." The governor's budget proposal cut spending for UNC by about 1.9 percent, though the General Assembly is not expected to finalize the state budget until late June or early July.

There are a number of ways to streamline the UNC system and its campuses in the years to come so that they operate more efficiently and better serve the people of North Carolina.

Here's where cuts can be made: **Eliminate unnecessary administrators.** Administrators outnumber faculty at every UNC campus. Ten percent of administrative staff members earn more than \$100,000 per year. Professional, paraprofessional,



and clerical staff employees outnumber faculty at UNC-Chapel Hill by nearly 5-1! That's one administrator for every four students.

Expect faculty to teach more, especially in the

humanities. In some departments at UNC's large research campuses, the average faculty member teaches fewer than two courses per semester. If tenure-track faculty teach more courses, the university could rely less

on adjunct professors. That's a win-win: more faculty attention for undergraduate students and considerable savings for the university.

Stop using state funding for nonacademic or politicized "centers." UNC's

16 campuses host hundreds of centers and institutes — many of which have no academic mission and offer no courses. The Institute for Civic Engagement and Social Change at N.C. Central University, the Institute for Community and Economic Engagement at UNC-Greensboro, the Institute for Social Capital at UNC-Charlotte, the Hunt Institute at UNC-Chapel Hill, and the N.C. Institute for Sustainable Tourism at East Carolina University are just a few examples.

Eliminate program duplication. The UNC system has three marine science programs — only one of which is at the coast. It has programs for art history, criticism, and conservation at five campuses. And even though only 83 students systemwide graduated with music degrees in 2012-13, students can major in music at 10 different schools. Consolidating small programs would save the state millions.

End remedial courses at all UNC schools. With the increase in minimum admission standards across the UNC system, remediation is unnecessary. All students entering UNC schools after 2013 must have a minimum grade point average of 2.5 and a minimum SAT score of 800. (The maximum score is 1600.) Their high school courses must include four English courses, two algebra courses, and at least three science courses. If UNC upholds these standards, remedial courses and summer bridge programs will not be necessary.

As a percentage of its budget, North Carolina spends more than the national average on higher education. And in real dollar terms, North Carolina spends more of its General Fund on higher education than any other state in the Southeast.

Cuts will compel chancellors to find waste and identify efficiencies on campus, focusing UNC's spending on its core mission: undergraduate education. CJ

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



JENNA ASHLEY ROBINSON

There are a number of ways to streamline the UNC system to make it more efficient

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From the Liberty Library

• Why is it that so many efforts by liberals to lift the black underclass not only fail but often harm the intended beneficiaries? In *Please Stop Helping Us*, Jason Riley examines how well-intentioned welfare programs are in fact holding black Americans back. Minimum-wage laws may lift earnings for people who are already employed, but they price a disproportionate number of blacks out of the labor force. Affirmative action in higher education is intended to address past discrimination, but the result is fewer black college graduates than would otherwise exist. *Please Stop Helping Us* lays bare these counterproductive results. People of good will want to see more black socio-economic advancement, but in too many instances the current methods and approaches aren't working. Visit www.encounterbooks.com.

• In this highly anticipated follow-up to his blockbuster *New York Times* bestseller *The Amateur*, former *New York Times Magazine* editor-in-chief Edward Klein delves into the rocky relationship between the Obamas and the Clintons. An old-school reporter with incredible insider contacts, Klein reveals just how deep the rivalry between the Obamas and the Clintons runs, detailing closed-door meetings buttressed by hundreds of interviews. *Blood Feud* is a stunning exposé of the animosity, jealousy, and competition between America's two most powerful political couples. For more information, visit www.regnery.com.

• The little-known (and fictitious) USDA Agency of Invasive Species — founded by President Jimmy Carter — confidently claims it is among the most effective and cost-efficient offices within the sprawling federal bureaucracy. For decades, under Administrative Director Adam Humphrey and his "strategic disengagement" approach, the agency has epitomized vigilance against the clear and present danger of noxious weeds. Humphrey's record of triumphant inertia faces only two obstacles. The first is reality; the second is the loud critic who dares to question the magic behind the agency's success: Nicholas Bader, who is on an obsessive quest to trim the fat from the federal budget. Jim Geraghty's *The Weed Agency* showcases a world in which federal budgets balloon every year, where a career can be built upon the skill of rationalizing astronomical expenses, and where the word "accountability" sends roars of laughter through D.C. office buildings. More at www.randomhouse.com. CJ

Book review

Fontova Documents Media's Crush on Fidel Castro

• Humberto Fontova, *The Longest Romance: The Mainstream Media and Fidel Castro*, Encounter Books, 2014, 259 pages, \$25.99

BY LLOYD BILLINGSLEY
Contributor

Fidel Castro freed Cuba from the greedy clutches of U.S. robber barons and mobsters and rewarded his downtrodden countrymen with free health care and education. A scornful Uncle Sam retaliated with a vindictive embargo, but half a century later, according to *Newsweek*, Castro's Cuba ranks among "the best countries in the world to live." This is the narrative Humberto Fontova perceives in the mainstream media in the United States, and in *The Longest Romance* the Cuban author provides considerable documentation.

"It would be a great mistake even to intimate that Castro's Cuba has any real prospect of becoming a Soviet satellite," wrote Pulitzer Prize winner Walter Lippman. According to Herbert Matthews of *The New York Times*, Fidel Castro was "one of the most extraordinary men of our age," and under his care Cuba was "now a happy island."

CNN founder Ted Turner is an admirer of Castro and has said on record that "he's trained a lot of doctors." For Dan Rather, "Castro could have easily been Cuba's Elvis" and "the adulation for him seems genuine." For Peter Jennings, "health and education are the revolution's great success stories," and Barbara Walters says Castro "brought great health care to his country." For Morgan Neill of CNN, "Cuba could serve as a model for health-care reform in the United States."

Ray Suarez of PBS explains that "One of Cuba's greatest prides is its health care system," and "the country has much to boast about." For Eleanor Clift, "to be a poor child in Cuba may in many instances be better than being a poor child in Miami." And so on, echoed by politicians like Jimmy Carter, who said, "Cuba has superb systems of health care and universal education."

That sort of ad copy avoids the harsh realities that Fontova charts.

Fidel Castro "jailed political prisoners at a higher rate than Stalin during the Great Terror. He murdered more Cubans in his first three years in power than Hitler murdered Germans during his first six. He came closer than anyone in history to starting a world-wide nuclear war." Castro also "converted a nation with a higher per-capita income than half of Europe and a huge influx of immigrants into one that repels the poorest people in the region and boasts the highest suicide rate in the Western Hemisphere."

