

Coastal wind project still alive despite local opposition/3



CAROLINA JOURNAL

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

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STATEWIDE EDITION

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Tax Fraud Season Has Arrived

Fictitious and stolen identities generate billions in fraud

BY DON CARRINGTON
Executive Editor

RALEIGH

As income-tax filing season for the 2013 tax year reaches its peak, billions of dollars in fraudulent refunds continue to flow to scam artists using stolen or fabricated identities and declaring fake dependents to take advantage of a major loophole in the way the federal government issues refunds to individuals.

The IRS says it is catching some of the perpetrators, but its enforcement efforts continue to be hindered by political pressure on the agency to issue tax refunds quickly, before the agency can verify the identities of the tax filers and the validity of their claims of multiple dependents.

Officials from the North Carolina Department of Revenue say they are taking measures to catch the tax criminals who engage in the practice formally known as Stolen Identity Refund Fraud, but some flaws remain in



Sanford resident Martha Underwood is the latest North Carolina resident whose residential mailbox was used as a pickup point for a fraudulent tax refund addressed to a person with a Hispanic-sounding name. (CJ photo by Don Carrington)

the agency's procedures dealing with SIRF. For example, recently NCDOR sent an interest income notice to a "taxpayer" in Durham several months after *Carolina Journal* had notified NCDOR that the "taxpayer" did not live in Durham and that her identity had been invented by fraudsters.

Fraud continues to get past tax

authorities in other states as well. In March 2013, Sanford resident Martha Underwood found an envelope in her mailbox that she said contained a state income tax refund check from Maryland. The envelope was addressed to the home on Westcott Circle where

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Tax preparer says Mexicans recruited in tax fraud scheme

BY DON CARRINGTON
Executive Editor

RALEIGH

In February, a North Carolina tax preparer of Hispanic descent told *Carolina Journal* that several tax preparers in her community help their clients commit federal income tax fraud by claiming tax credits for children who either do not exist or do not live in the United States.

The preparer spoke to *CJ* under the condition that her name and location not be revealed. She said the preparers are of Hispanic descent and the clients are Mexicans working in North Carolina. The children who are claimed typically are listed as nieces or nephews.

Each phony exemption "qualifies" for a refund of up to \$1,000 per year. The tax credits are refundable, meaning the person filing the return



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Voucher Advocates Say They'll Continue Fight

Attorney says court setback is just the 'end of the beginning'

BY BARRY SMITH
Associate Editor

RALEIGH

Supporters of North Carolina's fledgling Opportunity Scholarship Program see the motion granted Feb. 21 by a Superior Court judge placing the plan on hold as little more than a temporary setback.

Advocates of the 2013 measure, which would have provided up to 2,400 low-income public school stu-



Superior Court Judge Robert Hobgood holds affidavits at a Feb. 21 hearing on the Opportunity Scholarship Program. (CJ photo by Dan Way)

dents tuition subsidies to attend private schools, vow to fight on.

Superior Court Judge Robert Hobgood granted a motion by opponents of Opportunity Scholarships, also known as vouchers, to issue a preliminary injunction preventing the law

from taking effect until the case goes to trial. Lawsuits were filed by the N.C. Association of Educators, the N.C. School Boards Association, and others claiming, among other things, that the scholarships violated a provision in the state constitution requiring money in the public school fund to be spent only on public schools.

The immediate impact of the ruling is that the initial awarding of the \$4,200 scholarships, which was scheduled to take place March 1, will be delayed. A lottery was needed to choose recipients because more than 4,300 families applied for the 2,400 slots.

So what's next for the families who had hoped that Opportunity

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Analysts: Most N.C. Races Noncompetitive in '14

By DAN WAY
Associate Editor

RALEIGH

The races for only 7 percent of state legislative seats — and no congressional districts — are likely to be competitive this year, say two organizations tracking North Carolina voting trends.

That suggests Republicans should maintain control of both the House and Senate through 2016, and the congressional delegation could move from 9-4 to 10-3 in Republicans' favor.

But several competitive legislative districts in Wake County could change hands, according to voting patterns analyzed by the North Carolina FreeEnterprise Foundation's Conventional Voter Behavior score and the Civitas Institute's Civitas Partisan Index.

Diversification and density of the electorate result in "the districts ... becoming more and more competitive over a historical analysis standpoint," said Matt Bales, research director at the North Carolina Free Enterprise Foundation.

The FreeEnterprise Foundation this year classifies as competitive races for only nine of 120 House districts and three of 50 Senate seats.

Competitive means a district gives a Republican or Democratic candidate a winning margin of 3 percent or less, so the seat could swing to either party. None of the state's 13 congressional districts is considered competitive, though the 7th District, which has been represented by retiring Democrat Mike McIntyre for nine terms, is listed as "leans Republican." That party switch would give the GOP a 10-3 advantage in the state delegation.

"This is a raw-data, historical analysis of how districts have performed in the past as relative to how the state overall has performed" since 2008, calculated by winning margins, Bales said. "They are not predictive models by any stretch" for upcoming elections.

A variety of factors could alter conventional voting patterns, such as the strength of the incumbent, candidate appeal, amount of campaign money raised, how well a campaign is run, the national political and economic mood, and local issues that arise, Bales said. Those are not included in the organization's voting pattern filters.

Those unconventional factors could move seats that "lean" toward one party or another into the competitive category, Bales said. A leaning district mostly gives one party a winning margin of more than 3 percent but less than 6 percent of the vote.

The Civitas Partisan Index indicates the frequency that a district with a tradition of electing candidates from one party elects one from the other party. That happened in two of 120 House districts in 2012. Democratic Reps. Paul Tine (Dare County) and William Brisson (Bladen) were in Republican districts.

Similarly, only two of 50 Senate seats reversed voting trends in 2012. Republican Sen. Wesley Meredith (Cumberland) was in a Democratic district, and Democrat Gene McLaurin (Richmond) was in a Republican district.

In the House this year, four districts lean Democratic, and 13 lean Republican. In the Senate, nine districts lean Republican; none leans Democratic.

Strong districts usually favor one party by 6 percent or more. There are 59 strong Republican and 35 strong Democratic districts in the House. In the Senate, there are 16 strong Democratic and 22 strong Republican districts.

With so many legislative seats appearing to be settled, races down the ballot might have a larger effect on voter turnout and results this year.

"That's something we're going to be paying very close attention to," Bales said.

For example, the district attorney's seat in Wake County is open this year after Democrat Colon Willoughby an-

nounced in January he would not seek re-election to the position he first won in 1986.

"It will be very interesting to watch throughout the cycle to see if that DA's race has an impact up the ballot on legislative races that are in Wake County," Bales said.

Only one of nine Wake County House and Senate seats held by Republicans is in the "strong" category — the 37th District held by Rep. Paul "Skip" Stam. Five lean Republican, and three are competitive, and those eight will be watched to see if the county's increasingly urban population leads to more votes for candidates with progressive leanings.

Reps. Jim Fulghum (49th District) and Tom Murry (41st), and Sen. Chad Barefoot (18th) are in competitive districts. Reps. Marilyn Avila (40th), Nelson Dollar (36th), and Chris Malone (35th), and Sens. Tamara Barringer (17th) and Neal Hunt (15th) are in districts leaning Republican.

All seven Wake County districts now held by Democrats are considered strong Democratic.

To a lesser degree than the urban shift, Bales said, in-state migration and newcomers from other states have affected some eastern districts such as the one covering Beaufort, Camden, Currituck, Dare, Gates, Hyde, Pasquotank, and Perquimans counties. Once held by longtime Democratic Senate President

Pro Tem Marc Basnight, now it is represented by GOP Sen. Bill Cook.

With Democratic U.S. Sen. Kay Hagan in a rugged re-election fight, "I think the Senate race will attract tens of millions of dollars," Bales said.

Will that suck most of the available cash from statewide races? "That's a very good question," Bales said. "Some political consultants say that money spent at the top will ultimately [help] down ballot" because the messaging in upper-tier races can influence voter attitudes and candidate choices in other contests.

The abundance of what would be considered safe legislative seats across the state is further evidence that lawmakers should not be drawing district lines, critics of the present system say.

"Anything that takes the politics, or diminishes the politics, from what we currently have would be better," said Bob Phillips, executive director of Common Cause North Carolina.

His organization, along with the John Locke Foundation and others, are part of the North Carolina Coalition for Lobbying and Government Reform.

The coalition advocates a so-called Iowa model using professional legislative staff and clear, firm rules based on population and geography, minimizing political influence, to draw legislative district and congressional maps after every national census.

The coalition advanced House Bill 606, which failed to reach the House floor for a vote last year despite having a bipartisan group of 61 co-sponsors.

"The nonpartisan group that we have believes a nonpartisan process would produce districts that are either truly competitive, or less locked in so far for one side or the other, which we feel would be much healthier overall for our democracy," Phillips said.

"The way the lines are drawn, and the current process we have, in many places the primary race is everything, if there is competition," Phillips said.

When districts are drawn heavily for one party or the other, "it's going to tend to probably not allow for a moderate candidate from either party to be successful. It tends to probably reward the extreme candidate of either party," Phillips said.

"You have folks who come to Raleigh ... it's very hard for them to find any kind of common ground, and work together," he said.



Coastal Wind Farm Project Alive Despite Loss at Local Level

BY DAN WAY
Associate Editor

A leading opponent of building a major wind energy facility in Carteret County says it was a tourism-depressing, jobs-killing project that was defeated in spite of, not because of, a state law passed last year to regulate environmental impacts and avoid adverse health effects of electricity-producing windmills.

"We have got to get laws passed here locally that will protect us, because this state law is not going to do it," citizen activist John Droz said of House Bill 484, a law passed in last year's legislative session establishing a wind-energy permit-approval process through the Department of Environment and Natural Resources.

Mill Pond project

The so-called Mill Pond project was the first wind farm proposal to fall under the new procedures. The Sierra Club launched a statewide campaign supporting the utility-scale project and insisting H.B. 484 would protect against any adverse impacts.

"Every part of this bill is weak," Droz countered. "We're looking at 484 as a backup, if you will. Our primary line of defense is local zoning rules."

County officials say Torch Renewable Energy, a Houston-based diversified energy company, backed away from the 80-megawatt wind-and-solar proposal — featuring at least 40 492-foot windmill turbines — because strong local ordinances limited the height of structures and where they could be placed.

"They knew that to do the project ... that they were going to need some variances, and setbacks for the tur-

bines," said Carteret County manager Russell Overman.

"And they knew with the climate here — there was quite a bit of public opposition to their project — they probably would not stand a chance of gaining those variances. So our existing ordinance, according to them, played a very large role in their deciding not to locate their project here," Overman said.

T o r c h

Renewable issued a statement Jan. 31 saying it would not move forward with the project now. Even so, Overman acknowledged, and officials at the North Carolina Utilities Commission confirmed, the company has not withdrawn its permit application for the Carteret County wind farm, which would have sold the electricity it generated to Duke Energy Progress. The Utilities Commission permit approval reviews involve economic matters; DENR permits deal with environmental issues.

Local safeguards

At a legislative Joint Energy Policy Commission meeting in January, state lawmakers questioned legislative staff about whether H.B. 484 contained any measures for local governments to safeguard their communities.



"What happens if the people in the local areas don't want it? How do they get their voice heard?" asked Sen. Ronald Rabin, R-Harnett.

"I don't see any way for people other than in the military installations having a say in this, and I'm not sure that I agree with that approach," Rabin said.

"It would in all likelihood happen through the local zoning process, and the local government approval of the zoning process," said Jennifer McGinniss, commission counsel. She said the law requires notification of citizens and local governments about wind energy project proposals.

Droz and Overman believe the local part of the process worked in Carteret County.

"This is a democratic success here. Citizens took it upon themselves to get involved in a highly technical, complex matter, and chose to say this isn't for us. And their [local] representatives listened, and did some good things to pass protections for their citizens," Droz said.

However, he said, Carteret County "already had one of the toughest laws in the state to begin with," and other counties may not have the legal tools letting them block wind farms if locals oppose them.

Wind energy ordinances

"I guess the state legislation may give some protection to those entities who maybe have not already looked at enacting their own ordinances," Overman said. About 15 counties have wind energy ordinances, he said.

"We can't prohibit wind energy facilities, but we can regulate them," Overman said. "I think in the future, yes, we as counties and municipalities do have the ability to enact zoning ordinances."

The Town of Newport on Feb. 17 adopted a comprehensive ordinance regulating wind energy. It adds protections for citizens, local businesses, the military, and the environment. Part of the Mill Pond project would have been within town boundaries.

The Carteret County Board of Commissioners planned to meet in late February, after this issue went to press, to vote on county Planning Board recommendations to toughen the county's ordinance. The revisions

stem from citizen input at a recent joint public meeting of the planning board and commissioners during which between 60 and 70 people spoke.

Overman said the commissioners "have been very protective of the air space that is necessary for [Marine Corps Air Station] Cherry Point to carry out its mission," and don't want tall turbines that would interfere with its military operations.

The Marine Corps air station is the county's largest employer, even though it is in Craven County. It has a reported \$2 billion direct economic impact on a four-county area.

Conflicts with military

"One of the trains of thought is that if things are occurring in the communities around the base that would encroach on the base's function, some of those bases might be the first ones to be considered for doing away with in a BRAC," Overman said.

The Base Realignment and Closure Commission periodically reviews military installations and decides if they are worth keeping open.

At January's Joint Energy Policy Commission meeting, Mitch Gillespie, assistant secretary at DENR, said H.B. 484 properly protects military bases from negative effects of wind energy facilities.

"We feel like the environment can be protected with 484, and we also feel like affected communities will have a say, so DENR does not have any recommendations for you at this time in the short session for any changes in the bill. We feel like the bill is adequate," Gillespie said.

Droz isn't as confident the new law protects military bases. He believes the Obama administration favors renewable energy policy over military policy when they conflict. For example, he said, the only reason a Department of Defense permit can be denied to a renewable developer is "if the project is a substantial, unmitigable threat to national security."

Operational readiness is "not their purview. That is not an allowable reason to turn it down," he said, even though Mill Pond was directly in the Cherry Point flight path.

Wind energy projects have been documented to cause "an amazingly wide range of health problems," mostly from noise, Droz said. He said they range from sleep disturbance and cardiovascular impacts to headaches and vomiting. He lists dozens of studies related to wind energy on his Web site <http://www.wiseenergy.org/>.

H.B. 484 calls for health studies to be done, but doesn't specify the type. It allows the developer to determine the scope of studies and select the firm to do them. Nor does the law authorize the state to kill a project that fails a health study.

CJ

Keep Up With State Government

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State Briefs

• State Commerce Department officials have said the McCrory administration's plans to shift most of the department's functions to a public-private partnership will require more funding than the General Assembly currently provides to Commerce. But officials have not been clear about how they would raise money privately or whether they also would seek a separate stream of taxpayer funding, the Insider reports.

Spokesman Josh Ellis said Commerce would not seek lottery money. A bill dedicating some of the revenues from hydraulic fracturing, or fracking, to the partnership was introduced last year in the General Assembly and could be revived in this spring's short session.