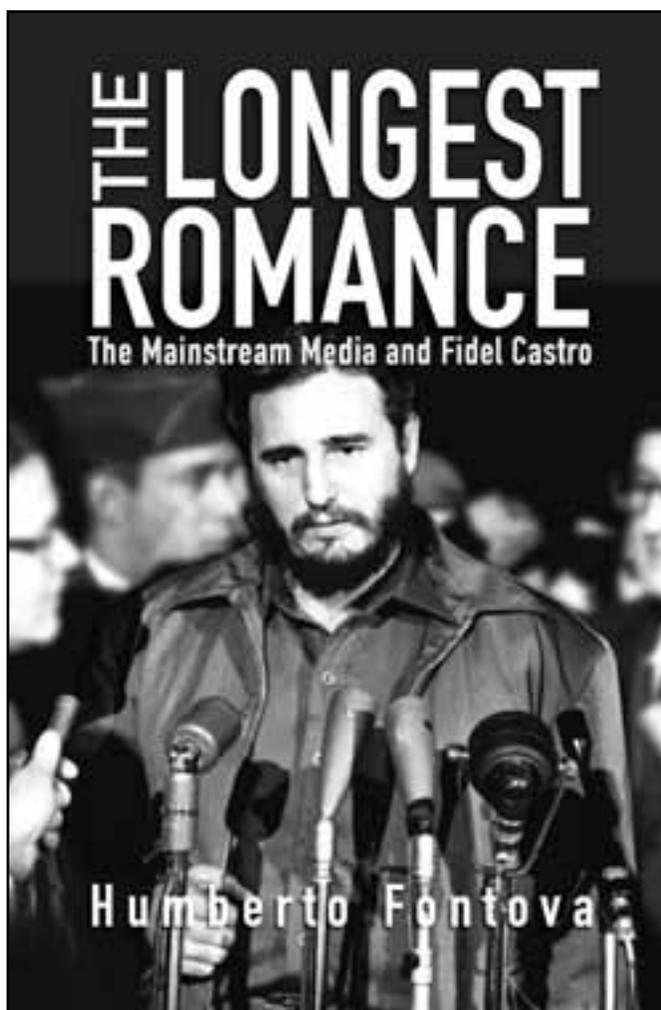
Chris Matthews of MSNBC says "everybody who saw Godfather II knows what it was like when Castro took over." Fontova likes the movie, but *The Longest Romance* is a better source for pre-Castro Cuba, which had a lot going for it. The

author notes that Cuba established the eight-hour workday in 1933, and before Castro, Cuba had double Spain's per-capita income, the eighth-highest wages in world. Now, in Fontova's account, Cuba has a lower credit rating than Somalia, fewer phones per capita than Papua New Guinea, and fewer Internet connections than Uganda. The author makes a case that slaves ate better under Spanish imperialism. And if everybody is so happy with the health care and education, why do so many Cubans flee?

By the author's count, in 27 years, between 200 and 300 people died trying to breach the Berlin Wall. In twice that period, about 30 times that number, between 65,000 and 80,000 people, died trying to escape from Castro's Cuba. It remains a Stalinist regime, but, for Fontova, calling Castro a Stalinist "slightly lowballs his repression" because Castro

jailed and tortured Cubans at a higher rate than Stalin. Cuba's current prison population is 90 percent black, including Eusebio Penlaver, the "world's longest suffering black political prisoner." Fontova introduces readers to many victims, and he could have included more material about the regime's repressions.

As Paul Hollander observed in *Political Pilgrims*, early supporters of the regime such as Jean-Paul Sartre denounced Castro's persecution of homosexuals, which Cuban cinematographer Nestor Almendros documented in *Improper Conduct*. In Orlando Jimenez-Leal's "8A" viewers can see Castro's show trial of General Arnaldo Ochoa, with his state-appointed attorneys demanding that he be executed. Add the many reports from human rights groups, and there is no excuse for giving this loathsome regime and its Sado-Stalinist dictator a free pass, much less holding it up as a model. That nonsense continues because, as Fontova shows, some hailed as objective experts hold close



ties to the Cuban regime.

Fontova cites Gail Reed, a veteran of the Venceremos Brigade, who served as a correspondent for *Business Week* and a Havana-based producer for NBC news. She now writes for Huffington Post, which is not exactly up-front about her marriage to Julian Torres Rizo, an officer of Cuba's DGI, its version of the KGB. In her book *Inside the Cuban Revolution*, Julia Sweig of the Council on Foreign Relations thanks five Cuban DGI agents, including one, Josefina Vidal, who was expelled from the United States in 2003 for espionage. Margarita Alarcon, who writes for the Huffington Post, is also an official of Cuba's Casa de las Americas, which Fontova says the DGI controls. Margarita Alarcon is also the daughter of Ricardo Alarcon, who served as Cuba's foreign minister and ambassador to the UN.

By unmasking such agents of influence, *The Longest Romance* provides a valuable service, though one doubts that anyone in the current administration is paying attention. As for the mainstream media, if they are so wrong about the totalitarian regime of Fidel Castro, why should anybody listen to them on anything else? CJ

N.C.'s Nathaniel Macon Was More Jeffersonian Than Jefferson

If it has “Macon” in its name, the Southeastern county, town, or college, more than likely, is named for Nathaniel Macon. The North Carolinian’s name was synonymous with the Old North State during America’s early years. When people thought of North Carolina, they also remembered the Warren Countian.

Macon, a member of the U.S. House of Representatives from 1791-1815, served as speaker of the House from 1801-07 during Thomas Jefferson’s presidency. Macon championed limited government and defended the Constitution so consistently that some historians have remarked that he was more Jeffersonian than Jefferson. In 1815, Macon was elected to the U.S. Senate, serving until 1828. At the time, state legislatures elected U.S. senators.

Macon never was known for publicizing his opinions, but he offered them when asked and without solicitation among his friends. I’ve

been compiling Macon’s correspondence and speeches. Below are a few quotes helping us better understand some of Macon’s concerns.

In 1802, he addressed the precarious situation involving Spain and France, the possession of New Orleans, control of Louisiana, the possible conflict with European powers, and the need for America to control the ports in the Gulf of Mexico:

As long as a foreign power possess[es] the mouth of rivers, so long will that power possess the means of disturbing our quiet at home with a single dash of a pen. But in our situation we ought to try every peaceable means of obtaining [the ports]. War ought to be avoided as the rock of destruction, for if ever the U.S. engage in wars with European powers, from that day we may calculate that our fate is involved with the miserable destiny of the wretched people of that quarter of the globe, perhaps my friend I con-

sider the evils of war great[er] than they are, but to my mind nothing except famine, carries so many evils with it.

Macon also believed that war led to perpetual public debt while increasing and entrenching taxation. In one letter, he writes:

Modern wars are never ended by a nation, though treaties are made by which nations agree not to kill each other, the war of killing, prepared the way for a war of taxes, which never end, and the collectors are almost if not quite as destructive to the human race as so many Alexanders.

When debating the constitutionality of the Alien and Sedition Acts — passed in 1798 as a war measure to silence criticism of the government — Macon answered critics by citing strict adherence to the Constitution as a reason to oppose the laws:

It has been said, that a part of this House [is] always crying out against the unconstitutionality of

every act they do not approve. The answer to this is very easy. There is another part of the House that never questions the constitutionality of anything; one side believes it has limits, the other believes it has no limits.

In 1828, losing optimism with each passing year, a jaded and aging Macon believed that republicanism — a government in which virtuous and autonomous citizens exercise self-control for the common good rather than personal gain — was also in its waning years:

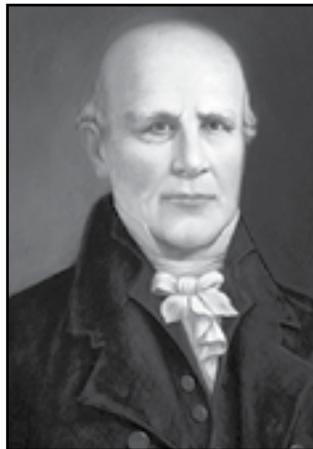
The old-fashioned republicans are very scarce in the Senate, the number would depend on who counted, varying from 4 to 8 — their principles are gone, never to return I fear; their number in the [House], I do not know, but scarce enough I am sure.