At a February legislative hearing, Rep. Susi Hamilton, D-New Hanover, wondered why the partnership wanted more tax funding. "My question is, where's the private money, and why aren't we talking more about fundraising toward the [partnership] while we're also talking about bringing public money to the table?" she asked. She also expressed concerns about the partnership's transparency, noting that the partnership could operate outside the normal oversight rules of a fully public entity, even though it may get the lion's share of its funding from taxpayers.

Richard Lindemuth, the partnership's interim executive director, said at the hearing that the partnership has not received approval from the IRS to operate as a tax-exempt nonprofit, which has hindered fundraising. Once the paperwork had been approved, he said, the partnership would solicit private donors more aggressively.

• Gov. Pat McCrory praised an agreement announced Feb. 21 between the state's community colleges and public universities clarifying the process of transferring credits from two-year to four-year higher education institutions. "Thanks to the teamwork of North Carolina's community colleges and public universities, thousands of students will attain their degrees faster and at a fraction of the cost," McCrory said in a statement.

The agreement identifies courses that will transfer to meet general education requirements at UNC system campuses. It also guarantees full transfer credit to UNC campuses as juniors to community college graduates with associate degrees. That move, McCrory said, could save students who seek bachelor's degrees thousands of dollars. CJ

Presnell Still Not Sure Haywood Needs Tax Hike

By BARRY SMITH
Associate Editor

RALEIGH

Haywood County commissioners and area municipal officials are hoping a proposed 50-percent increase in the region's occupancy tax will help them build capital projects and spur area tourism. But they face opposition from one of the region's legislators, and that could scotch the tax hike.

Sen. Jim Davis, R-Macon, who represents Haywood County, has filed a bill that would authorize the Haywood County commissioners to levy an occupancy tax of 2 percent, in addition to the 4 percent already in place. Rep. Joe Sam Queen, D-Haywood, has filed a similar bill in the House.

Rep. Michele Presnell, R-Yancey, who represents a portion of Haywood County, is the only member of the county's legislative delegation standing in the way of the bill. She said there are no "set-in-stone kind of plans" to use the money raised by the additional tax revenue.

As currently written, Senate Bill 318 would require proceeds from the tax to be used for "tourism-related capital projects." Legislative fiscal analysts estimate that the proposed new tax would bring in between \$541,537 and \$632,816 a year.

Supporters of the tax increase do not dispute Presnell's conclusion. "There's no specific plans; it's for product development," said Mark Clasby, Haywood County economic development director. "The purpose is to be able to raise funds to put into capital projects that would be used to bring tourism to Haywood County."

Haywood County Commission Chairman Mark Swanger said the money would be used for projects that would attract tourists to the county "and put more heads in beds." He said he didn't want to prejudge what an appointed committee might choose to do with the money.

Swanger did say some projects had been discussed, including a skating rink in Maggie Valley, lighting for community ball fields in Canton, and a regional sports complex with baseball or soccer fields. Boosters of the tax have suggested that building new or improving existing sports facilities could attract tournaments to the region.

Occupancy taxes are widespread in North Carolina. They're levied in 89 North Carolina counties, either by municipalities or the counties themselves. In some jurisdictions, visitors pay taxes imposed by both the municipality and the county.

The occupancy tax rate varies from 1 percent in Brunswick County to 8 percent in Mecklenburg County. Nine other localities in Brunswick County have occupancy taxes. The Mecklenburg County rate includes a 2 percent occupancy tax that goes to the NASCAR Hall of Fame.

Occupancy taxes are levied against hotel, motel, and inn room rentals, as well as tourist campgrounds. Visitors pay occupancy taxes in addition to local and state sales taxes. Local governments must get specific permission from the General Assembly to impose an occupancy tax.

Revenues from occupancy taxes generally are used for tourism promotion or development. In some coastal counties, revenues are used to haul sand to the beaches.

The proposed increase in Haywood County troubles

Martha Tracy, who has two rental houses in the Fines Creek area of Clyde.

"They're planning to put up a sports complex, I think, in Maggie [Valley]," Tracy said. "They think that's really going to bring in the money. It's really business for Maggie, but not anybody else."

Tracy said she's already had to lower her rental rates because there's an oversupply of rental property in the area. She said people in the area haven't been able to sell their houses because of the sluggish economy, so they're renting them out to tourists.

"It's a dismal picture for property owners, for landowners," Tracy said, adding that if the new tax is approved, she'll likely have to lower her rates to compensate for the added tax burden.

Dale Walksler, who owns the Wheels Through Time Museum in Maggie Valley, said the area's tourism officials shouldn't get the additional tax revenue because they're not using the more than \$900,000 a year they collect from the current 4 percent occupancy tax.

"Really, all they're trying to do is milk the cash cow," Walksler said.

The Wheels Through Time Museum features more than 300 classic and historic motorcycles.

Walksler is critical of the county's tourism website — visitnc-smokies.com — and calls it "the master brainchild of a \$950,000 budget on tourism."

The bill, as written, does not conform

to uniform occupancy tax guidelines set out by a subcommittee of the House Finance Committee that reviews all occupancy tax proposals. Those guidelines say that at least two-thirds of the proceeds from the occupancy tax must be used to promote travel and tourism.

Davis said he believes some problems in the bill can be resolved. He introduced the bill last year, but didn't push for it to be heard because it didn't have unanimous support from local governments in the county. A resolution supporting the tax increase by the Maggie Valley board failed on a 2-2 vote. The November 2013 local elections produced a board majority that would back the tax, supporters say.

Even so, legislative guidelines for short sessions of the General Assembly stipulate that local bills not be controversial, and that they have unanimous support from the local delegation.

Presnell said she still opposes the bill. She said some residents of Haywood County are concerned that their taxes might go up to help pay for maintenance of whatever project is built.

"It's the upkeep that they're worried about more than anything," Presnell said, noting that someone will have to pay the light bill and mow the grass.

Moreover, critics are doubtful that incremental revenue used to build a community pool would attract tourists, one potential benefit cited by the tax hike's supporters.

Davis said he's hoping Presnell can be convinced to move forward with the bill. Davis said that he's not a big fan of tax increases.

"But I also don't feel like I should be in the position of state government keeping local government from doing what it wants to do," Davis said. "I was a county commissioner in Macon County for 10 years. I'm a strong proponent of local control." CJ



Auditor to Take Close Look at Medicaid Administrator's Operations

By DAN WAY
Associate Editor

RALEIGH

As Department of Health and Human Services Secretary Aldona Wos places a top deputy temporarily in charge of the state's beleaguered Medicaid system, state Auditor Beth Wood has launched a cost and performance study of the nonprofit entity overseeing much of Medicaid, the joint federal/state health insurance program for the poor and disabled.

Until Gov. Pat McCrory appoints a permanent Medicaid director, Deputy DHHS Secretary Robin Cummings will head the Division of Medical Assistance, in addition to his current duties. He now is acting state health director, along with supervising the state's public health, Medicaid, state hospitals, and mental health divisions, in addition to the office of rural health.

A 'broken system'

In his new role, Cummings will lead a team exploring ways to transform a beleaguered Medicaid division that has drawn characterizations from the governor, Wos, and others as a "broken system." He is being tasked with delivering more efficient, effective operations, and ensuring greater precision in budgeting.

"The historical challenges facing Medicaid have been well documented, and these challenges are now being compounded by unprecedented change in the health care industry," Cummings said in a prepared release. "To preserve Medicaid for future generations, we must improve and strengthen the operations."

"I applaud the governor for considering all options to try to drive out costs, drive out waste, drive out abuse,



and drive up the most important thing, and that's the quality of care to people on Medicaid who need it," said House Speaker Thom Tillis, R-Mecklenburg.

Legislative leaders are in "active discussions" and meetings with McCrory on the Medicaid front, and "looking forward to his continued proposals so we can consider [potential reforms] in the short session," Tillis said.

Market-based reforms

Soon after taking office last year, McCrory and Wos proposed market-based, managed care reforms involving private "comprehensive care entities" rather than allowing the nonprofit Community Care of North Carolina to be the sole Medicaid administrator.

Wos conducted a statewide tour pushing the managed care concept and gathering feedback, while overseeing national solicitations for three or four firms to receive contracts as the comprehensive care entities. But the administration scrapped that idea, leav-

ing CCNC in place.

"CCNC has been a great program. It has been a key part of helping us to drive out some inefficiencies" in Medicaid delivery, Tillis said Feb. 10 at an event that unveiled a proposal from McCrory, Lt. Gov. Dan Forest, and legislative leaders increasing base pay for early-career public school teachers.

However, Tillis said, "there are clearly some performance issues around Medicaid that we have to get our hands around." At the top of the list are constant cost overruns that have reached hundreds of millions of dollars annually.

"One of the reasons why we've had to wait a year" to propose the pay raise "is the half-billion-dollar surprise [in Medicaid overruns] we got in June of last year, three weeks before the new fiscal year started," Tillis said.

"We're waiting, working with the folks in the study committee, and we look forward to them reporting back," Tillis said.

"That study is on its way," Auditor Beth Wood said. Work began in February.

"Our performance audits are normally allowed 90 days," Wood said. "Because of the massive amount of information that's involved, this one could be as much as six months."

A private vendor with expertise in the complex and specialized medical analysis field was awarded a contract to collect 10 years' worth of data from DHHS and analyze it.

'Apples to apples'

"You've got to make sure there's integrity in the numbers, that the numbers you're using are comparing apples to apples. I do not have the expertise on my staff to pull together a study as huge and complicated as this one," Wood said.

The General Assembly requested the study after Wood's office released a January 2013 audit harshly criticizing the Medicaid program for contract mismanagement, three straight years

of \$400 million cost overruns, key employees unprepared or unqualified for their jobs, and sloppy, sometimes improper, bookkeeping and budgeting.

That audit was done before the budget-buster Tillis referenced.

"Over the years, CCNC has said, 'We have been saving the state of North Carolina X million dollars,' ... and you're basically getting your numbers from CCNC," Wood said. "[T]hey're doing that based on actuarial numbers and estimates based on actuarial numbers."

Wood said her office's study "will look at the actual numbers of taking care of Medicaid patients, and compare those to the estimated numbers based on actuarial numbers."

Several of CCNC's critics have questioned the validity of the methods used by the contractors CCNC has hired to evaluate the nonprofit's performance.

'Haven't done a great job'

"Obviously, being \$400 million over budget, fiscally we probably haven't done a great job. Then CCNC says they're saving us all this money, but are they really?" Wood said.

"The other side that you need to look at is how healthy are the participants. You've got to have both, the cost, plus how healthy are the people in each program. So it's time now ... to look at CCNC" in terms of healthy patient outcomes for the money being spent, she said.

CCNC representatives did not respond to requests for comment. In the past, they have attacked critics and criticized reporters for questioning their oversight of Medicaid and savings claims.

CCNC points to actuarial studies it has commissioned showing huge savings, along with an Innovations in American Government Award its health care model received in 2007 from Harvard University.

"That reward they received was all about managing the care of participants, but it didn't say a dang thing about the cost of what they were doing, and how they were doing it," Wood said.

"It's been 10 years. We shouldn't have to depend on actuarial assumptions and estimates any more," Wood said. "Let's go see what the real data says."

Wood said she has no preference who administers the Medicaid program. But as a taxpayer and steward of taxpayer dollars, she said she wants to see the least expensive system with the highest patient success rates.

"There's going to be audit objectives for me, whether it's a managed care or it's the state of North Carolina doing it," Wood said. "Either way I'm going to be auditing their performance." CJ

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COMMENTARY

The Debacle of Read to Achieve

The first week of February brought Wayne County mother Jennifer Strickland an eye-popping surprise. A letter from the principal indicated that one of her twin boys — a stellar, straight-A student reading at an almost-sixth grade level — was in danger of being retained in third grade. A series of new reading mini-tests were tripping up him (and others). His school, anticipating high rates of failure on end-of-grade reading tests, sent retention letters home as a pre-emptive strike. Parents, says Strickland, are “terrified of what’s coming” on end-of-grade tests later this year; some are working extra jobs to fund private tutors.

What in the world is going on?

Many are pointing the finger at North Carolina’s new Read to Achieve program. Implemented this year as part of a 2012 state law, Read to Achieve requires that third-graders demonstrate grade-level reading proficiency before promotion to fourth grade. Reading ability is assessed through end-of-grade tests, a state Read to Achieve exam, or portfolios encompassing the 36 mini-tests Strickland’s son had begun taking. Students who fail to read proficiently must attend summer reading camps; if interventions are unsuccessful, students are retained.

The law’s good intentions are grounded in empirical evidence. Longitudinal research from Donald Hernandez at the City University of New York found that children who are not competent readers by third grade are four times more likely to drop out of school than children who read well. Other research affirms that third-grade reading skills (or lack thereof) place students on an achievement trajectory that is difficult to alter.

So, what’s the problem? Read to Achieve’s implementation has been an unmitigated debacle. On mini-test reading passages, “the readability is way beyond third grade,” says Mark Edwards, superintendent of the Mooresville Graded School District. Edwards says requirements essentially had “students testing every single week throughout the remainder of the year in what I call a high-stakes,

extremely stressful environment for teachers and students.” Superintendents in conversations with teachers, principals, and parents “were getting wave after wave of concern,” notes Edwards.

Online opposition to Read to Achieve has been fast and furious, spawning at least two Facebook pages since January; one accumulated 2,200-plus “likes” in two weeks. Parents are chronicling tears, tension, and tummy aches. A Change.org petition demanding an end to Read to Achieve

has garnered almost 500 signatures.

Some relief is on the way. The State Board of Education, responding to petitions from 30 school districts, voted in February to allow school systems to use alternative reading assessments to determine proficiency. Tests must be reliable, valid, and approved by local school boards.

Such a move will stanch the stampede to summer reading camp. But 8- and 9-year-olds still must slog through developmentally inappropriate, hastily adopted Common Core standards and an end-of-grade reading test (newly revamped in 2012-13 to align with Common Core) that a majority of last year’s third-graders failed. A change in test achievement levels may come soon, but it won’t remedy underlying flaws in the standards and tests.

Something is wrong here, and it isn’t just with Read to Achieve. Our prevailing paradigm — implement now, think later — is an exercise in folly. Feckless, heedless decision-making requires constant fixes and begets confusion for parents. Jennifer Strickland is channeling her frustration into a run for school board, saying of school officials’ approach to testing, “They [change] the rules every week. ... We can’t keep up.”

Frankly, neither can anyone else. We ought to take a careful, hard look at our state’s ever-shifting testing program. Accountability is necessary and useful, but only when it actually means something. Right now, it’s anyone’s guess what that is. *CJ*

Kristen Blair is a Chapel Hill-based education writer.



**KRISTEN
BLAIR**

JLF: Create Commissions To Evaluate Common Core

BY CJ STAFF

RALEIGH

Two new permanent commissions should help North Carolina leaders decide whether to modify or replace controversial Common Core public school standards. That’s the recommendation the John Locke Foundation’s top education expert puts forward in a new Spotlight report.

“These new commissions focusing on both English language arts and math would help North Carolina move beyond the current furor over Common Core,” said Terry Stoops, JLF director of research and education studies. “They would be charged with raising the quality and rigor of standards, curricula, and assessments.”

Each commission should incorporate a large, diverse group of stakeholders, Stoops said. “Commission members would include teachers, administrators, curriculum and content area experts, policy professionals, practitioners, parents, community leaders, school board members, state education officials, and state legislators,” he said. “Given the project’s scope, each commission would have at least 14 members appointed by legislative leaders, Gov. Pat McCrory, and state Superintendent of Public Instruction June Atkinson.”

Both groups would pursue four goals, Stoops said. “First, determine whether North Carolina should modify or replace Common Core,” he said. “Second, look beyond standards to specify content that aligns with the new or modified standards. Third, recommend a valid, reliable, and cost-effective testing program that aligns with the standards and content. Fourth, provide an ongoing review of the standards, curriculum, and tests throughout their implementation.”

Stoops rejects other options for addressing concerns about Common Core. “It is not feasible to ignore Common Core standards, since they establish expectations for all North Carolina students,” he said. “Nor does it seem wise to attempt to add 15 percent to the standards, as permitted by national groups backing Common Core. The costs of modifying such a small share of the standards might outweigh any benefits.”

Scrapping Common Core immediately and starting from scratch would create another set of problems, Stoops said.

“Unfortunately, the process of finding an alternative would likely require North Carolina’s public schools to go without standards, and therefore accountability, for multiple school years,” he said. “Since standards developed by the N.C. Department of Public Instruction were defective and inferior even to today’s flawed Common Core standards, it would be worse to resuscitate North Carolina’s former state standards than to keep Common Core in its current form.”

Once the commissions review standards, they would turn their attention to developing the North Carolina Foundations of Achievement, or NCFAs, Stoops said. “This is the content-rich curriculum that

would align with the new or modified standards and provide the foundation for classroom instruction and testing.”

A high-quality NCFAs is just as important to North Carolina public schools as high-quality standards, Stoops said. “If crafted carefully, it will ensure that other parts of the instructional process — curriculum, instruction, and assessment — will not be undermined by whatever standards are used as a starting point.”

Throughout the report, Stoops references other states’ track records in addressing concerns about Common Core and development of a state curriculum. State education officials in Massachusetts earn special attention.

“Their efforts to align content-rich curricula to standards elevated student performance in Massachusetts to unprecedented levels,” he said. “North Carolina should replicate, as much as possible, this approach.”

The new commissions would review and recommend a testing program that complements new standards and curriculum plans, Stoops said. “Given that the commissions are likely to make substantial changes to state English and math standards, it makes little sense to adopt Common Core or existing state tests aligned with previous standards,” he said. “Commission members should use this opportunity to get DPI out of the testing business once and for all.” *CJ*

The commissions
would help
N.C. ‘move past
the furor’
over Common Core

GOP Leadership: Teacher Pay Hike Proposal May Be First of Several

Governor, legislative leaders say revenues must keep growing

BY DAN WAY
Associate Editor

JAMESTOWN

Early-career teachers will get pay raises starting in the fiscal year beginning July 1, and those with up to seven years of service will collect double-digit percentage increases, Gov. Pat McCrory announced Feb. 10. The package is expected to cost less than \$200 million and will not require a tax increase.

McCrory, along with Senate leader Phil Berger, R-Rockingham, and House Speaker Thom Tillis, R-Mecklenburg, also hinted that raises for the remaining teachers and state employees could be in the works if new tax revenues continue flowing in ahead of estimate. The Republican-led group of McCrory, Tillis, Berger, and Lt. Gov. Dan Forest used an event at Ragsdale High School, McCrory's alma mater, to tout GOP economic policies that they say helped to spur the growth in tax revenues. They say that, along with prudent fiscal management, made possible the raise in base pay for more than 42,000 teachers from \$30,800 to \$35,000.

"At \$35,000, North Carolina will at least be competitive nationally, and a leader in the Southeast for pay, and ahead of Tennessee, Georgia, and South Carolina in base pay," McCrory said.

Democrats failed to raise teacher salaries in the last half decade of their control over the General Assembly,

McCrory noted.

"Teachers have only received a 1.2 percent raise in the past five years, and frankly that was a raise made possible by [Berger and Tillis]," McCrory said at the event, where he was surrounded by lawmakers, teachers, students, and former classmates. Berger said the last teacher raise before the 2008 hike was several years earlier.

The new pay hike will come in two phases — \$2,200 the first year and \$2,000 the second — a 14 percent hike for teachers with up to five years' experience. Teacher with between six and nine years, who qualify for higher pay than less-experienced teachers under the current salary structure, will reach the \$35,000 base with raises ranging from \$550 to \$3,780, or 2 percent to 12 percent.

McCrory also announced "substantial raises" effective Jan. 1 targeting more than 3,000 nurses, highway patrol officers, and others "whose base pay was too low for too long" and uncompetitive with private-sector pay.

McCrory said the state would change course and provide 10 percent supplemental pay to teachers who attain master's degrees, so long as they were enrolled in master's programs as of July 1, 2013. The General Assembly rescinded the master's supplements in the 2013-14 budget.

Berger said bills would be introduced in the short session on the pay raise and master's supplements.

"We've had discussions with members of both the House and Senate, and both these pieces of legislation

will pass without any difficulty whatsoever," Berger said.

"This pay announcement today is just the first step of our long-term plan" to improve academic performance of students by ensuring effective and well-paid teachers in every classroom, McCrory said.

"As the revenue picture becomes clearer in the coming months, [our goal] is to roll out additional proposals this year that will cover even more of our teachers, and also other state employees," McCrory said. Easing testing requirements to give teachers more flexibility in classroom instruction also will be discussed during this year's short session.

While calling pay raises for new teachers "a step in the right direction," Mark Jewell, North Carolina Association of Educators vice president, said, "We were hoping to see something more widespread, that was comprehensive, that would be a long-term plan to get teachers across the state a pay raise."

The teacher lobbying organization's position was either to give a 10 percent across-the-board pay raise to make up for past salary freezes, or have a multiyear plan to raise teacher salaries to the national average within three or four years, Jewell said.

"You're going to have a teacher with two years [experience] making the same as a teacher with 10 years," Jewell said. "When you don't give across-the-board pay raises, you have winners and losers, and this has definitely more losers than winners."

"We know that compensation matters to new teacher candidates," said Julie Kowal, executive director of the liberal-leaning CarolinaCAN. "More importantly, research shows that competitive compensation matters even more to top-tier candidates — exactly the ones North Carolina needs to recruit and keep more of."

The move also sparked swift reaction from U.S. Sen. Kay Hagan's office. Tillis is challenging Hagan, a Democrat, in her first re-election bid.

"Increasing salaries for North Carolina's hardworking teachers is undoubtedly a worthy goal, and the General Assembly should right the wrong they committed when they let North Carolina teacher pay stagnate," a Hagan campaign news release said.

"However, that doesn't change the fact that Tillis' current effort is a bandage over a gaping wound he created in our public school system," the release said.

Tillis said the Republican-led legislature has taken measured steps to reach a point at which pay raises can again begin to flow.

"When we came into leadership of the House and Senate, we had over \$1 billion in commitments to recurring obligations, [and] the money wasn't there," Tillis said. He blamed that "fiscal crisis," in part, "on making a promise that the prior [Democratic] leadership couldn't keep."

Now, after three years of "hard work, and repairing this economy, and putting it on financial footing, we can make promises that we keep," Tillis said. "We can end practices that were a betrayal of promises, like using lottery funds for purposes other than education."

He said legislative leaders and McCrory wanted to be certain there would be sufficient money to pay for the raises should the economy stall again. Democrats miscalculated badly in 2009 and had to make the steepest budget cuts to education in the past decade, Tillis said.

Berger said Republican policies have allowed collection of taxes and other assessments to run ahead of projections "in ways that the economists tell us result in the ability to project revenue in the future on a recurring basis at a higher level."

More important, he said, "We've trimmed the growth in spending at the state level" that created additional resources to address priorities. Those included enhancing pay for teachers and state employees "in an appropriate and measured fashion."

Berger said lawmakers hope to raise pay for the rest of the state's teachers and employees. But that will depend on other revenue and spending numbers as they develop later in the year. He noted that cost overruns in Medicaid could preclude those raises.

Berger said there are no plans to revisit issuing pay supplements for teachers who earn master's degrees "because there appears not to be the kind of data available that shows an improvement in student achievement based simply on a master's degree."

What lawmakers plan to do is adjust the cutoff with a grandfather clause "because people who started classes thinking that the supplement was available, we really need to keep the promises to those folks."

"I really appreciate them admitting a mistake, and I won't get into how that happened, but they quickly realized they hadn't done the right thing," said State Board of Education Chairman Bill Cobey.

"It may be that certain master's degrees for certain areas of teaching or administration will in the future be eligible for supplements. But you know the legislative process. That's going to be a lot of negotiation," Cobey said.

Berger said there could be conversations about supplementing pay for those earning a master's in math or science because those positions are hard to fill. CJ



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Thanks.



Guilford School Board First to Join Tenure Lawsuit as Plaintiff

By SAM A. HIEB
Contributor

GREENSBORO

The Guilford County Board of Education voted unanimously to take legal action in order to avoid complying with state law eliminating teachers' tenure. While other school boards across the state have issued resolutions in support of a lawsuit filed by the N.C. School Boards Association challenging the end of tenure, the Guilford board is the first one to date joining the lawsuit as a plaintiff.

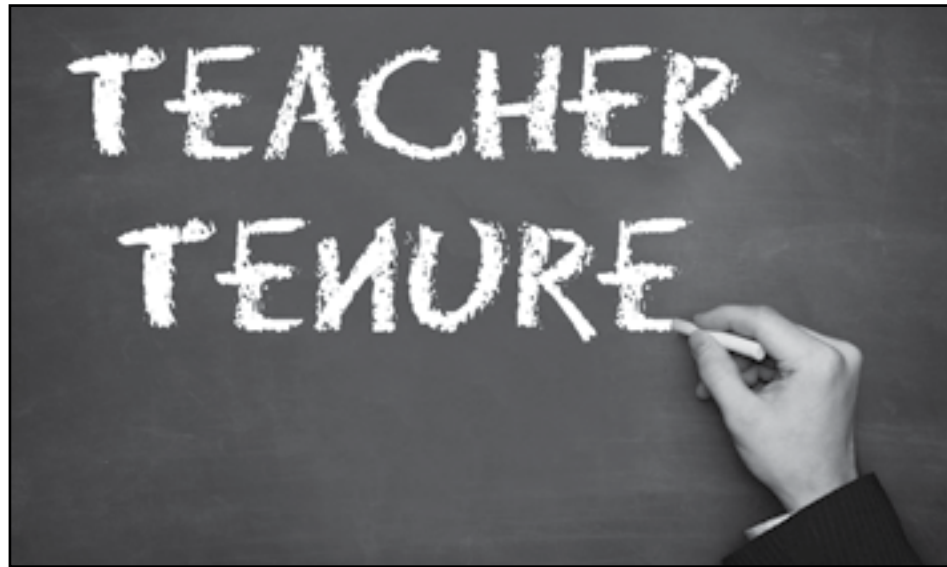
In early February, the board passed a three-and-a-half page resolution — read aloud by board chairman Alan Duncan — seeking a declaratory action on the board's behalf, "asking the court to declare the elimination of our existing, valid teacher contracts unconstitutional."

The resolution also "requests that the North Carolina General Assembly rescind all provisions of the Appropriations Act of 2013 that eliminate tenure rights for teachers who have already earned and been awarded tenure."

While the resolution is mostly couched in legal jargon — both Duncan and Superintendent Mo Green are attorneys — the resolution also took a political shot at the Republican-controlled General Assembly.

"The board believes this legislation represents yet another thinly veiled attack on Pre-K public education, public school employees, and the teaching profession, and more significantly, represents yet another attempt to undermine the commitment to serve all children in one excellent and unified system of public schools as called for in the Constitution of the State of North Carolina," the resolution reads.

The issue of teacher tenure has been a hot one in Guilford County. It started when the board at a recent weekend retreat discussed simply disobeying the Appropriations Act, which



eliminated career status in favor of bonuses for a select 25 percent of teachers.

The board tabled the issue until its Feb. 11 meeting, when it could take a formal vote. The previous day, Gov. Pat McCrory visited the Triad, returning to his alma mater, James-town's Ragsdale High School, to tout his new education plan, which focused on teacher pay but did not address tenure.

McCrory's plan will give early-career teachers pay raises, and, beginning July 1, teachers with up to seven years of service will collect salary increases of 10 percent of more.

The day of the board's vote, state Senate leader Phil Berger, R-Rockingham, sent Green a letter stating he was "deeply troubled" by reports that the board was considering defying the law.

"[I]t appears that at least some

members of the School Board are grasping at straws for a legal argument to support their preference for the status quo on teacher pay," Berger wrote.

Before the meeting, teachers and their advocates rallied the troops outside the Guilford County Schools administration building, banging drums and waving signs.

Several teachers spoke during the public comment period, while those in the audience waved their hands in lieu of applauding, per Duncan's instructions to keep the

meeting moving along.

Board attorney Jill Wilson said a major issue was the retroactive nature of the legislation.

"There are other states that have done this," Wilson said. "But no other state has done it retroactively."

The board then went into closed session for over an hour. When board

member Darlene Garrett gave the "thumbs-up" sign as she walked through, a smattering of applause broke.

Which was nothing compared to the applause that broke out after the resolution passed.

"The purpose of this resolution is to put the focus where it belongs — on the children and the people who teach them," Duncan said.

The board then stood and gave the teachers a round of applause.

Declaratory judgments are considered a type of "preventive justice" by informing parties of their rights, in theory avoiding violations of contracts and costly lawsuits.

After analyzing a dispute, a judge issues an opinion declaring the rights of each of the parties involved. According to the resolution, the board believes the Appropriations Act "includes provisions that unconstitutionally interfere with contracts issued by the Board by requiring teachers to forfeit a vested property right — tenure."

The section of the Appropriations Act that drew the ire of teachers' associations and the Guilford board is the so-called "25 percent mandate," which requires superintendents to recommend four-year contracts to 25 percent of teachers with three consecutive years of experience who have met certain standards of performance.

In return for the four-year contract — and the \$500 pay increase that goes with it — teachers would forfeit their tenure, starting in 2018.

In its resolution, the board says the language in the 25 percent mandate "is remarkably vague and subject to multiple, inconsistent interpretations, rendering its application by various boards of education necessarily arbitrary." CJ

The resolution
took a political
shot at the
Republican
General Assembly

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Experts: *Bailey* Precedent May Upend Teacher Tenure Reforms

By DAN WAY
Associate Editor

RALEIGH

In laying out its legal case against the state over elimination of teacher tenure, the North Carolina Association of Educators cites some of the same constitutional constructs of contract law that state employees used two decades ago to overturn the General Assembly's repeal of income tax exemptions for state retirees.