Whether right or wrong, the often colloquial and idiomatic Macon — I have learned — remained consistent and predictable throughout his political career. There is a lot to be said for at least knowing what you are getting.

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

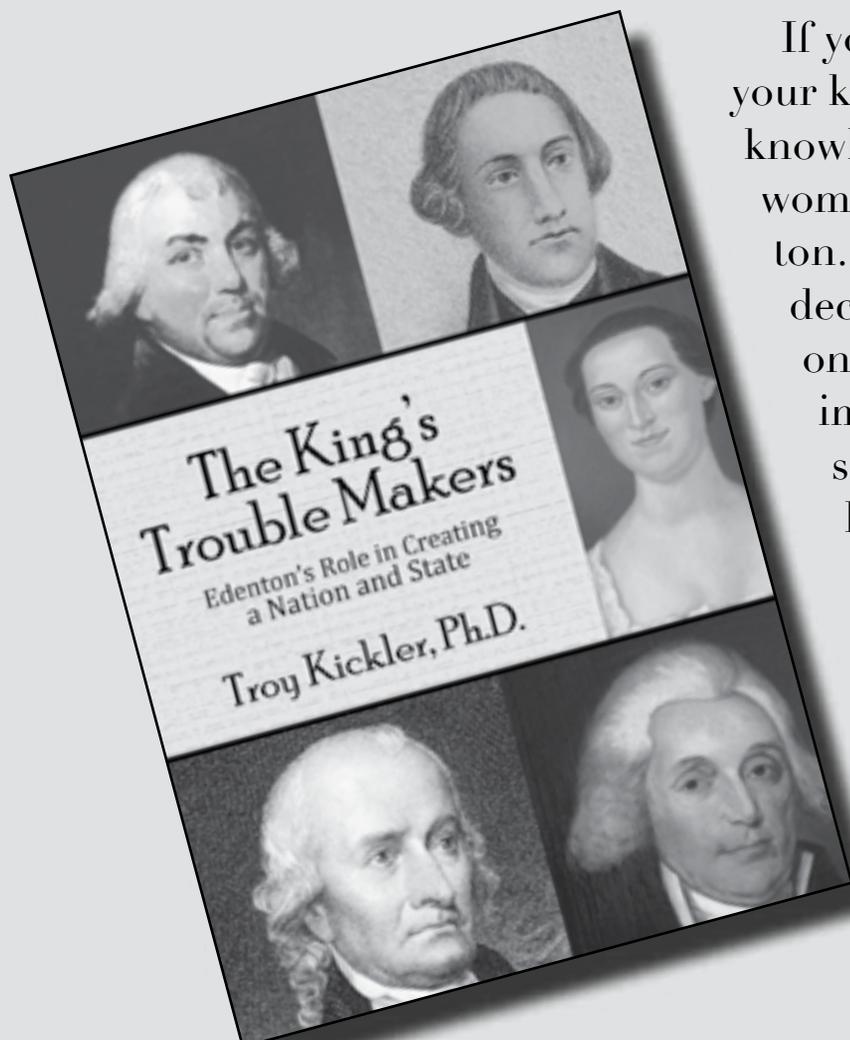


TROY KICKLER



Nathaniel Macon

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

Haunted Empire Attempts to Lift the Veil from Apple in Post-Jobs Era

• Yukari Iwatani Kane, *Haunted Empire: Apple After Steve Jobs*, Harper Collins, 2014, 371 pages, \$27.99.

BY MELISSA MITCHELL
Contributor

RALEIGH

When Steve Jobs died, the world was abuzz with questions about Apple Inc.'s survival. Could it continue as an innovative giant without its founder and visionary leader? Yukari Iwatani Kane's book, *Haunted Empire: Apple After Steve Jobs*, focuses on the corporation, not Jobs, but no book about Apple would be complete without him. As a book reviewer, I have never recommended that the reader be sure to read the "Author's Notes" before reading the book, but in this case the notes are essential. These notes outline the author's credentials, her scholarship, and the obstacles she faced in writing about this very secret corporation.

Kane provides detailed information about the Apple vice presidents who are now leading Apple since Jobs' death. She also reveals previously unreported information about Apple during Jobs' final illness.

Haunted Empire opens with the death of Steve Jobs. "Jobs had been battling cancer for years, so his passing in early October 2011 had not been surprising, but it was no less devastating," says Kane. People around the world,

not just Apple employees, mourned the passing of one of the greatest visionaries of the 20th century. The products invented under his leadership changed millions of people's lives.

Kane then returns to the time when Jobs' "disruptive behavior and pursuit of perfection at all costs had wreaked havoc on the company, and the executive team wanted him out." Jobs was sent into exile. The company flourished until Microsoft's Windows software allowed PCs to invade and crush Apple's hold on the market and Gil Amelio became chief executive officer. Kane offers plenty of evidence that Amelio was in over his head. Under Amelio, Apple lost billions and was "so undesirable that no one even wanted to buy it," says Kane. When Jobs returned, Apple once again flourished.

Ironically, Jobs' handpicked successor, Tim Cook, is a mysterious figure. A Southerner employed by IBM who earned an M.B.A. from Duke University while working at Research Triangle Park, Cook is no less overbearing than Jobs, say colleagues. A quiet,

frugal workaholic, Cook's questions and deadly stare are as intimidating as were Jobs' tyrannical screaming fits. Little is known about Cook personally. "Over the years, colleagues had tried to engage him in personal conversations with little success," says Kane. She further reveals, "He worked out at a different gym than the one on campus and didn't fraternize outside of work."

Kane chronicles in great detail a host of problems that have occurred during Cook's time as CEO. Some he inherited, while others were the result of failed product launches.

The introduction of Siri was disastrous. As was the Apple map application for the iPhone. The reader is left wondering if these problems would have happened while Steve Jobs was in charge. "Some are now questioning Cook's leadership because these product problems happened on his watch," says Kane.

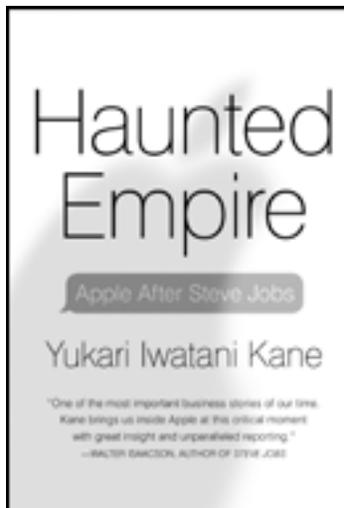
Kane also points out that Apple's product announcements, featuring great drama while Jobs was alive, now seem flat. Unlike Jobs, Cook seems un-

comfortable doing these presentations.

Kane's detailed information about the pending lawsuits between Apple and Samsung and Apple and Motorola is fascinating. The Samsung trial reveals how Apple controls the design process of new products.

Apple also has had to deal with the revelations about working conditions in the Chinese factories that produce Apple products. Although I had heard about the worker suicides and horrific working conditions, nothing prepared me for the detailed information that Kane presents about the Chinese factory workers' lives, including their living conditions, low wages, long hours, abusive managers and guards, and the constant push to produce more product. Apple was not the only company using Foxconn factories to produce products, but it was the largest and an easy target.