If courts use as precedent the 1990s *Bailey* case, which barred the state from subjecting current state retirees' pension benefits to state income taxes, legal observers say the General Assembly may have to rework the tenure reforms and let veteran teachers who have attained career status keep it. The state may be able to deny tenure only to newly hired teachers or early-career educators who haven't reached career status.

The *Bailey* case, named for its lead plaintiff, former Wake County Superior Court Judge James H. Pou Bailey, was one of North Carolina's most protracted and complex constitutional challenges. Like the teacher tenure case, it was sparked when the General Assembly ended longstanding employment policies by requiring state retirees to pay income taxes on their pensions.

"The decision was held in favor of the state retirees that there was a contractual property right in that the state could not change it in regard to those who were already vested," said former state Supreme Court Justice Bob Orr.

The ruling resulted in a two-tiered system of income taxation. It exempted employees who had logged a minimum of five years of service prior

to Aug. 12, 1989, from income taxes on their pension benefits and taxed those with less service time.

Orr said the *Bailey* case is the only North Carolina litigation he can recall in which a constitutional claim was used such as the one the teachers lobby is using now. In the current controversy, the NCAE and other plaintiffs are challenging a law ending "career status" for teachers and replacing it with annual contracts tied to teacher performance evaluations.

Some legal observers say the two-tiered hierarchy often results when reforms are made and challenged as violations of contracts. Some education leaders have supported a similar move on tenure.

"When the legislation was going through the General Assembly, our position was that teachers that are in the pipeline should be able to keep their tenure," said Ed Dunlap, executive director of the North Carolina School Boards Association.

In its lawsuit opposing elimination of career status, the NCAE cited Article I, Section 19, of the North Carolina Constitution regarding property rights and due process and Article I, Section 10, of the U.S. Constitution

concerning due process and the impairment of contracts.

Ironically, NCAE did not support those same claims when put forth by plaintiffs in the *Bailey* case in winning reversal of the repeal of income tax exemptions on retirees.

NCAE was among groups that "assisted in passage of the law that took away teachers, state and local government employees' tax benefits

upon retirement. For the next 10 years these groups opposed the *Bailey* plaintiffs' effort to stop illegal taxation and recover taxes paid in violation of one's constitutional rights," according to an essay on the case by Raleigh attorney Gene Boyce, who represented the plaintiffs.

"They refused even to run notices about what was going on in court. Requests for monetary and political support were refused," Boyce wrote.

"That's a strong case. That's a standard practice," said John Coons, a retired professor of law at the University of California-Berkeley Law School, of the *Bailey* ruling's two-tiered solution and whether it might have application to the teacher tenure litigation.

"In this [teacher tenure] case, it does seem to me the employees have a plausible case," Coons said.

"They've been hired under a certain set of promises and conditions, and they say, 'You can't just end our interest here, whatever you call it, property or contract interest. Unless you go through bankruptcy, you just can't destroy the value of the promises you made.' It's a simple contract idea," Coons said.

"On the other hand, the state certainly has to have some elastic in dealing with its production of education," Coons said.

But state statutes and legal precedents would have much to do with how much flexibility the state might have, he said, and there seems to be a

lack of legal precedent in teacher tenure law with which he is familiar.

"Maybe they're going to have to pay to do it," Coons said, suggesting the state may have to offer teachers additional compensation in exchange for ending tenure.

NCAE president Rodney Ellis has condemned tenure reform.

"It's part of a full frontal assault on the teachers, the children, the families, and the future of our state. No wonder teachers are leaving our state in droves," Ellis said when the lawsuit was announced in December.

"The idea that the motive is to disrespect and insult teachers is just a figment of their imagination, and just a way for them to mobilize their base and to make an argument that there is some statewide, and perhaps nationwide, conspiracy to destroy public education," said Terry Stoops, director of research and education studies at the John Locke Foundation.

"Unfortunately, that kind of thinking has taken the place of having a debate of whether it's a good policy to have tenure, and merit pay, and other changes that the Republicans made," Stoops said.

As to a mass exodus of teachers, he said there are no data to support that claim.

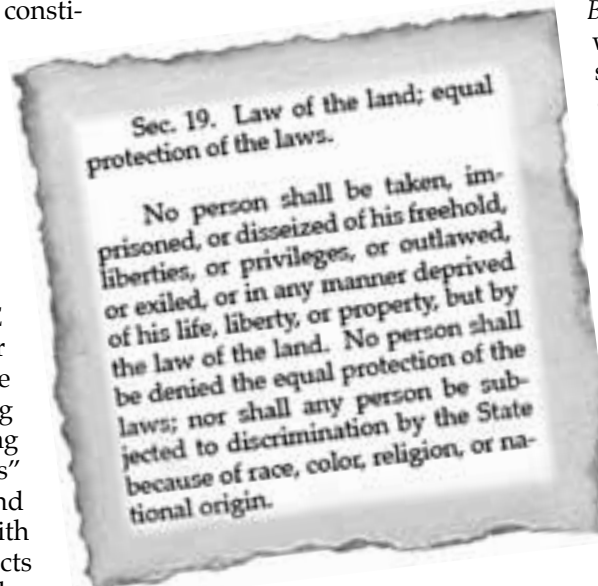
"Louisiana changed their tenure policies, and there was no evidence of any widespread chaos in the teacher work force," Stoops said.

"During the last school year, only 17 out of 95,028 [North Carolina] instructors were dismissed for cause, and that's one reason why tenure was reformed under the Excellent Public Schools Act," Senate Majority Leader Phil Berger, R-Rockingham, said in a statement released by his office last week.

"Instead of granting permanent job security to all after a few years in the classroom, teachers will work under contracts that are renewed based on performance — like nearly every other profession," Berger said.

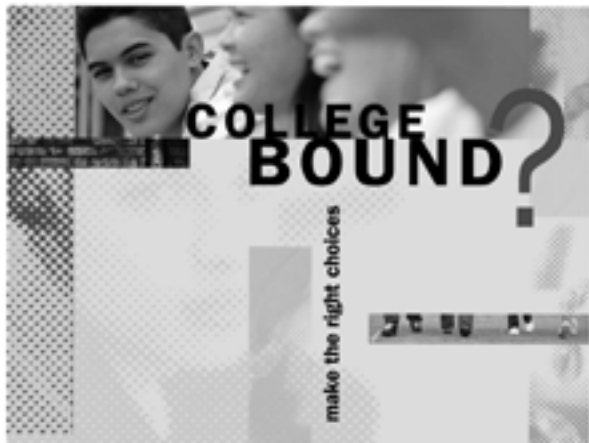
U.S. Education Secretary Arne Duncan has made pay for performance the "highest priority" of his department, Berger said.

"Beginning in 2014, the top 25 percent of teachers identified by their local school boards will receive four-year contracts with built-in annual increases. That means those highly effective teachers will earn an additional \$5,000 over the four years of their contract through a permanent salary increase," he said.



Opponents say
tenure is
anti-merit,
supporters say
it's a retention
tool

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Town and County

Fayetteville cameras

Red-light cameras will return to Fayetteville, if they are financially viable for the city, reports the *Fayetteville Observer*.

In February, the Fayetteville-Cumberland County Liaison Committee requested proposals from the three companies that provide and operate such camera systems.

Whether the city proceeds with reinstalling the cameras will depend on money, the lack of which led the city eight years ago to abandon the cameras as a revenue source. Under the typical operating arrangement, the camera company got most of the \$50 fine assessed to red-light runners. The state constitution, however, requires that the "clear proceeds" of fines go to public schools, not cities. A 2006 court ruling held that the camera company's administrative costs were not part of the "clear proceeds." So after the camera company was paid, and the schools got their share, Fayetteville and other cities were losing money on each red-light camera ticket issued. Unsurprisingly, Fayetteville soon got rid of the cameras.

City Attorney Karen McDonald said unless the city arrived at some "out of the box" way to increase revenues from the cameras, it may have to subsidize the program from general funds.

Charlotte film studio

Eastland Mall, the aging shopping center on Charlotte's east side, is in the process of being torn down, but questions remain about what will go on the site. The city wants to redevelop the property around a new film studio, but questions have arisen about the project, reports *The Charlotte Observer*.

Studio Charlotte, as the proposed project is called, depends heavily on incentives, including rebates of local property taxes. Five months into a six-month exclusive negotiating period, the company behind the studio has yet to give the city an estimate of its "hard [construction] costs," not including architects and consultants. Those costs will help determine how much money Charlotte and Mecklenburg County can offer.

"I don't know if we are on the same path," said Brad Richardson, the city's economic development director. "The City Council needs those hard costs so we can know what the ask is."

Bert Hesse of Studio Charlotte Development said he had provided the city adequate details of the estimated costs. CJ

G'boro Council Votes 'Yes' on Hotel Incentives

By SAM A. HIEB
Contributor

GREENSBORO

Get in line in Greensboro. They're handing out money, and they're not saying no. That's not just the view of a few cynical observers. One City Council member expressed that sentiment during debate over a \$1.9 million incentive for a proposed \$40 million downtown hotel.

Council member Marikay Abuzuaiter referenced a letter she received from the local hotel and motel association voicing opposition to the incentive.

"They said, 'Please don't do this. You would set a precedent where tax money will be going to everyone who lines up, and you won't be able to say no,'" Abuzuaiter said.

But the council didn't say no to this request, voting 6-3 to approve the incentive, with council members Abuzuaiter, Zack Matheny, and Tony Wilkins voting against it.

"You can't tell me \$1.9 million is a deal breaker on a \$40 million project," Wilkins told *Carolina Journal*. "I don't see how this is fair to the other hotel owners who didn't ask for an incentive."

Even some supporters of the measure weren't wild about it, but they saw few alternatives. Council member Mike Barber said, when voicing support for the project, that Greensboro was competing with hundreds of other cities offering similar incentives to spark economic development.

"Don't hate the player — hate the game," Barber said. "It's the environment we're in. Sometimes we have to look at it and smile, and sometimes we have to hold our noses."

It's not as if people are shy about asking city government for money, because the hotel incentive is not the strangest request the City Council has received within the past year.

In June, the local production company Black Network Television asked the previous City Council for a \$300,000 loan to help produce a sitcom titled "Watcha Cookin," which BNT hoped to get into syndication.

The council went for it, too, but reversed course when city staff discovered BNT owners Michael and Ramona Wood had a second mortgage of \$975,000 on their home that had been pledged as collateral.

(BNT has since threatened to sue the city, claiming the vote to deny the loan was politically motivated and possibly racist.)

This is also not the first proposal for a downtown Greensboro hotel. A few years ago, a deal to build a hotel on Elm Street using federal stimulus funds created a buzz — mostly because the site was being brokered by then-Guilford County Commissioner Skip Alston. But that deal lost

steam when the deadline to apply for federal funds came and went.

And developers of this latest downtown hotel project initially were asking for more than the \$1.9 million in incentives, which would take the form of tax breaks over six years.

Developers also wanted the city to build and then lease a 100-space parking deck beneath the hotel.

But that request was more than even the City Council could stomach, so it was pulled from the request.

Plans call for a 168-room hotel under the Wyndham banner. Wyndham already has an association with Greensboro through its sponsorship of the PGA event the city hosts in August.

That existing relationship is what would make the downtown hotel successful, said Greg Dillon, one of the hotel's developers.

"This new, full-service luxury hotel aligns nicely within the current market requirements for Greensboro," Dillon told the council. "The hotel will complement the Wyndham championship and its activities and provide support for the ACC Tournament and other sporting and cultural activities in Greensboro. We envision it as being part of the heart and soul of the Greensboro."

The proposed incentive states the hotel would not receive any tax rebates until it was up and running and had filled the 169 projected jobs.

The hotel also would create 230 construction jobs, developers said.

Randall Kaplan, managing partner of the downtown Empire Room, which would be part of the new hotel, said the incentive request was different because the hotel wasn't asking for a loan or a cash handout.

"If this was just money being given by the taxpayers to try to get a project done, I might say this isn't a great idea," Kaplan said. "But that's not really what's happening here. If the hotel doesn't get built, there will be no additional taxes to the city."

There is one catch, however. Assistant city manager Andy Scott — who oversees economic development projects — told the council the city "does not statutorily have access" to two sources of tax revenue — the hotel-motel tax and downtown business development taxes. Revenue collected from those taxes is designated for specific purposes and not available for the city's General Fund.

"So if you move forward with this, the city would fund the difference of the money collected from those two taxes from the parking fund," Scott told the council. CJ



The Wyndham luxury hotel being proposed for Greensboro would be similar to this 10-story Wyndham Hotel in suburban Philadelphia. (Photo courtesy of wyndham.com)

Council approved
a \$1.9 million
incentive package
for the \$40 million
hotel project

Guilford Makes Big Changes In Property Tax Management

By MICHAEL LOWREY
Associate Editor

The Guilford County commission has made three significant changes to the way it administers property taxes. The county will revalue properties more often, reduce the discount for paying property taxes early, and advertise the list of delinquent taxpayers in fewer places, reports the Greensboro *News & Record*.

Property revaluations will occur every five years rather than every eight years, which is the longest period between revaluations allowed by state law. The move is intended to reduce the swings in property values between revaluations. The next revaluation is due in 2017.

It also will reduce the discount it offers for paying property taxes early, from the current 1 percent of the amount due to 0.5 percent.

And the county will limit where it publishes the names of delinquent taxpayers. State law requires counties to publish the list of taxpayers who have fallen behind in one or more newspapers with paid subscribers. Guilford County has been spending nearly \$100,000 to run the list in three papers, the *News & Record*, *High Point Enterprise*, and the *Carolina Peacemaker*. Now the list will run only in the paper submitting the lowest bid. That's unlikely to be the *News & Record*, as it charged more than \$80,000 to publish the list last year.

W-S blighted housing

Winston-Salem is considering a proposal to tackle substandard housing in blighted neighborhoods near downtown. The program, if adopted, won't come cheap, reports the *Winston-Salem Journal*.

Like many cities, Winston-Salem features a number of older neighborhoods in its urban core with smaller houses, some of them in deteriorating condition. A significant percentage of houses in some subdivisions are rentals. The city may use a combination of conventional loans, forgivable loans, and grants to fix up decrepit homes in entire neighborhoods. The city now operates a smaller program that targets 40 to 50 homes a year.

"We are talking about several thousand houses under this concept," Assistant city manager Derwick Paige said. "Under the program we have

now, the neighborhood associations don't have a critical role, but under what we are describing the neighborhood associations would have an extremely active role to play."

The estimated cost of the program is \$31 million, plus an additional \$27.5 million for other upgrades in the targeted neighborhoods. City officials estimate that 20 percent of the homes in the targeted neighborhoods may need to be repaired. No funding source has been identified.

City Council members generally supported the concept while identifying a number of concerns. Some questioned whether the high percentage of rental homes in some neighborhoods could undermine the program. The need to get homeowner associations involved also was stressed,

which could be an issue as some of the subdivisions in the targeted area lack HOAs.

Asheville bus service

The city of Asheville may expand its bus service, with the options including adding Sunday operations and routes that run later on weekdays, reports the *Asheville Citizen-Times*.

The major factor limiting wider bus service is cost. As in much of the United States, Asheville loses money on its transit operations. Adding full service on Sundays would cost the city \$847,000 a year. Adding a bus to provide additional crosstown service would amount to an extra \$352,000. Together, such service expansions would boost the transit system's budget by more than 20 percent, adding more than a penny to the city's current property tax rate of 46 cents per \$100 valuation.

"None of these numbers are small. You can start to see why there hasn't been movement by the city to implement the bus master plan," said Julie Mayfield, volunteer head of the city's Transit Committee.

There is some support in the community for expanding service.

"The bus system is part of our overall economy," said Vicki Meath, executive director of Just Economics of Western North Carolina. "It brings workers to work. It brings consumers to places where they're going to consume. Right now, we have a system that people rely on that is not working in the best way it could." *CJ*

Cherokee

to

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COMMENTARY

Broken Economic Development Promises

There comes a moment in every economic development bubble when reality hits a community like a two-by-four smack to the head. That happened Feb. 3 in Charlotte, when *The Charlotte Observer* reported that the merger between US Airways and American Airlines will result in US Airways early next year dropping its flight between Charlotte and Rio De Janeiro.

It wasn't supposed to be like this. Charlotte Douglas International Airport wasn't supposed to lose a prestigious international route when the two major carriers merged. No, sir, the airlines' management had said that Charlotte would see more flights after the merger.

And those additional flights wouldn't just travel to unglamorous places like Moline, Ill., or Ft. Wayne, Ind. — a lot of that growth was supposed to come from international flights, especially to Central and South America, just like Delta Air Lines does through Atlanta. Or at least that's what longtime airport head Jerry Orr had told the city.

Obviously, the merging airlines did not agree. And less than two months after the merger became final, they gave the Charlotte-Rio flight the axe. Charlotte-Rio, which US Airways introduced in 2009, isn't even close to being a keeper for the combined carrier. American Airlines flies to Rio from Miami, Dallas, and New York City, so the combined carrier has no need to fly from Charlotte.

The loss of the route has a wider significance. If it's so easy to scuttle this route, it's hard to imagine what other nonbeach markets in Central or South America the airline might add from Charlotte in the future. In other words, Orr was very wrong, and the optimism about a key aspect of the city's economic development vision was misplaced as a result.

There are several valuable lessons that communities can learn from this fiasco.

Businesses involved in mergers have every reason to be selective

about telling the truth. Simply put, they're trying to spin the deal as being in the best interest of everyone: shareholders, employees, and communities. That also extends to convincing regulators that a deal would have no adverse antitrust consequences. So it's critical for local government and business leaders not to buy into the hype and carefully examine developments.

Unfortunately, here is where many communities fail, and often fail more broadly in setting their economic development policies. The economy is constantly changing, and what worked yesterday may not work today. Many people think they know an industry but really don't — just because you fly a lot doesn't make you an expert on the airline business. A real understanding of what's happening requires more knowledge than that.

The situation in Charlotte, unfortunately, is typical in one key aspect. Many economic development disappointments share this feature: groupthink by the local establishment. In the Queen City, Jerry Orr was regarded as the authority on commercial aviation, and for many years his word was enough for the city's government and business leaders. A tame press played along.

That sort of groupthink can happen anywhere. The Randy Parton Theatre debacle in Roanoke Rapids resulted from a group of local officials failing to ask difficult yet obvious questions about the project, the sort of questions that would occur to anyone outside the group and the area. And there have been plenty of transportation projects throughout the state that were supposed to be game-changers but instead turned out to be busts.

So always ask questions, challenge assumptions, and read up on what's happening with your local industries. Look at it as a productive use of your downtime while you're changing flights in Charlotte to anywhere but South America. *CJ*

Michael Lowrey is an associate editor of Carolina Journal.



MICHAEL LOWREY

Appeals Court Again Denies Rowan County Radio Tower

By MICHAEL LOWREY
Associate Editor

RALEIGH

For the second time in nearly a decade, Davidson County Broadcasting's attempt to place a radio tower near a private airfield in Rowan County was rejected in court.

In a longstanding dispute involving the broadcasting company, the Rowan County commission, and local residents, a unanimous panel of the state's second-highest court in February clarified that once a dispute over a local zoning decision has been decided in court, it cannot be overturned for inconsequential reasons.

'Hazard to planes'

In 2005, Davidson County Broadcasting applied to the Rowan County commission for a conditional-use permit to erect a 1,350-foot-tall radio tower on land owned by Richard and Dorcas Parker. The county commission voted against issuing the permit, finding that the radio tower would be a hazard to planes flying out of the privately owned Miller Air Park airfield.

Davidson County Broadcasting filed a lawsuit challenging that vote, saying that the Federal Aviation Administration had jurisdiction over the siting of radio towers near airfields. The N.C. Court of Appeals in 2007 upheld the county's determination, noting that a private party owns Miller Air Park, and that the FAA's authority extended only to public airfields. (Read more about that earlier decision at <http://tinyurl.com/lo9j3xx>.)

That, however, did not end the matter. In 2010, Davidson County Broadcasting was back before the

Rowan County commission with a revised plan to build a radio tower on the Parkers' land. This proposed tower would be shorter, 1,200 feet tall. And this time the board voted to issue a conditional-use permit for the tower after finding the tower would not be a hazard to aircraft operations.

The Mount Ulla Historical Preservation Society, the Miller Air Park Owners Association, and several dozen private property owners filed a lawsuit challenging the county's action. In September 2012, Superior Court Judge David Lee ruled against the county, finding that its decision was barred under the legal doctrine of *res judicata*. The county proceeded to contest this determination before the N.C. Court of Appeals.

Res judicata

Res judicata, which translates from Latin as "a matter [already] judged," has been defined by the Court of Appeals as follows:

"Under the doctrine of *res judicata*, a final judgment on the merits in a prior action in a court of competent jurisdiction precludes a second suit

involving the same claim between the same parties or those in privity with them."



The court ruled that a change in the height of the tower was not 'material'

The state courts long have held that the doctrine applies in local governments' zoning decisions. *Res judicata* does not apply, however, if there has been a material change in conditions since the original court ruling on a matter.

The appeals court noted that in this case, changes to the design of the tower would have to resolve the concerns about air safety that led to the original application being rejected. For its part, the county contended that the altered tower design was a significant change compared with the original application, thus its

decision to issue the permit was proper. The appeals court agreed, but only to a point.

Reasoning not undermined

"The county is correct that the lowering of the tower by 150 feet constituted a change from the denied 2005 CUP [conditional-use permit] application," wrote Judge Ann Marie Calabria for the appeals court.

"However, a review of the whole

record does not reveal any evidence that this change would undermine the reasoning behind the denial of the 2005 CUP application."

The county had pointed to evidence submitted in 2010 that the tower would be safe for air traffic. The appeals court found that this evidence applied equally to either a 1,350-foot or a 1,200-foot radio tower on the proposed site.

"Since there is nothing in the whole record which suggests that the prior evidence regarding the tower's potential safety hazard to air travel from the 2005 CUP application hearing was vitiated by lowering the tower by 150 feet, the board's finding in the instant case that there was a material change in the 2010 CUP application was not supported by the evidence," wrote Calabria.

Forbidden result

"The whole record reflects that the board essentially considered the same information in both the 2005 and 2010 CUP applications and reached different decisions. *Res judicata* forbids such a result."

The appeals court thus found the county commission must dismiss the application for the conditional-use permit for the radio tower.

N.C. Court of Appeals rulings are binding determinations of state law unless overruled by the state Supreme Court. Because the decision by the three-judge panel of the appeals court was unanimous, the high court is not required to hear the case should Rowan County appeal.

The case is *Mount Ulla Historical Preservation Society, Inc. v. Rowan County*, (13-447). CJ

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

By George M. Stephens

Preface by Newt Gingrich

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

Newt Gingrich
Former Speaker
U.S. House
of Representatives

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Audit Questions Spending of Regional Community Agency

By BARRY SMITH
ASSOCIATE EDITOR

An audit report published in early February calls into question nearly \$4.9 million in spending by Four-County Community Services, a nonprofit organization based in Laurinburg that runs Head Start programs and provides other assistance to low-income families in seven southeastern North Carolina counties.

The report, from state Auditor Beth Wood's office, found that Richard Greene, the former executive director of Four-County, received more than \$215,000 in questionable payments, while employees received nearly \$641,000 in improper bonuses.

It also found that Four-County improperly spent \$670,000 intended for Head Start and More at Four programs for expenses unrelated to the programs.

Four-County Community Services Inc. is a nonprofit organization operating in Scotland, Hoke, Robeson, Bladen, Columbus, Pender, and Brunswick counties. It operates 16 Head Start facilities and provides other assistance from the Community Services Block Grant, weatherization assistance, heat-

ing appliance repair and replacement, housing programs through the federal government's Section 8 program, and U.S. Department of Agriculture commodities projects.

"Since 2009, the budget for Four-County has ranged from \$15 million to \$21 million a year," Wood said in a video released by her office regarding the audit.

Wood said that the audit was started at the request of the N.C. Department of Health and Human Services after it discovered several instances of mismanagement or misuse of state or federal funds.

After the auditor's office began its investigation, it received 60 more allegations of wrongdoing from people in the community and others familiar with the agency's work, Wood said.

"The agency improperly paid for gym memberships and tuition reimbursements for its employees using federal money," Wood said. "It also paid a contractor for weatherization work that was not performed and did

not inspect the work as required."

"Our work found nepotism, conflicts of interest, and violations of bidding procedures among other problems," Wood continued.

One finding was that Four-County engaged in sweetheart deals for vendors that use the normal bidding process. In one instance, the agency awarded a contract for cleaning services for its office building to the interim executive director's mother. In another finding, the agency diverted Head Start funds to pay for sealing the pavement on a parking lot and to purchase a security system

for a building.

Greene also purchased two SUVs for the agency, at a cost of more than \$52,000, that he drove regularly as personal vehicles.

Greene, a 25-year veteran of the agency, was fired in March. When the audit was released, he took issue with its findings. "It concerns me, this report was compiled and completed without any input from me," he told *The Fayetteville Observer*. "I'm bothered by the allegations."

The auditor made a number of recommendations.

"Our report recommends that the state and federal agencies that fund Four-County reassess whether Four-County should continue providing services on their behalf," Wood said.

It also recommended that Four-County work with its funding agencies to determine whether any of the \$4.9 million in questionable expenses

should be refunded.

If the agency continues to receive taxpayer money, Wood said that it should revise its policies to make sure it spends those public funds in the most prudent way.

Four-County, in its response, said it generally agreed with the findings and recommendations. However, there were some notable exceptions.

"The agency disagrees with this finding to the extent that it suggests fraud, misrepresentation of obtaining property by false pretenses on the part of the agency," wrote Jason King, the board chairman, and Ericka Whitaker, the agency's new executive director. The agency also said that incentive pay was allowable for effective and efficient operation of agency programs.

Wood's office questioned whether fraud should be ruled out when the agency could not account for the accumulation of excess funds for More at Four or prekindergarten programs.

"Until the precise cause is known, nothing can be ruled out," the report says.

The auditor's office also said that agency officials were unable to provide any established plan or pre-existing agreement regarding employee incentives or bonuses.

Health and Human Services Secretary Aldona Wos responded, saying that she had directed the division overseeing prekindergarten programs to investigate whether funds were unearned. She also said that the prekindergarten contractor would be directed to refund any improper expenses.

Environment and Natural Resources Secretary John Skvarla also said that he had directed a study related to questionable spending of weatherization funds. *CJ*

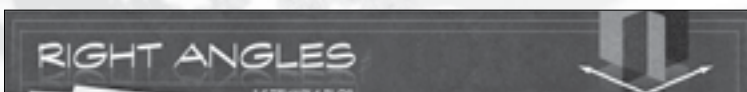


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The Wild West is the JLF's blog in Western North Carolina. Asheville's Leslee Kulba blogs in this site, designed to keep track of issues in the mountains of N.C.: <http://western.johnlocke.org/blog/>

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Scams, False Claims, Rip-offs Abound as Tax Fraud Season Arrives

Continued from Page 1

she and her husband had lived for five years, but she had never heard of the person with the Hispanic-sounding name to whom it was addressed.

Underwood, having read an earlier *CJ* story about a Union County homeowner who had found in his mailbox an IRS check for \$8,315 made out to Ray L. Rodriguez Morales, contacted *CJ* in January. As in Underwood's case, the Union County street address was the homeowner's, but Morales didn't live there. That Union County homeowner also had contacted *CJ* because of having read earlier *CJ* stories about SIRF schemes.

Underwood said she did not open the envelope but kept it, trying to figure out what to do with it. A week later she wrote on the envelope: "This is fraud. Doesn't live here," and dropped it off at her local post office.

A few weeks later, she was working outdoors when she witnessed a late-model van full of people stop at her neighbor's mailbox. "Two men got out and went through the mailbox retrieving what appeared to be two items. They gave a victory shout and jumped back in the van. The driver burned rubber on the way out of my street," she recalled. "I later asked my neighbor if she was missing any bills or other mail, and she said no."

"I didn't know anything about this until I read about it in *Carolina Journal*. If it is happening in Sanford, Durham and the other places you have documented, it is probably happening everywhere," she said.

"Tax fraud is not just taking my address and someone else's Social Security Number, it is theft of public money, of every taxpayer's contribution to the well-being of the state and nation," she said.

IRS oversight

The Treasury Inspector General for Tax Administration, an agency established to provide independent oversight of IRS activities, has issued



Television station WTHR-13 in Indianapolis recently did an investigation and found widespread abuse of the "additional child credit" loophole by illegal immigrants.

a number of reports that address SIRF and related schemes.

The most recent one from September 2013 concluded, "expanded identity detection efforts are helping identify fraudulent tax returns. However, billions in potentially fraudulent refunds continue to be paid."

The report stated that for the 2011 tax year, TIGTA determined that approximately 1.1 million undetected returns were filed using Social Security Numbers that have the same characteristics of IRS-confirmed identity theft tax returns. The potential fraudulent tax refunds issued totaled approximately \$3.6 billion, down \$1.6 billion compared to the \$5.2 billion estimate for the 2010 tax year.

The report also concluded that the IRS stopped \$7.9 billion in identity-related fraudulent refunds in 2011 and \$12.1 billion in 2012.

The report reiterated that the primary solution to preventing identity theft refunds from being issued is the IRS having income and withholding information from employers. This, the report said, "is the key to enabling the IRS to prevent the continued issuance of billions of dollars in fraudulent tax refunds."

In 2013, *CJ* reported on SIRF incidents in Durham and Clinton, N.C.,

as well as Long Island, N.Y. Many of the schemes involve checks addressed to Hispanic-sounding names. Some of the fraudsters who have been caught are in the United States illegally.