Can Apple survive without its founder and visionary leader? Kane devotes an entire chapter to interviews with Clayton Christenson, who has researched and written about corporate giants who have reached their epitome of success before fading and failing. Will Apple become one of these companies? Unfortunately, Kane leaves this question unanswered. For Apple watchers and product lovers, this is a must-read book. For others, it is a book that is well worth the reading time. CJ

Book review

Brown Explains Migration of Wealth From High- to Low-Tax States

• Travis H. Brown, *How Money Walks: How \$2 Trillion Moved Between the States and Why It Matters*, Travis H. Brown, 2013, pages 260, \$14.99.

BY MELISSA MITCHELL
Contributor

RALEIGH

Using IRS data of adjusted gross income for the years 1995-2010, Travis Brown has created the unique book, *How Money Walks*, an attempt to explain why more and more Americans have migrated from high-tax states to low-tax states. I call the book unique because throughout it, Brown provides links to his website, which includes interactive maps illustrating his information. At the end of each chapter is a QR (Quick Response code) that you can scan for more information using a smart phone or tablet computer.

Adjusted gross income is the money taxpayers actually keep after paying their federal income taxes; it is their worth — their wealth. Over the 1995-2010 period, Brown presents

data showing how some states lost billions of dollars in AGI, while others gained billions. Looking at the data, it becomes clear that the states with high personal income taxes were in the losing group, while the states with no personal income tax were winners.

Brown also compares the overall state and local tax burdens. Again, the states with the highest tax burdens lost billions in AGI, while the states with the lowest tax burden gained billions. Brown shows how this loss of AGI harms states, communities, and cities.

Although North Carolina has a personal income tax, the state gained \$21.6 billion from 1995-2010 because of its low overall tax burden.

Brown uses IRS taxpayer and Census Bureau data to build a geodatabase that can be analyzed easily. To keep the book from becoming too unwieldy, he focuses on the 10 biggest

gainers and losers. The top gainers are: Florida, Arizona, Texas, North Carolina, Nevada, South Carolina, Georgia, Colorado, Washington, and Tennessee. The biggest losers are: New York, California, Illinois, New Jersey,

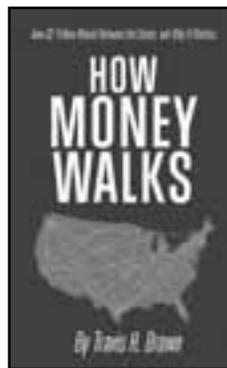
Ohio, Michigan, Massachusetts, Pennsylvania, Maryland, and Connecticut. He then presents this data in a chart form that is easy to understand and compare. Readers from the states not selected can use the interactive data base to glean the same information about their, state, county, and city.

Brown is clear that people move for a variety of reasons, not just because of taxes. He uses a bulleted list of nine items showing limitations in the IRS data. However, by the end, it is clear that money does walk. One of the best illustrations compares the imaginary Smiths of California and the Millers of Miami. Both couples make \$250,000 a

year. Living in Florida allows the Millers get to keep \$17,772.68 more of their personal income than the Smiths, who would pay that amount in taxes to the state of California.

For years, wealthy taxpayers have been able to take advantage of moving to states with low taxes, but average or low-income workers were unable to move. With advances in communications led by the Internet, jobs are less tied to physical locations, and more people can work anywhere. Brown notes that Wall Street, the bastion of finance, now has financial-services workers living in low-tax states, rather than the New York metro area.

How Money Walks is a short book and is well worth reading. The data is well-presented and easy to understand, but I do have two major criticisms. First, the book contains too much repetition. Second, there is no index. As easy as it is to access information on Brown's website, it was irritating to have trouble finding similar information in the book itself. CJ



Book Review

Rubin: 'Third Left,' Rising from 'New Left,' Has Taken Over America

• Barry Rubin, *Silent Revolution: How the Left Rose to Political Power and Cultural Dominance*, Broadside Books, 331 pages, \$25.99.

BY LLOYD BILLINGSLEY
Contributor

Historian and political scientist Barry Rubin, who passed away in February, titled his last book *Silent Revolution*, a perceptive and powerful work that would have been more accurately billed as *Silent Counterrevolution*.

The United States began with a successful revolution, but now, Rubin explains, we are experiencing a "break from all American history" and "a different system from the one through which America achieved success and prosperity." The altered approach "was one of an unprecedented degree of statism, an imperial presidency that went far beyond Richard Nixon's dreams: record high levels of government regulation, taxation, and debt." All that, plus indoctrination, political correctness, and the alteration of reality. How had all that come about?

Rubin ties it to the "Third Left," the heir to both the Old Left of the 1920s-'50s and the New Left of the 1960s and 1970s. The Third Left took over liberalism, portrayed its only opponent as reactionary right-wing conservatism, and claimed that their radicalism represents all that is good in America and a correction to all that is evil. The new radicalism also claims a monopoly on truth and a right to transform America fundamentally, which President Obama claims as his mandate.

The Third Left goal was "to con-

vince Americans the exact opposite of what their experience proved: that the country had fundamentally failed and the old leftist solutions were the answer." For Rubin, the timing is significant.

At the very moment in human history when it became obvious that the far left's ideas had failed and that statist, big-government, ever-higher-regulation policies did not work, it became possible for the first time ever to convince Americans that these things were precisely what the country needed. And at the very time in human history when Western civilization and liberal capitalism were so obviously the most successful in history — recognized as such in the Third World and most of all in formerly Communist China — a camouflaged radical movement convinced many of those benefiting from the system that their own societies were in fact evil and failed.

It became possible to convince Americans their society had failed because the Third Left "put its emphasis on infiltrating the means of idea and opinion production." In journalism, reporters "routinely used politically charged language that would have gotten them fired in earlier times," comparing the Tea Party to Nazi Brownshirts for example, and the mass media were out to "protect the image of anyone on the left side."

The Third Left took to education for the possibilities of indoctrination and enjoyed great success by excluding materials celebrating America and

hiding the failures of Communism, which "produced far more waste and unhappiness and far less wealth than the American system, not to mention totalitarian oppression."

For the Third Left, wealth was not created by individual enterprise and workers, but instead stolen from poor foreigners and oppressed nonwhites. The Third Left declares America evil, "and the people are broken up into warring groups," a "country of castes" in which the reward of individual merit is "overthrown in favor of special privileges."

The Third Left shunned the workers and the factories, but — as Rubin shows — they found reliable allies in government employee unions. Most taxes and regulations directly benefit government workers, therefore shrinking government, boosting efficiency, cutting taxes, and maintaining a powerful private sector is all "against their interests." As Rubin notes:

The economy would decline, constantly adding to unemployment payments, food stamps, and other government programs, which in turn gave the Third Left more reasons to blame capitalism and the greedy rich for not having met society's needs: to demand even higher taxes; to raise taxes, and to increase government spending.

Barack Obama, Rubin writes, "came to symbolize the silent revolution," but readers will find no conspiracy theories. Obama is "just another product of the ideology and indoctrination that grown-up 1960s radicals

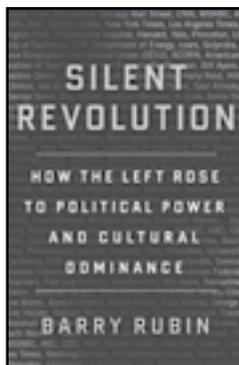
had systematically spread to his generation and its successors." By radicals he means people like Bill Ayers, Van Jones, and Bernardine Dohrn, who said that young Americans should "use their strategic position behind enemy lines to join forces in the destruction of empire."

In *Silent Revolution*, the president emerges as the Third Left's self-hypnotized Manchurian candidate, shrink-wrapped in statist superstition like his "progressive" political mentors, hostile to America like his spiritual mentor Jeremiah Wright, and certainly not a liberal. If Obama was a liberal, asks Rubin, "why did he repeatedly denounce the greatest accomplishments of liberals and call for a completely different approach?"

For Obama, "A free market only thrives when there are rules to ensure competition and fair play." As Rubin notes, "But it had always thrived under fewer rules than Obama wanted, while it had plummeted with the level of rules and definition of fair play Obama had imposed during his first term."

And, of course, he won a second term, a huge victory for the Third Left, which does not "expose and correct its own failures." The result "may be a very long-term and even permanent change of the United States into something else, a nation far less affluent and far less free."

Says Rubin, "The idea that tens of millions of Americans could be, in effect, turned into anti-Americans seemed insane. But it happened, didn't it?" Yes, it did happen, and by any standard that is a counterrevolution. Readers will be left wondering with the author: "Will there be a U-turn?" CJ



BOOKS AUTHORED BY JLF STAFFERS



By John Hood
President of the
John Locke Foundation

Selling the Dream Why Advertising is Good Business

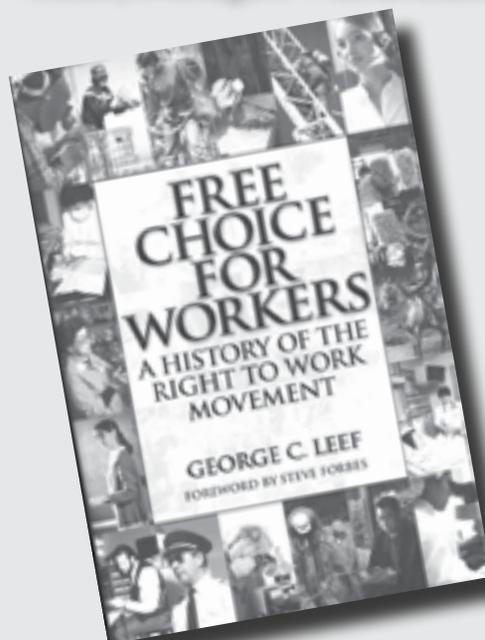


"[Selling the Dream] provides a fascinating look into the world of advertising and beyond ... Highly recommended."

Choice
April 2006

www.praeger.com

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



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

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COMMENTARY

Bad Tax Policy Chasing Good

The price of sound tax policy is eternal vigilance, and a year after the N.C. General Assembly implemented a tax reform plan based on sound principles of taxation and economics, it is threatening to begin unraveling these reforms with a new excise tax on e-cigarettes.

The proposal, if passed, would place a 5-cent tax on each milliliter of liquid nicotine solution, which is used in e-cigarette cartridges. The proposal is being considered under the shroud of an omnibus tax bill under consideration during the short session.

No matter how you slice it, this is bad tax policy. It runs counter to basic principles of economic efficiency, individual liberty, and social equity. Furthermore, the legislative process being used to push it through is anything but transparent.

All excise taxes, by definition, distort economic and personal decision-making by penalizing some consumer choices relative to others. For economists, the first principle of taxation is called neutrality: The government should extract the money it needs from taxpayers without distorting their freely made decisions. As a matter of pure economics, it is not appropriate for the government to tax some goods and services more heavily than others. This distorts relative prices and therefore efficient resource allocation.

Current tax policy respecting the sale of e-cigarettes gets it right. They are taxed at the same state and local sales tax rates that apply to other consumer goods throughout the economy. What is particularly hypocritical is that many members of the General Assembly, Democrats and Republicans, clearly understand this principle and, in invoking it, have argued correctly in favor of extending the state sales tax to services like haircuts and lawyers. However, there seems to be no movement to block the new e-cigarette excise tax on these same grounds.

The neutrality principle also flows directly from a concern for individual liberty. In a free society,

it is not the role of government to influence personal decision-making.

Since the e-cigarette tax is projected to generate a trivial \$5 million in new revenues, it is unlikely that this proposal is primarily about the money. This suggests that its primary purpose is to discourage the use of e-cigarettes. It is a deliberate attempt to use the state's taxing authority to thwart free decision-making.

This should make most

Republicans uncomfortable. The party's platform states, "Government should tax only to raise money for its essential functions. Government should not use the tax system to control our behavior, steer our choices, or change the way we live our lives." It is unfortunate that many in the Republican majority who ran on this platform are

now ignoring it.

Then there's the issue of equity. Even though the amount is small, most of the \$5 million in revenue is likely to come from those who can afford it least. While demographic information on e-cigarette smokers is not available, the vast majority of them also smoke traditional tobacco cigarettes. And, according to the Centers for Disease Control and Prevention, while about 18 percent of the total adult population smokes, 28 percent of those living below the poverty line smoke.

If this income distribution for smokers carries over for e-cigarette users, it would mean that North Carolina's proposed e-cigarette tax is not only economically inefficient and damaging to individual liberty, but also regressive. Oddly, left-wing advocates for the poor are deafeningly silent on the possible distributional effects of this tax increase.

Finally, this tax has been rolled into an omnibus bill, where it will face no separate, public debate on its merits. The citizens of North Carolina deserve transparency in the law-making process, and, so far, they are not getting it. CJ

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



**ROY
CORDATO**



EDITORIAL

Betting On Teachers

Choice and competition work. It's not the first time you've heard us say it, and it won't be the last.

A plan offered by state Senate leader Phil Berger of Rockingham County has taken the principles of choice and applied them in an inventive way to the prickly (and now litigious) disputes over teacher compensation and tenure. Berger's proposal, which was part of budget negotiations as this issue went to press, would let public-school teachers choose between the current system that provides job security in the form of tenure — but maintains a compensation system valuing seniority over classroom performance — and a more dynamic structure offering higher pay to teachers in the early stage of their careers and affording the top performers meaningful opportunities to earn more than their run-of-the-mill colleagues.

Teachers choosing to abandon tenure would collect, on average, 11.2 percent raises immediately and have to prove their continuing value to students by working on renewable contracts. Those opting to stick with "career status," aka tenure, would keep their jobs but never see another pay increase outside the existing "step" system. The plan mirrors aspects of Gov. Pat McCrory's Career Pathways proposal, which would give financial incentives to teachers who excel in the classroom.

Again, it's unclear as we go to press whether the Senate leader's plan will survive negotiations with the leaders in the House and the governor's office, and how officials will find the money to fund it. But because it would allow future sessions of the

General Assembly to add new incentives for teachers who pursue certification in difficult-to-teach fields such as physics, math, or special education, as McCrory proposed in Career Pathways, the governor could accept this as a first step toward his vision of education reform.

Moreover, it would introduce a tangible component of the market process into teacher compensation, offering meaningful financial benefits for performance rather than time on the job.