This type of fraud can be lucrative. In May, IRS special agents from North Carolina arrested a mother and daughter, both citizens of Honduras who were living in Clinton, in a SIRF scheme in which the pair obtained \$1.4 million in fake refunds involving tax years 2006 through 2012.

Following an IRS undercover operation, Clinton residents Angela Christina Lainez-Flores, 44, and her daughter Karen Mejia, 23, pleaded guilty as charged in July in a conspiracy to defraud the federal government through the filing of false income tax refunds. Lainez-Flores also pleaded guilty to a separate charge of aggravated identity theft.

Lainez-Flores received a 30-month sentence, and her daughter Mejia received an 18-month sentence. Lainez-Flores also was required to repay the government the \$1.4 million she obtained fraudulently.

The typical scheme

The typical scheme works like this: The fraudster obtains a list of stolen Social Security Numbers and

matching names, or obtains Individual Taxpayer Identification Numbers for persons who do not reside or work in the United States, or do not even exist.

The fraudster also obtains Employer Identification Numbers and matching employer names from another source. Then the fraudster files numerous phony tax returns under different names, claiming wages that never were earned. The returns often claim credits for children who do not exist. The phony returns typically ask for refunds ranging from \$4,000 to \$8,000.

Before filing the fake returns, some fraudsters have selected an individual address or a neighborhood as the location for the refunds to be mailed. Others have rented mailboxes from the U.S. Postal Service or a private mail-delivery business to receive their refund checks. When the refund is expected to arrive, the fraudster will search through the designated residential mailboxes for the checks, or collect them from a rented box.

The fraudster will then take each check and a matching fake identification card with the same name and try to cash it at a bank or other check-cashing facility. A cooperating tax preparer may be involved in the scheme and take a cut of the proceeds.

TIGTA maintains that this type of fraud continues because the IRS says it is under pressure from Congress to mail refunds as quickly as possible. So the agency issues refund checks before it receives verification from employers that matches the earnings claimed by the fraudsters.

If the IRS were required to hold refunds until employer records were matched to filer records, this form of fraud would be easier to detect and law enforcement officials could be alerted to the scam.

North Carolina

N.C. Department of Revenue spokesman Trevor Johnson said his department is aware of the numer-

Continued as "Scams," Page 15

Mexicans Recruited In Tax Fraud Scheme, Says Tax Preparer

Continued from Page 1

would receive money from the IRS even if he owed no taxes.

When the preparer learned of the fraud, she said she verified it by sending a friend to several of the tax-preparing services that she suspected were engaging in the practice. The friend said she was, indeed, advised by the other preparers to claim dependents that did not exist.

The preparer does not believe any of the major tax-preparation services such as H&R Block or Jackson-Hewitt participate in the fraud, and that it appears to be limited to small

operations that often operate each year only during tax season and close their doors April 15.

She also said that she was not sure if the phony tax preparers were making additional money in kickbacks from the fraudulent claims, but she thinks they were attracting more clients by offering inflated refunds.

She said she has lost customers because she would not complete forms claiming the children as legitimate unless her clients produced school, medical, or other records indicating that each child both existed and lived in the United States.

"It harms me and my family. All these people I turn down tell their friends not to do business with me. I believe in competition, but it must be fair," she said.

She told *CJ* she thinks the state is catching this type of fraud. "The state of North Carolina is doing more auditing," she said. "When they see nephew, nephew, nephew [on a tax return], it trips something," she said.

This scheme was detailed in a 2011 report from the Treasury Inspector General for Tax Administration. The report found that claims for the Additional Child Tax Credit from filers

using an Individual Taxpayer Identification Number increased from \$924 million in Tax Year 2005 to \$4.2 billion in Tax Year 2010.

The IRS will furnish an ITIN to a foreign worker who is not eligible for a Social Security number. Illegal immigrants routinely are issued ITINs. The IRS also will furnish ITINs to children and other dependents they believe to be living in the United States.

Fraudsters can create a phony child exemption by securing an ITIN using a fake birth certificate or a genuine birth certificate from a child who does not live in the United States. *CJ*

Scams, False Claims, Rip-offs Abound as Tax Fraud Season Arrives

Continued from Page 14

ous fraud schemes involving state and federal revenue agencies. He said the agency does not want to disclose its methods for detecting stolen or phony identities because that might help the fraudsters discover new ways to perfect their scams.

"If an individual receives something in the mail from the N.C. Department of Revenue that does not appear correct, they should immediately contact the department," he said. Johnson said that his agency stopped \$18 million in identity-related fraudulent refunds in calendar year 2013.

He said the department does not have an estimate of how many refunds later were determined to be fraudulent, or how many fraudulent refunds never were detected.

CJ's investigation of SIRF originated in March 2013. A Durham retiree concluded that the mailbox at his home on Sherron Road was being used as a drop site for fraudulent tax refunds and contacted CJ. Further reporting uncovered instances of fraud involving federal and state tax refunds being sent to the mailboxes of the retiree's neighbors, along with schemes affecting residents of other North Carolina communities, Pennsylvania, and Long Island, N.Y.

State of North Carolina Department of Revenue P.O. Box 25000 Raleigh, N.C. 27640-0100 FEIN: 56-1611838 Telephone number: 1-877-252-3052		Form 1099-INT Statement for Recipients of Interest Income Paid on State Income Tax Refunds Copy B For Recipient 2013
1. Recipient's identifying number XXX-XX-8141	2. Interest income \$595.00	
JODY A FREED SHERRON RD DURHAM NC 27703-8567		

A Durham resident received this notice of interest income to a fictitious person at his address, but the state says the corresponding check was never sent.

The Pennsylvania case may have revealed a glitch in NCDOR's enforcement procedures. On April 2, 2013, the Durham retiree found correspondence in his mailbox from the IRS office in Birmingham, Ala., addressed to a Jody A. Freed, and a separate envelope containing a \$4,108.08 IRS tax refund check payable to Freed.

Two days later, the homeowner received a letter from the N.C. Department of Revenue addressed to a Jody Freed. It said the department could not process Freed's return and that it must be resubmitted with W-2 and 1099 forms as well as a copy of Freed's IRS tax return form. The document did

not include Freed's full Social Security number, only the last four digits.

CJ contacted a number of people nationally named Jody Freed and located, in Slatington, Pa., a woman who said the last four digits of her Social Security number matched those in the North Carolina document. She said that, due to an injury, she had qualified for and has been receiving federal disability benefits for the last few years, but has not filed a tax return because she was not required to do so.

While she has suffered no financial loss from the identity theft, she realizes she might encounter problems in the near future. "Didn't the federal

government know it is sending me disability checks under the Social Security Number that it just issued a refund to?" she asked.

CJ contacted NCDOR about the Freed situation. At the time a spokesperson said the agency could not talk about an individual taxpayer's situation, but said the agency took note of the apparent fraud.

In January, the Durham retiree again contacted CJ and said he had received another notice from NCDOR addressed to Jody A. Freed. CJ met the homeowner and retrieved the document. It was Form 1099-INT, stating that Freed needed to claim \$595 in interest income on a state income tax refund she had received. The NCDOR pays 5 percent interest on refunds that are more than 45 days old. That amount indicates that her state refund would have been \$11,900 and her total payment would have been \$12,495.

CJ asked NCDOR's Johnson why the department mailed such a notice to Freed at a Durham address it knew was part of a fraud scheme. After investigating the matter, Johnson said his department had stopped a refund check from being issued and that the interest-income statement should not have been sent. "It was an oversight," he said. CJ

Voucher Advocates Say They'll Continue Fight Despite Ruling

Continued from Page 1

Scholarships could help offset the cost of private school tuition?

"We don't know yet," said Dick Komer, an attorney for the Institute for Justice, a public-interest law firm that intervened on behalf of two parents who sought Opportunity Scholarships for their children. "I think it's sort of [been] put on hold for a while."

Komer said attorneys supporting the Opportunity Scholarships would appeal the ruling and do their best to resolve the legal issues in time for the fall opening of the 2014-15 school year. "This is not the end of this litigation," Komer said. "It is merely the end of the beginning."

Renée Flaherty, another IJ attorney representing the parents, added, "We believe the judge has misread the text of the North Carolina Constitution. It in no way prohibits the creation of innovative programs such as the Opportunity Scholarship Program that give our poorest families additional educational options."

Terry Stoops, director of research and education studies at the John Locke Foundation, notes that more than \$1 billion yearly in state and federal taxpayer funding currently goes to private education in North Carolina. The money flows to private preschools, child care facilities, and universities.

Only students in K-12 private schools have been denied access to public funding along the lines of the Opportunity Scholarships, Stoops says.

While Hobgood had not published his order by press time, Komer noted that the judge questioned attorneys about the funding mechanism the General Assembly used to underwrite the scholarships. The state budget passed in 2013 added \$11 million to higher education spending and set the money aside for Opportunity Scholarships.

The wording of Hobgood's order may be crucial, Komer said. Whether the scholarships could be resurrected quickly "really depends on if there's any wiggle room in his decision for the legislature to fund the program in a different way," he said.

Rep. Paul "Skip" Stam, R-Wake, who introduced the Opportunity Scholarships bill, said he's hopeful any legal concerns can be addressed by the General Assembly during this year's short session, which begins May 14.

"The only constitutional violation he found can be easily remedied in the short session just by appropriating more than \$11 million to the public school fund," Stam said after Hobgood's ruling. "We'll be appropriating probably hundreds of millions of dollars more to the public school system."

The Opportunity Scholarship

Program approved by the General Assembly last year and signed by Gov. Pat McCrory would allow parents from low-income families to receive a scholarship of as much as \$4,200 to be applied to a private school tuition.

Stam said that Hobgood's injunction might stop the administrative process of awarding Opportunity Scholarships. "If that's his rationale, that can be fixed in time for the money to go on in the fall," Stam said.

Former Supreme Court Justice Bob Orr, a plaintiffs' attorney opposing the Opportunity Scholarships, questioned whether Stam's idea would suffice.

"The funding issue, arguably through some other type of legislation, might be remedied," Orr said. "It doesn't resolve the numerous other constitutional issues that have been raised."

Orr put his stamp of approval on Hobgood's ruling.

"We're very pleased," Orr said. "I think the court made the right decision."

Rodney Ellis, one of the plaintiffs in the case and president of the N.C. Association of Educators, said in a statement: "This legislation seeks a radical shift in diverting public education funds desperately needed in our public schools to private schools."

Ellis continued, "We appreciate

that the court is not willing to disrupt the fundamental principles of public education that have been in place in North Carolina since 1868."

Supporters of Opportunity Scholarships expressed disappointment in the ruling.

"We are deeply disappointed on behalf of the thousands of working-class families who desired this educational option," said Darrell Allison, president of Parents for Educational Freedom in North Carolina. "Rest assured we will not rest, we will not yield until every parent and child from a poor or working-class background has the same educational opportunities that many of their wealthier peers have."

"The decision, in effect, robs educational opportunity from those students who need it most," Lt. Gov. Dan Forest said in a statement. "The Wake County Superior Court sentenced the children of failing schools to a path of no options, no hope, and no future."

House Speaker Thom Tillis, R-Mecklenburg, also weighed in. "My disappointment in the court's decision is only outweighed by the impact this will have on families that had already applied to participate in this program next year," Tillis said in a statement. "This will only serve to trap underprivileged children in low-performing schools where they will continue to fall behind their peers." CJ

Postrel: Supporters of Obamacare Were 'Seduced By the Glamour'

BY CJ STAFF

RALEIGH

Glamour can play an important role in our decision-making process. Despite that fact, few people devoted much research time to glamour's impact until author and columnist Virginia Postrel produced the book *The Power of Glamour: Longing and the Art of Visual Persuasion*. Postrel shared her findings recently with a John Locke Foundation audience. Postrel also discussed glamour 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: Before we get into the power of glamour, why did you decide this was a topic that was worthy of a book?

Postrel: Well, that's a very interesting question because I never would have thought that I would write a book about glamour. I was always interested in the unglamorous side of things. I always say, you know, I was interested in supply chain management and the nitty-gritty of how business works or how the world in general works.

And my previous book, *The Substance of Style*, you might think was related, but that is actually about bringing style into things that are not traditionally stylish. It's 10 years old, but things like computer electronics, you know, consumer electronics, or business hotels, things that today we take for granted — but, again, not glamorous.

So what was interesting? I got asked to write an essay about glamour in 2004, and as I delved into the topic, I got very interested in this phenomenon. What is it? What do all the things we call glamorous ... what do they have in common?

It's not a particular style. It's not a particular domain. And then, once I started answering those questions — and this is before I necessarily started writing a book — once I started answering those questions, I became aware of how incredibly influential glamour is and how it affects everything from not just, you know, things we buy — it's used a lot in commerce — to how we vote and what careers we pursue, where we decide to live — you know, big decisions. So it's a very rich subject and very interesting.

Kokai: I understand that much of the book is devoted to showing what actually is glamorous versus what is not, but that some people might think is glamorous. Is that true?

Postrel: What the book does is it tries to give people a kind of intellectual infrastructure, as I call it. So it

"I actually think glamour has a huge influence on public policy because both world-views and specific policies take on glamour, as well as individual candidates occasionally. That's rarer. So an idea of the green economy or the American dream or free enterprise or, you know, in the early 20th century, various ideas of planning were incredibly glamorous."

Virginia Postrel
Author and columnist



has a lot of delving into things. What is glamour? What does it do? What are the three elements that all forms of glamour have? And another thing that it does that people have really enjoyed is it distinguishes between glamour and, say, charisma, glamour and things that are similar to but not the same as glamour.

And the charisma thing people love partly because there is this little chart that says, you know, "Glamorous: Barack Obama. Charismatic: Bill Clinton. Glamorous: Jackie Kennedy. Charismatic: Eleanor Roosevelt." And as well as, you know, "Glamorous: Mr. Spock. Charismatic: Captain Kirk."

I mean, there are some lighter things, too, to it and trying to look at the difference between glamour, which is really more something that you feel, versus charisma, which is something that you have, that is a personal quality.

Kokai: People who listen to this show would probably be interested in many of the topics you discussed at the beginning of the interview because we talk about tax rates and school choice and environmental policy. Why should people who are public policy wonks or who are interested in those hard topics also pay attention to glamour?

Postrel: I actually think glamour has a huge influence on public policy because both world-views and specific policies take on glamour, as well as individual candidates occasionally.

That's rarer. So an idea of the green economy or the American dream or free enterprise or, you know, in the early 20th century, various ideas of planning were incredibly glamorous.

These ideas become glamorous, and then what glamour does is glamour can be very useful. I think it can be either a positive or a negative. It's not something I'm for or against. I mean, I'm interested in understanding it.

But the thing about glamour is it always contains an element of illusion. It hides costs. It hides distractions. It gives you, you know, the picture that you want to project yourself into and think, "If life could only be like that. ..." And that can be very inspiring. It can be very positive in an individual's life.

But when you bring it into the public policy sphere, it often hides the details that actually are going to be what it's like to experience that policy.

And so we often talk about the knowledge problem, you know, all those details that the people on the spot know, they tend to get left out of the glamorous image, whether that's a glamorous image of high-speed rail or interstate highways. There's a lot of glamour in architectural renderings, both in the private sector and the public sector.

Or recently, you know, whatever one may think of Obamacare, the problems that they had with the website were very much, I think, a product of the glamorous images that we see of databases on TV, where on "CSI" or

"Hawaii Five-0," you know, there's these magical databases that just — everything is instantaneous, and all the difficulties of what it takes to put together something like that, especially in a context where it's not like Amazon or Travelocity incrementally innovating over time, it's with a legislative mandate, that got left out of the beautiful picture in President Obama's head.

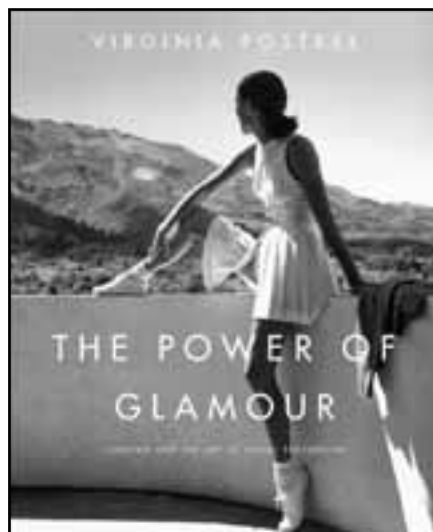
And so he and many other people were surprised. So even people who supported the policy were surprised by the implementation details because, I think, they were seduced by glamour.

Kokai: In the time that we have remaining, if someone is seduced by glamour, how hard is it to then get facts in front of them that say, "As glamorous as this may be, this is not the way to go"?

Postrel: Right. Well, the interesting thing about glamour is glamour is fragile because it often is the case that with experience things that seem glamorous either become negative or just boring. And that's not just public policy. That could be, you know, you get your dream job, and you like your dream job, but it's still your job, and it's not so exciting anymore.

So, unfortunately, the main antidote is experience, not having things pointed out to you, especially if you really are enjoying the glamorous fantasy. But, you know, pointing things out, telling stories.

The trick is, I think, the two great ways to puncture glamour aside from experience are humor and horror. And I think in the public policy field people immediately resort to horror, to saying, you know, "What's being hidden is really the worst thing you can imagine." And I think that's less persuasive than something that is either more mundane or, if you can do it, funny. CJ



FSU Working to Establish Entrepreneurship Ph.D.

By **JESSE SAFFRON**
Contributor

At first glance, Fayetteville State University may seem like a run-of-the-mill institution. Out of the 16 UNC system universities, FSU's enrollment ranks 12th, and among the system's five historically black schools, it ranks third.

The average SAT score for entering freshmen (844) is the lowest in the system. And the town of Fayetteville is known more for the nearby Army base, Fort Bragg, than it is for its collegiate atmosphere. But those facts and descriptions don't provide a complete picture of the school's dynamics.

FSU's second-most popular major is business administration, and for good reason: The school of business and economics there has positioned itself to become a highly regarded business school, not just in North Carolina but nationally.

School leaders see it becoming a hub of free-market scholarship and Austrian economics — a school of economics that emphasizes the subjectivity of value, the importance of the price system, and the role of the entrepreneur — in a region where such scholarship tends to be scattered across various colleges and universities.

Last fall, the school added eight faculty members. Two of the new additions, Steven Phelan and David Pistrui, are professors of entrepreneurship, a field that is growing in popularity. Phelan and Pistrui say their courses provide undergraduates with the tools necessary to construct business models, discover profit potential, raise startup funds, and even negotiate contracts. Students gain these skills by engaging in a number of hands-on, interactive in-class and out-of-class activities that simulate real business scenarios.

The relatively new "entrepreneurship trend" in higher education around the country is undoubtedly one reason that Fayetteville State has been working to establish a new doctoral program in the subject. It's also a move that would distinguish the school in North Carolina. The only university in the state with a related doctoral program is UNC-Chapel Hill, which offers a Ph.D. in business administration with a concentration in strategy and entrepreneurship.

The doctoral program has been

in the planning stages for more than a year. In October 2012, the Pope Center's Jane Shaw participated in a seminar at FSU designed to brainstorm the appropriate focus of an entrepreneurship doctoral program. The participants, who included high-profile free-market academics and business leaders, concluded that such a program should combine both practical aspects of entrepreneurship (for instance, the nuts and bolts of starting a business) and scholarly pursuits, with an emphasis on research that would explore the morality of markets and define the political and economic environment that encourages entrepreneurship.

To obtain Board of Governors approval, the program must deal with the question of funding. Edward String-

ham, who holds the L.V. Hackley Endowed Chair for the Study of Capitalism and Free Enterprise at the FSU business school, envisions the entrepreneurship program moving away from public

funding, and more to private donors. "One of the biggest dollar expenses of doctoral programs is stipend funding for doctoral students. The great news is that we know donors who are interested in helping fund our students," he said.

Indeed, a private donor contributed \$1 million to the L.V. Hackley Endowment, which helped to attract Stringham, Phelan, and Pistrui.

So far, the reaction to the doctoral program by the UNC system has been mixed. The consultants who recently reviewed the mission statement (and all UNC mission statements) endorsed the program but suggested that additional resources might be necessary. UNC president Tom Ross echoed those concerns in a memo to the Board of Governors.

In February, the UNC system's Graduate Council, which has a representative from each UNC campus and makes recommendations regarding degree programs above the baccalaureate level, was supposed to examine FSU's plans. The meeting had not taken place at press time, but after the Graduate Council considers the plans, they will be sent to the UNC Board of Governors for final review. *CJ*

Jesse Saffron is a writer with the John W. Pope Center for Higher Education Policy (popecenter.org).



COMMENTARY

An Open Letter To UNC-CH Alumni

Dear Fellow UNC Alumni: Like many of you, I am concerned about the state of our beloved university. Among its many prominent problems are the alleged fraud by a former academic department chairman concerning "no-show" classes that gave academic credits to athletes, and the report by an academic adviser, disputed by university officials, that some university athletes cannot read on a college level.

As distressing as those problems are, other serious ones exist. One is the general education curriculum for undergraduates.

The Pope Center for Higher Education Policy recently published a report on our university's general education curriculum. One of its co-authors earned her doctorate at our university, and she and her co-author conclude that the general education requirement is an incoherent smorgasbord. Of the minimum credit hours required, equivalent to about 15 courses, students choose from approximately 4,700 courses.

Choices for this purported "core curriculum" include "Introduction to Sexuality Studies," "Russian Fairy Tale," "Recreation and Leisure in Society," "The Folk Revival: The Singing Left in Mid-20th Century America," and "Bollywood Cinema." Instead of allowing such courses to satisfy the "core" requirements, the report proposes an alternative for UNC-Chapel Hill.

I urge you to read the report. Although you may not be satisfied with all its recommendations, I think you will be dissatisfied with the current "core" curriculum. I hope you will encourage the university to improve it.

As chairman of the Pope Center, and as an alumnus interested in involving alumni in improving the curriculum, I wrote Doug Dibbert, president of our General Alumni Association. I proposed that the General Alumni Association sponsor, or co-sponsor with the Pope Center, a forum for alumni to hear the authors explain their report and to hear a university official, perhaps the provost,

defend the current curriculum and critique the report. I also suggested that the Association's *Alumni Review* publish an article on the report. Doug Dibbert dismissed my suggestions and referred me to the provost.

While I do hope to discuss a possible forum with the provost or his designee, my purpose in proposing a forum sponsored or co-sponsored by the General Alumni Association was to involve alumni. Thus, Doug Dibbert's dismissal of the proposal and deferral to the provost disappointed me.

Upon further reflection, his action left me disenchanted with our alumni association. While it purports to be governed independently by its board of directors elected by alumni, its lack of interest in informing us about the general education curriculum suggests that, rather than

being a watchdog for us, it is a mere lapdog for the university administration. We need an independent alumni association: one that is an advocate for our university, but not an apologist; one that celebrates our university's successes, and criticizes its failures.

Those failures are not limited to academic fraud in "no-show" classes or in admitting as students some athletes who are unprepared for college-level studies. They extend to failure to provide a sound general education requirement for qualified students who do show up for classes.

If the General Alumni Association is not interested in addressing these problems at our university, we alumni must. I hope you will email me at ArchTAllen@popecenter.org with your comments and suggestions as to how we may encourage our university to improve the general education curriculum, and let me know what you think of a forum such as the one proposed to Doug Dibbert. And let him know too at doug_dibbert@unc.edu. *CJ*

Arch T. Allen is chairman of the board of the John W. Pope Center for Higher Education Policy. The paper he refers to is available at popecenter.org under "Research."



**ARCH T.
ALLEN**

Campus Briefs

President Obama traveled to Raleigh Jan. 15 to announce that N.C. State University will be the headquarters for a \$140 million public-private partnership that develops the “next generation” of semiconductors for electronic devices.

The U.S. Department of Energy will give N.C. State \$70 million, the biggest federal grant the university has received. The other \$70 million will come from industry partners and the government of North Carolina.

N.C. State’s project, formally titled the Next Generation Power Electronics National Manufacturing Innovation Institute, is meant to increase the viability of wide-bandgap semiconductors and expand their markets. Such semiconductors are smaller and more efficient than silicon semiconductors, the industry standard. If they can be used in consumer electronics, they will make such products lighter, better, and cheaper.

While wide-bandgap semiconductors exist today, they are too expensive and unreliable to be useful. A 2013 Department of Energy paper on these semiconductors pointed to high initial capital costs as a major hurdle; increased “manufacturability and affordability are needed to spur commercialization,” the report said.

Thus, the argument goes, a public-private partnership will make these semiconductors more affordable and easier to manufacture.

But why have investors in Silicon Valley — and elsewhere — ignored this innovation? Perhaps the purposes for which it is touted are not realistic and do not inspire interest in capital investment. Or perhaps the current semiconductors are sufficient to satisfy current users.

Considering the monumental failures of initiatives supported by the Energy Department and Export-Import Bank, agencies that have bankrolled dozens of now-bankrupt “green energy” projects, it’s reasonable to harbor suspicions about N.C. State’s new institute. Billions of taxpayer dollars have been wasted on subsidies for costly technologies like solar panels, wind turbines, electric cars, and biofuels.

The state of North Carolina and the federal government, which are spending \$10 million and \$70 million on the Innovation Institute, respectively, would be well-served to consider these factors. CJ

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

UMBC Uses Personal Stories to Foster Learning

By JESSE SAFFRON
Contributor

RALEIGH
Freeman Hrabowski, president of the University of Maryland, Baltimore County, reflected on the state of higher education during a Jan. 30 lecture at N.C. State University titled “Institutional Culture Change: Fostering Inclusive Excellence and Academic Innovation.”

The higher education leader, who in 2012 was named one of *Time* magazine’s “100 Most Influential People” (and who was tapped recently by President Obama to chair the President’s Advisory Commission on Educational Excellence for African-Americans), used his personal stories as a springboard for a broader discussion about how colleges and universities can enhance academic outcomes and create a campus culture that addresses the needs and concerns of a diverse student body and faculty.

When his presidency began in 1992, Hrabowski told the N.C. State audience, “Large numbers of minority students were not succeeding. We couldn’t figure it out.” After listening to students’ stories and participating in focus groups, Hrabowski realized that the minority students’ problems were shared by white students, too. The focus groups had revealed a lack of academic “intensity” among American students, unlike international students, who tended to have more of a drive to succeed and perform at a high clip.

And so Hrabowski set out to make UMBC “celebrate the best thinking and best academic performance on campus in the same way that we [would] celebrate basketball championships.” After delving into the available data, talking with students, and gauging the campus atmosphere, the university created several initiatives and programs designed to boost camaraderie and learning outcomes.

UMBC expanded its Meyerhoff Scholars Program, which helps top minority students pursue advanced degrees in science and engineering. In 1998, the school created the Center for Women in Information Technology with the goal of increasing “the representation of women in the creation of technology in the engineering and information technology fields.” UMBC also initiated the Sherman STEM Teacher Scholars Program, which

aims to increase the number of STEM graduates teaching at underperforming, troubled K-12 schools. The school even boasts two undergraduate journals — one in the arts and humanities, and one in social sciences. The school has received a number of accolades for those programs.

During the Q&A session following the lecture, someone asked how much of a financial investment was required for UMBC to produce these results. While Hrabowski wasn’t specific, he did suggest that the project is fairly costly. “It’s a combination of fundraising, national money, and some university money,” he said. Hrabowski appears to be doing well on the fundraising front. He said that, over the course of his presidency, he’s received

more than \$15 million from Baltimore philanthropists Robert and Jane Meyerhoff. And grants from the National Institutes of Health, the National Science Foundation, and the U.S. Department of Energy have been substantial. He also said that UMBC is one of the biggest recipients of NASA’s higher education funding.

Hrabowski’s lecture was the inaugural one in a new series titled “Contemporary Issues in Higher Education.” It was sponsored by N.C. State’s office of the provost, College of Humanities and Social Sciences, Office of Institutional Equity and Diversity, and colleges of Education, Sciences, and Engineering. Warwick Arden,

N.C. State’s provost and executive vice chancellor, said the school hopes to host one or two guest lectures per semester.

Hrabowski praised N.C. State University, but he tried to communicate that there is always room for even top institutions to improve. His intensity and enthusiasm, along with his jovial laugh and elevated rhetoric, might have made some of his criticisms and recommendations appear less pointed than they were.

He thinks that all institutions should seek to improve faculty communication and address issues related to women, race, and income to ensure that the campus culture is steeped in openness and kindness, so that people “feel like more than just a number.” He also said that American colleges should “support bringing the best brainpower from around the world” because it provides a “sense of hope that all things are possible through hard work.”

Then, in a slight jab at UNC-Chapel Hill’s ongoing athletics department scandals, Hrabowski asked the crowd to clap if they believed, as he does, that college athletes also should be top students. People in the crowd laughed and began clapping.

Ultimately, said Hrabowski, changing the culture of a campus requires an extensive dialogue. “You cannot make anybody on campus do anything. The only way change occurs is through persuasion,” he said. Based on the warm reception he received during and after his lecture, Hrabowski certainly won over a few hearts and minds at N.C. State. CJ

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



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Opinion

Private Honor Society Shows How Not to Defend the Humanities

Please send money. Sadly, that is the message of "The Heart of the Matter," the 2013 paper published by the American Academy of Arts & Sciences in defense of the humanities and social sciences.

The report will be the subject of a public discussion March 7 at N.C. State University's Hunt Library, sponsored by the College of Humanities and Social Sciences at N.C. State.

Since the commission created to write this paper was packed with dignitaries and presidents of top universities (including Duke University's Richard Brodhead), I expected it to be substantive. But, possibly because it was packed with higher education luminaries, it turned out to be a plea for money.