Berger's proposal is a response to — you guessed it — a lawsuit filed by the N.C. Association of Educators challenging a 2013 law ending tenure. The teachers union claimed that the General Assembly entered into a binding contract with teachers when it created tenure and it could not break that contract unilaterally. Some legal experts find that argument persuasive, as did Superior Court Judge Robert Hobgood in an order declaring the law unconstitutional.

Other experts note that tenure was granted by legislative action and could be taken away with subsequent legislation. Moreover, under the law, tenure would end in 2018, and in the meantime, school districts would begin offering \$500 annual increases in base pay and four-year renewable contracts to the 25 percent of teachers deemed top performers by superintendents.

Berger could have fought this battle in the courts and hoped for an eventual victory. Instead, the veteran Republican lawmaker has offered teachers an immediate opportunity to bet on their own drive, competence, and eagerness to improve — and win a reward for taking that initiative. CJ

EDITORIALS

Higher Standards

Common Core is not the way to go

Think the quality of political debate is low and declining? We agree. For a recent, telling example of the problem, consider the debate about North Carolina's participation in Common Core.

Some years ago, the National Governors Association and the Council of Chief State School Officers combined forces to release national standards for elementary and secondary education. Washington gave states strong financial incentives to sign onto the emerging standards and to join one of two testing consortia.

The result was Common Core State Standards in language arts and mathematics. For many states, including North Carolina, the language-arts standards were clearer and more rigorous than the state-developed standards they would replace. Regarding math, however, the verdict isn't so clear. Some of the math standards are questionable, even bizarre. And there's another problem: Common Core tests are going to be far more expensive than previous tests have been. As assessment tools, they are largely unknown and unproven.

There are three options for proceeding from this point:

- Stick with Common Core, chaining the state to some flawed standards, particularly in math, and obligating taxpayers to shoulder high

costs for exams of uncertain value.

- Abolish Common Core and revert to having the Department of Public Instruction devise the standards, fashion the curriculum to implement them, and write the tests to evaluate student learning of that curriculum. This option is worse than the first one. The standards were a mess. The tests were too easy to pass.

- Preserve the intent of Common Core while ensuring that North Carolina gets the details right and spends tax dollars economically. That's what our colleague Terry Stoops proposed to state legislators earlier this year, and what the General Assembly is considering.

Practitioners and experts would review the Common Core standards alongside rigorous alternatives, including those already used by high-performing states. The panel would recommend a revised set of standards for the State Board of Education to adopt in 2016. The panel also would recommend national tests aligned to the new curriculum, less expensive than the Common Core exams, and yet outside the control of DPI.

There may be good reasons not to choose the third option. But it does not abandon academic rigor or the need for good performance data. We hope you'll find this option to your liking. *CJ*

Voter Suppression?

It's all an act, and not a good one

By any objective standard, the election law reform enacted last year known as the Voter Identification and Verification Act was commonsensical in structure and modest in potential effects.

Most North Carolinians believe that requiring voter identification at the polls is a reasonable, low-cost precaution against a low-probability, high-cost event: voter fraud determining the outcome of an election. Most North Carolinians also favor early voting as a convenience but aren't wedded to any particular calendar of voting hours and days. Most North Carolinians don't want government funding political campaigns, either.

The goal of equating these changes with "voter suppression" is theatrical. Its goal is to convince the Democratic base that Republicans are out to get them, so that the Democratic base will turn out to vote in the 2014 midterms.

So far, the play isn't going well.

First, the story broke that hundreds of votes may have been cast in North Carolina by people who shared the same name, birth date, and last four digits of their Social Security number with people who voted in other states during the same election cycle. The possibility that many cases were, in fact, fraudulent votes got a great deal of attention.

Then, The Associated Press reported that in the 2014 primary, more early votes were cast than the number cast during the last midterm primary in 2010 — even though the early-voting period had been shortened from 17 days to 10 days — and that overall primary turnout in 2014 was higher than in 2010.

This was neither voter suppression nor an injustice deserving of statewide fulmination and national news coverage. The play actors pushing this stinker on North Carolinians need a new and better script. *CJ*

COMMENTARY

Reality Is Not So Discouraging

If all you know about North Carolina's recent economic performance is what you get from Twitter feeds, partisan press releases, or brief mentions on television newscasts, then much of what you "know" is flat wrong.

We all know that there are robust differences of opinion about the best way governors, legislators, and other officials can encourage job creation. But these are debates about the future, what may happen. When it comes to what has happened, we need not speculate. We can look at the data.

Is North Carolina's dramatic decline in unemployment a mirage? Is it a statistical quirk that reflects a growing number of discouraged workers dropping out of the labor force?

No, it is not. Let's look at the latest data from the U.S. Bureau of Labor Statistics.

The household survey that BLS uses in its monthly releases of state and local unemployment rates has a fairly small sample size. While BLS reports the "standard" unemployment rate, called U-3, monthly, it does not delve more deeply for monthly data explaining what is happening to those no longer considered in the labor force.

Instead, BLS uses 12 months of survey data to construct six unemployment measures. These six rates are then updated every quarter. The most recent data, in other words, cover the period from April 2013 to March 2014. These annual averages are the most reliable evidence available of the disposition of the labor force in North Carolina and all other states.

The familiar U-3 rate comprises workers who lack jobs and are actively looking for work. For the April 2013-March 2014 period, North Carolina's U-3 average was 7.2 percent, slightly above the national average of 7.1 percent. That gap used to be much wider. In fact, North Carolina had the second-largest drop in U-3 unemployment in the nation from 2012-13 to 2013-14 — two full percentage points, compared to a national average

drop of 0.8.

Now, U-3 doesn't tell the whole story. If a worker gets discouraged and stops looking for a job, he's no longer in U-3. If he stops looking for a job to move to another place, move home to take care of elderly parents, or go back to school, he's no longer in U-3. And if he takes a part-time job making 50 percent of what he used to make, but would still like a full-time job, he's no longer in U-3.

I just described the three broader measures of labor utilization. U-4 takes in discouraged workers. U-5 takes in all other marginally attached workers (those not currently in job search). U-6 takes in the involuntary part-timers.

In each case, North Carolina's labor-market improvement was still either the best or second-best in the nation over the

past year. For the April 2013-March 2014 period, North Carolina's U-5 rate — including all workers who have dropped out of the labor force for some reason — averaged 8.6 percent. During the previous

12 months, it averaged 10.8 percent. That's a drop of 2.2 points, the largest in the country. The national average drop in U-5 unemployment was 0.9 points.

Subtracting U-3 from U-5 provides

the share of each state's labor force comprising discouraged and other marginally attached workers. For North Carolina, that share was 1.4 percent for the period ending in March. The national average was also 1.4 percent. During the previous period (2012-13), 1.6 percent of North Carolina workers were discouraged or otherwise marginally attached. The rate of worker disengagement in our state is down, not up.

If you persist in believing North Carolina's tumbling unemployment rate is simply a quirk caused by discouraged workers dropping out of the labor force, you no longer are describing reality. *CJ*



JOHN HOOD

N.C.'s falling unemployment rate not result of people dropping from labor force

John Hood is president of the John Locke Foundation.

MEDIA MANGLE

Expunging Ethics From Journalism

Many have pointed to the lack of ethics in journalism these days. Many times I have bemoaned the fact that ethics has been replaced by bias, leftist agenda pushing, and the active hiding of any story that might be harmful to Democrats, the left, and the government.

Most members of the mainstream media will argue to the death that their profession has not become a tool of the left, but the evidence to the contrary is overwhelming. I urge anyone with any doubt to read the website NewsBusters.org for a week. Yes, it's a conservative site, but what it reports are real-world actual journalistic sins.



**JON
HAM**

When I was in J-school, we talked about "journalistic ethics" a lot. I know, I know, many say that's a contradiction in terms, but we took the issue seriously.

Imagine my surprise a few weeks ago when I learned that ethics literally had been expunged from journalism. Below are two graphics depicting the "Pyramid of Journalism." The top one was reconstructed by me from a description in a recent story on the website of the Poynter Institute for Media Studies, sort of a liberal think tank on the media based in St. Petersburg, Fla. It depicts the pyramid as envisioned in 1997 by the Poynter faculty.



Below it is Poynter's updated version designed for the much-changed landscape of journalism. Notice what's missing? Ethics, which used to be at the apex, is no longer one of the building blocks in the "Pyramid of Journalism."

I'm not surprised. At least give them credit for honesty.

I don't know what prompted the excision from the pyramid, but I know it can't be a good thing for journalism. Ethics are the moral code by which a person or a profession operates. It involves standards, ideals, values, and behavior.

That's a lot of baggage to toss overboard. Without those things to live up to, what, exactly, is it that will keep journalism and journalists honest? Absent those things, to what will they aspire?

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



Dynamic Times, Now and Then

I like looking back. I love to read and talk about history. I initially wanted to become a history teacher before being smitten by economics. While my wife might take a crime novel to the beach, I'll carry a history book.

One cherished memory from my youth is talking to my paternal grandmother about her life. Raised in the city, she moved to a farm when she married my grandfather. There she did it all, raising four children (one of them my father), baking bread, canning vegetables, washing clothes by hand, and using every conceivable part of the hogs my grandfather kept. She worked from dawn to dark. Life was tough.

This was in the 1920s and 1930s. Recently I discovered a wonderful book discussing the period called *Daily Life in the United States, 1920-1940* by David Kyvig. Kyvig recounts the everyday life of people — what they ate, how they washed their clothes, how they kept warm, where they worked — in short, the unglamorous, common routines that consume most of people's days. But it was also a time that may have been more interesting and transformative than the one we're living in today.

Consider how my grandmother washed her family's clothes in the 1920s. She had no washer or dryer; in fact, on the farm there was no electricity! She'd first have to haul pails of water to a stove for heating. Then she'd carry the hot water to a large trough or bucket, fill it, and scrub the clothes by hand. Drying the clothes was the natural way — outside when the weather was good or inside by the fire when it wasn't.

Life wasn't a picnic for my grandfather, either. He was responsible for making sure his family didn't starve! They ate what he planted and raised. Plowing was done the old-fashioned way — behind a mule — and this was some of the most exhausting, backbreaking work anyone could imagine. The major protein sources were the hogs raised on the

farm. The family ate sausage for breakfast, ham for lunch, and pork for dinner. My father — who as the oldest son was given the task of "processing" the hogs using a World War I revolver — once told me how excited he was to see beef as part of the menu when he joined the Navy during World War II.

But big changes came to the American family in the 1920s and '30s. Perhaps the most significant was electricity, which began in the cities and then spread to the rural areas. Household appliances, like mixers, refrigerators (replacing "ice boxes"), and washers quickly developed and were sold to eager families. Although my grandmother gradually lost her memory late in life, she always remembered her first washing machine. Electricity also was used to illuminate homes, allowing families to replace dirty, dimly lit kerosene lamps.

Four other innovations transformed everyday life. In 1920, only a third of households owned an automobile; by 1930, 80 percent did. The scope and range of personal contacts and possibilities exploded. The tractor made farming less physically demanding and much more productive. The work of children on the farm declined, and so did the birth rate. With farm output up, fewer farmers were needed, so many farm families moved to the city. The nation changed from being rural to being urban. Finally, the development and spread of the telephone and radio lowered the cost and increased the speed of communication and gave families an in-home source of news and entertainment.

I was born in 1951, and most of my current students were born after 1990. We certainly have seen our lives altered by new inventions and innovations, especially in information technology and communications. But some say that — while these changes have been significant — their impacts have not transformed daily lives as much as those brought about by electricity, the automobile and tractor, the telephone, and the radio in the '20s and '30s.

Sure, we live in dynamic times. But the most dynamic may have occurred 80 years ago.

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



**MICHAEL
WALDEN**

Film Credits and Tax Reform

How serious are our state leaders about economic growth and long-term recovery? Are they committed to broadening the base of taxpayers so that everyone pays something and almost everyone pays less? Will they stand strong to continue the reforms that are turning the state around?

Tax reform began in 2011 when Gov. Bev Perdue's sales tax hike expired, reducing the rate by a full penny. This was followed in 2013 with a law flattening and reducing the personal income tax rate for every taxpayer in North Carolina and reducing the corporate income tax to attract and maintain business investments. In addition, dozens of carve-outs and special exemptions have been eliminated. Tax reform has been serious business for three years now. Hundreds of academic studies over decades show that a lower tax burden leads to economic growth.

And it seems to be working. North Carolina's unemployment rate is no longer one of the highest in the country, but is now lower than the national rate. Economic forecasts indicate all sectors of our economy are



BECKI GRAY

improving; everything from consumer confidence to housing construction is on the rise. Over 200,000 net new jobs have been created since 2011 in North Carolina.

Things clearly are moving in the right direction, tough decisions are paying off, and there's a growing momentum in our economic recovery. State leaders need to continue to eliminate the hodgepodge of special tax breaks going to politically favored select groups at the expense of all other taxpayers. Now is not the time to backslide.

Take the film incentive. Please. North Carolina offers cash payouts to the film industry equaling 25 percent of the amount production companies spend on projects filmed in the state. They're called tax credits, but in most cases the state Department of Revenue merely cuts a check for doing business in North Carolina.

The film credit will expire Jan. 1, 2015, unless the General Assembly caves to this special interest.

More than one-fourth of U.S. states give no tax breaks to the film industry. Many with incentive programs are doing the math and are reducing, repealing, or rejecting giveaways to the film industry.

Hollywood movie moguls cashed in \$86 million in credits here in 2013. (To put things in perspective, \$108 million would cover the much-deserved raise Gov. Pat McCrory wants to give teachers. Movie stars or

teachers? Hmmm.)

The film industry got \$62.3 million in credits in 2012 and more than \$30 million in 2011. That "investment" was a loser for the state, returning only 19 cents for every dollar given away in tax credits to the film industry. Jobs? A 2011 report by the General Assembly's staff says only 55 to 70 jobs were created that year; had the money been used instead for an across-the-board tax cut, five times that many jobs would have been created. The federal Bureau of Labor Statistics reports that in 2012, film production created 792 jobs in North Carolina.

North Carolina started its film giveaway program in 2005, expanding it in 2009. The following year, Perdue signed into law an additional giveaway, exempting film companies from the 6.9 percent corporate income tax, guaranteeing Hollywood moguls got the full 25 percent refund. In 2012, new leadership in the General Assembly scheduled the film credit to sunset on Jan. 1, 2015.

The film industry has launched a full-scale campaign to hang on to the credits. It paid for a report touting the economic benefits of the giveaway. The General Assembly's Fiscal Research economists thoroughly debunked it.

Several "compromises" film-industry backers have suggested include a nonrefundable credit, a credit tied to capital investments, and credits

covering only dramatic productions and not reality shows. Meantime, one proposal would authorize local governments to exempt film companies (that house their crews in hotels and dine out all the time) from paying local occupancy taxes. This is the worst of special treatment for special interests.

During the short session, if the General Assembly does nothing, the North Carolina film credit will go away — simply fading to black. All taxpayers would benefit, and our state leaders have the opportunity to show that they are serious about tax reform, about economic growth, and about keeping promises.

Other tax credits due to expire on Jan. 1, 2015, are for rehabilitating historic buildings and old mills. In 2011 alone, almost \$10 million in credits were given out for rehabilitating historic structures. This special treatment needs to be eliminated.

As this short legislative session moves forward, are North Carolina leaders committed to tax reform that is working: eliminating carve-outs, maintaining fairness and consistency, preserving lower rates and a broader base, boosting long-term growth?

North Carolina is on the right track. Let's stay there. CJ

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

Unleash Competitive Health Insurance

Those keeping up with Obamacare are well aware that one of its most popular provisions prohibits insurers from denying health coverage to those with pre-existing conditions. People no longer can be priced out of the insurance market based on health status. In fact, insurers no longer can inquire about a policyholder's medical history on health insurance applications.

Prior to Obamacare's passage, the pre-existing condition problem generally occurred when an individual with a medical condition that was costly to treat lost coverage under an employer-sponsored plan and was unable to purchase insurance in the individual market.

Before Obamacare, North Carolina did enforce a few mandates and laws that protected high-risk individuals from being excluded by small-group plans. In 1992, the legislature



KATHERINE RESTREPO

passed the Small Employer Group Health Coverage Reform Act.

This law required all insurance companies offering small-group health insurance to extend policies to all businesses hiring up to 50 employees in their network area (so long as the employees resided within the insurer's defined territory).

The act evolved to prohibit those insurers from denying coverage to self-employed people who had pre-existing conditions. The act also limited how much premiums could vary between each small employer.

And then came the Health Insurance Portability and Accountability Act. Under this law, any employee could switch from his previous employer plan to a new employer health plan or an individual plan without facing penalties, regardless of health status.

While these and similar laws have helped some individuals, they also have raised prices for all consumers.

Conservative "repeal and replace" proposals address the issue as well. Sen. Richard Burr's Patient CARE (Choice, Affordability, Responsibility, and Empowerment) Act

essentially keeps intact Obamacare's protection clause for those wanting to purchase coverage on the individual market.

The CARE Act proposes that within a one-year enrollment period, after a policyholder maintains continuous coverage for 18 months, he or she can move to any type of plan (individual or group) and not be denied for a pre-existing condition.

But there's an even better remedy for this chronic problem. And it does not incorporate regulations. It is known as health-status insurance, and University of Chicago economist John Cochrane has written extensively about it.

Basically, combining health-status insurance with medical insurance creates a secure and portable health insurance policy. Medical insurance covers your medical expenses, while health-status insurance insures you from being denied coverage in the event your health status deteriorates drastically.

As Cochrane explains in an example, a healthy 25-year-old who incurs about \$2,000 in medical expenses a year could purchase an insurance policy for \$2,000 (plus administrative

costs and profit). If that same young person has a 1 percent likelihood at some point of developing a condition that will cost \$10,000 a year to cover, he could purchase a separate "health status" policy that would amortize those potential costs over decades. That 25-year-old would pay less than \$300 a month for both policies, and be protected from backbreaking medical costs.

For those who already suffer chronic health conditions, the government initially could contribute a defined amount of money into all high-risk individuals' health-status insurance accounts and then step aside to allow for private insurers to compete for those consumers.

Health-status insurance represents a legitimate market-oriented solution that caters to those with pre-existing conditions and helps them afford coverage for any unfortunate health conditions that may occur in the future. CJ

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

John Edwards to Be Moral Monday's Legal Advocate (a *CJ* parody)

BY E.M.S. CHASER
Protest Correspondent

RALEIGH

The Rev. William Barber has hired former U.S. Sen. John Edwards to work with the state's NAACP chapter on its Moral Monday activities, especially on what Barber sees as the "draconian" new rules for demonstrations in the legislative building.

"It's welcome home, Johnny time — forward together, not one step back," Barber told *Carolina Journal*. "John Edwards is a national leader in issues of morality, and we are happy to have him be part of our team."

Barber said Edwards is a good fit for the Moral Monday protest movement because of his experience with the Center on Poverty, Work & Opportunity, which he founded in 2005 and which is located at UNC-Chapel Hill's School of Law.

The center's current director, former law school dean and former William & Mary president Gene Nichol, has been active in the Moral Monday protests, and will serve as special liaison to the General Assembly for the NAACP and other left-wing groups that participate in the demonstrations. Nichol will not, however, represent UNC and does not speak for the university.

Barber said one of Edwards' first jobs would be to meet with Republican leaders of the two legislative chambers — Sen. Phil Berger and House Speaker Thom Tillis — to negotiate a new set of rules for Moral Monday protesters.

At the start of the legislative session in early May, a joint legislative committee on building rules tightened restrictions on protests inside the Legisla-



The Rev. William Barber introduces former Sen. John Edwards as the Moral Monday liaison with the General Assembly in an effort to change the rules of access to the legislative building. (CJ spoof photo)

tive Building and on surrounding property. The new rules banned visitors from disturbing General Assembly floor sessions, committee meetings, or activities by elected members or their staffs.

Visitors engaged in loud singing, shouting, clapping, or playing musical instruments in public areas of the Legislative Building or the Legislative Office Building could be removed from the premises. Most handheld signs also were banned.

Barber said he wants to scrap those rules and demands the following:

- A permanent protest area, complete with stage, risers, and portable toilets situated in the Bi-

centennial Plaza at the legislative complex.

- A public-address system for the stage, including a live feed so that Barber's stentorian sermon-like speeches can be heard inside the Legislative Building, particularly in the House and Senate chambers during legislative sessions.

- Free, handheld, battery-operated fans to keep protesters cool during hot days, and umbrellas to protect them from sun and rain.

- Folding chairs.

- Chilled, bottled water on demand.

- Food service during dinner hours, provided at no cost to protesters either by food trucks or pizza delivery outlets.

Edwards told *CJ* he was excited to be involved with the Moral Monday movement.

"We didn't make much of a difference when I was involved with the Poverty Center," he said. "I'm sure it was the lack of media coverage. We needed to link up with a grass-roots organization to get more attention. Rev. Barber knows how to get coverage."

Edwards also said Barber let the former U.S. senator bring his own videographer, who will be allowed to film all the protests, accompanied by her entourage.

"As part of my agreement with Rev. Barber, I also will be the sole legal counsel for Moral Monday protesters who have any personal injury issues that may come up. I understand several of them have medical issues related to the duct tape they placed over their mouths during a recent protest," he said. "We are considering litigation against the tape manufacturers, with Berger and Tillis as co-defendants, since they are indirectly responsible for injuries associated with removing the tape from the mouths of protesters." *CJ*



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