I should have been suspicious after learning of a scandal surrounding the sponsor, the American Academy of Arts & Sciences. The academy is a private honor society in Cambridge, Mass., that goes back to the days of the American Revolution and has an illustrious membership. But last July the executive director, Leslie Cohen Berlowitz, resigned under pressure after she improperly stated that she had a Ph.D. from New York University and after it became public that

she was earning \$598,000 a year — a high salary for a nonprofit think tank with several dozen employees.

The paper started with Congress. In a letter to the academy in 2010, U.S. Sens.

Lamar Alexander, R-Tenn., and Mark Warner, D-Va., along with Rep. David Price, D-N.C., and Thomas Petri, R-Wis., asked the academy to create a commission to "assess the state of humanistic and social scientific scholarship and education."

A proper response, it seems to me, should have been a probe into the quality of teaching and research in those areas, especially the humanities, which have suffered a drastic decline in interest from students.

But instead of determining the state of these disciplines or arguing why their study is valuable, this paper promotes financial support on somewhat simplistic grounds. It's written to state legislators or bureaucrats whom the academics view as interested only in jobs.

The three stated goals of the report have a utilitarian tone — such as to "educate Americans in the knowledge, skills, and understanding they will need to thrive in a 21st-century democracy," and "equip the nation for leadership in an interconnected world."

The commission urges the nation to "strengthen literacy," "find new ways to support our educators," "re-



connect our K-12 schools and teachers to the broader scholarly community," "share best practices," "address grand challenges," etc., etc.

In other words, it offers generalizations and

sound bites so broad as to be meaningless.

Some phrases do criticize the state of liberal education but skirt around actual deficiencies in higher education.

You can hardly tell that the report is referring to the decimation of general education in our colleges when it says, "Courses narrowly tied to academic and research specializations can be extraordinarily valuable to students. ... But college and university curricula must also offer the broad-gauged, integrative courses on which liberal education can be grounded."

In case you think this means some kind of core curriculum, forget it. "We are not arguing for a return to the 'general education' model of some idealized past," the report says.

Of course, the authors are speechless for good reason. When it comes to a liberal arts education, especially the humanities, a defense simply doesn't exist in the academy any more. The disciplines have been enfeebled because:

- You can't say that we should understand natural rights, because natural rights may come from God

and most of the academy doesn't believe in God.

- You can't say that we learn about our human nature through Shakespeare, Dostoevsky, or Flaubert, because they are dead white males.

- You can't say that some values are worth dying for, as many did in the American Revolution, for example, because that is militaristic.

- You can't say that the thinking spawned by Western civilization laid the foundation for human liberty because you sound like a Tea Partier.

There really isn't much you can say to defend the humanities as they are now constituted in academia because the humanities faculties themselves have rejected so much of what the humanities once were.

The dignitaries on the commission behind this paper would have done well to consult Heather Mac Donald, who recently defended the humanities in *The Wall Street Journal*. She described the humanities as "the loving duty we owe those artists and thinkers whose works so transform us," and as a "constant, sophisticated dialogue between past and present."

This dialogue goes back centuries and became "a defining feature of Western civilization, prompting the evolution of such radical ideas as constitutional government and giving birth to arts and architecture of polyphonic complexity."

Mac Donald has a better understanding of what liberal arts ought to be about than does the American Academy of Arts and Sciences. CJ

Jane Shaw is president of the John W. Pope Center for Higher Education Policy (popecenter.org).



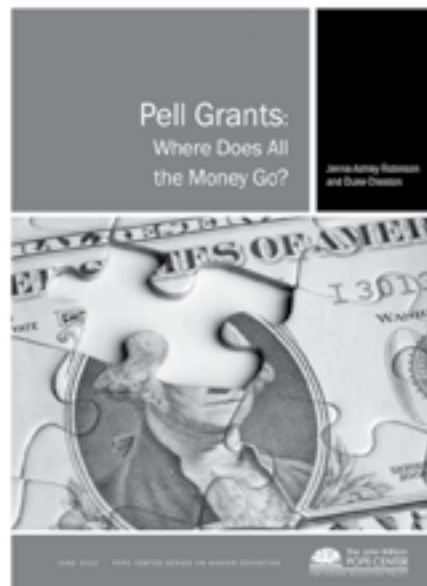
JANE SHAW

Are Pell grants going to those who need them?

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

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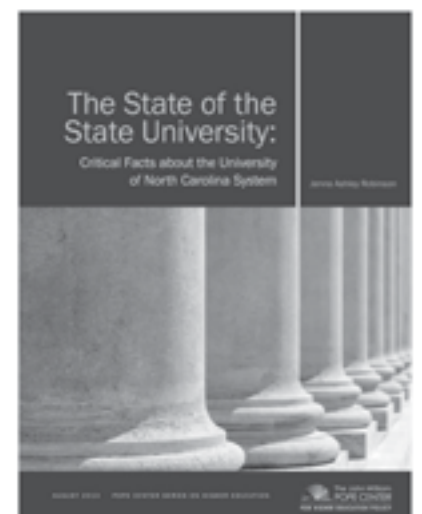


Critical Facts about the University of North Carolina System

Jenna Ashley Robinson has compiled publicly available data about the UNC system to reveal facts including faculty salaries, state appropriations, and more.

Read the newest Pope Center Series report, "The State of the State University."

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



From the Liberty Library

• Most new products fail. So do most small businesses. And most of us, if we are honest, have experienced a major setback in our personal or professional lives. So what determines who will bounce back and follow up with a home run?

If you want to succeed in business and in life, Megan McArdle argues in *The Up Side Of Down*, you have to learn how to harness the power of failure. McArdle argues that America is unique in its willingness to let people and companies fail, but also in its determination to let them pick up after the fall.

Failure is how people and businesses learn. So how do you reinvent yourself when you are down? Dynamic and punchy, McArdle teaches us how to recognize mistakes early to channel setbacks into future success. For more, visit www.us.penguin.com.

• Assaults on religious liberty and traditional morality are growing fiercer. Here, at last, is the counterattack.

Showcasing the talents that have made him one of America's most acclaimed and influential thinkers, Robert George explodes the myth that the secular elite represents the voice of reason.

In fact, George shows, it is on the elite side of the cultural divide where the prevailing views frequently are nothing but articles of faith.

Conscience and Its Enemies reveals the bankruptcy of these too-often smugly held orthodoxies while presenting powerfully reasoned arguments for classical virtues.

Conscience and Its Enemies sets forth powerful arguments that secular liberals are unaccustomed to hearing — and that embattled defenders of traditional morality so often fail to marshal.

It also lays out the principles and arguments for rebuilding a moral order. More information at www.isibooks.org.

• Baby boomers enjoyed the most benign period in human history: 50 years of relative peace, cheap energy, plentiful grain supply, and a warming climate due to the highest solar activity for 8,000 years.

In *The Twilight of Abundance: Why Life in the 21st Century Will Be Nasty, Brutish, and Short*, David Archibald explains that the party is over. To learn more, visit www.regnery.com. CJ

Book review

Why Liberty: Strong Essays Supporting Libertarianism

• Tom Palmer, editor, *Why Liberty – Your Life, Your Choices, Your Future*, Jameson Books, 2013, 160 pages, \$9.95 paperback.

BY GEORGE LEEF
Contributor

With this short, easily read, yet intellectually powerful book, Tom Palmer continues his work of making libertarianism the philosophy that will appeal to and animate young people around the globe.

While the arguments for vastly downsizing our prodigious, meddling, and dangerous government are just as applicable to mature people as to younger ones, Palmer wisely crafts the book for maximum traction with the generation that must either begin to ratchet down the mega-state or else watch it grow like a malignant tumor.

The book is a collection of new essays. All are strong, but I'll discuss just my favorites.

Palmer's lead essay, "Why be Libertarian?" explains the common ground between libertarianism and the rules most people instinctively follow in their everyday lives.

Acting like a libertarian, he writes, means "You don't hit other people when their behavior displeases you. You don't take their stuff. You don't lie to them or trick them. ... You respect other people. You respect their rights. You might sometimes feel like smacking someone in the face for saying something offensive, but your better judgment prevails and you walk away or answer words with words. You're a civilized person."

Libertarianism simply means extending those decent, nonaggressive instincts most of us follow individually to the level of government. If you should not use force or fraud, neither should those who run the government.

But isn't government different? Haven't people consented to government coercion because "the common good" often requires it? That belief has been drummed into people almost everywhere. Palmer tears it apart. Politicians don't know what, if anything, is for the "common good," and besides, they are more interested in their own power and privilege.

Well-known TV personality John Stossel contributes an essay cleverly titled "There Ought Not to be a Law." Stossel observes that both left-wingers and right-wingers think they can improve upon society in various ways. Their ends may be laudable, but both sides err in their choice of means when they turn to government coercion rather than peaceful, voluntary approaches.

If you think, for example, that poor people need better medical care, don't lobby for a law that has government take over everyone's care, but instead use your freedom to target voluntary assistance to those who need it.

Stossel sums this up with a line all readers should easily remember: "There is nothing government can do that we

cannot do better as free individuals."

James Padelioni's essay links the spirit of libertarianism with the abolition of slavery. The greatest human rights campaign in history was fueled by the libertarian belief that violations of the right to live in freedom cannot be tolerated. The fire that burned in abolitionists was libertarian fire. Not only did it animate the campaign against slavery, but also the campaigns against laws that denied equal rights to women, Jews, and other unpopular groups.

Always, the great weapons against oppression were nonpolitical and, of course, nonviolent. Libertarians used economic means to battle slavery, such as consumer boycotts of slave-produced sugar and education to raise the moral vision of the mass of people so they would see the wrong in long-accepted practices of oppression.

Glad we no longer have slavery and legal discriminations against groups of people? Thank libertarians.

Perhaps the essay most likely to open the eyes of younger people is Sarah Skwire's "No Liberty, No Art: No Art, No Liberty." In it, she draws the connection between artistic freedom (which naturally rebellious teens and young adults understand to be important) and freedom in general.

Surveying history from ancient times to modern, she gives examples of rulers using their power to punish poets, artists, and musicians who dared to criticize them. Stalin and Hitler both imprisoned and killed artists who dared to speak out against their regimes. More recently, Putin's Russian government had the band Pussy Riot sentenced to a penal colony for performing an anti-government song.

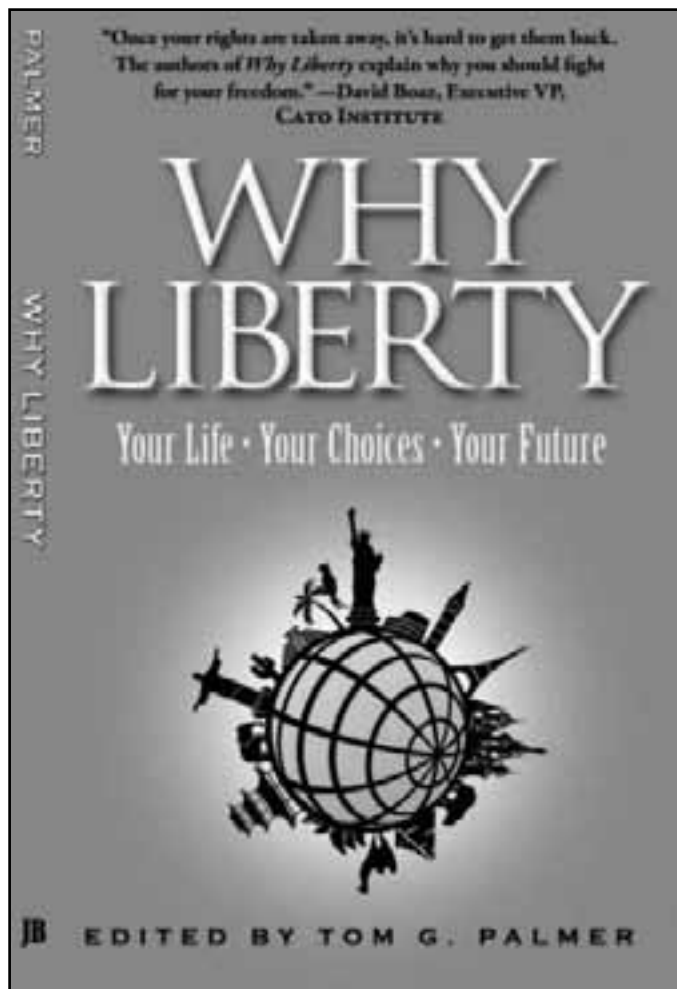
Art, Skwire argues, can also help advance liberty. The Czech Republic's "Velvet Revolution" was catalyzed by the government's prosecution of a rock band. She quotes Czech leader Václav Havel, who said, "The freedom to play rock music was understood as the freedom to engage in philosophic and political reflection, the freedom to write, the freedom to express and defend the various social and political interests of society."

Shortly after the book was published, the disastrous rollout of Obamacare

occurred. Advocates for that law repeatedly said that it was needed to solve the "crisis" afflicting our medical care system. In her essay "The Tangled Dynamics of State Interventionism: The Case of Health Care," Sloane Frost brilliantly dismantles the tiresome notion that the problems we have in health care and health insurance stem from free markets, and demand a federal solution.

She demonstrates that the troubles we face are due entirely to decades of government interference — a vast array of mandates and prohibitions and taxes and subsidies that replaced voluntary arrangements and prevented better systems from emerging.

This book will do a lot to help free people's minds from dependency upon government. CJ



Post-Civil War Reconstruction Era Deserves More Attention

More books have been written about the Civil War than any other period in U.S. history. On library bookshelves, the inquisitive can find volumes exploring the significant (and even minor) military campaigns. On the same shelves are biographies examining the lives of individual Confederate or Union generals that offer insights into strategies, leadership styles, and personal lives.

Although it is important to understand what happened when the guns ceased and the smoke cleared, far fewer historians have dealt with the war's aftermath: Reconstruction. To be sure, there are a few tomes offering conflicting interpretive narratives. And national and state-level Reconstruction political and cultural studies have been published. But the number of Reconstruction and post-war studies is significantly lower than those about the war itself.

Why? One, many people find the war far more interesting. Descrip-

tions of battles and military strategies, soldiers' attire and actions, and charismatic and inspiring figures attract readers, and many still romanticize the conflict, even though the Civil War was a brutish affair. Two, Reconstruction was complicated — a transitional, troubled, and turbulent time. People want an uncomplicated, neat, and clean history. History, however, is a story of individuals and human unpredictability and is often messy. People are uncomfortable dealing with messes.

Reconstruction was a nation-building exercise. It was an effort to transform a conquered South. Like other nation-building exercises, troops occupied territory, old leaders were removed, and new groups gained power to replace the old leadership. In the end, Reconstruction was successful in some ways and failed in others.

Why the mixed results? Some contend that the lack of commitment for a prolonged Reconstruction effort was the ultimate reason. Others place the blame on the fierce resistance to Reconstruction efforts.

Even organizing a comprehensive history of Reconstruction can be disorganized and messy. Most believe Reconstruction lasted from 1865 to 1877. Well, yes and no. Northern mis-

sionaries were only a few steps behind Union soldiers, and Reconstruction began as soon as Union troops occupied Confederate soil. The Reconstruction effort, for example, began on Roanoke Island in early 1862 as refugees fled to the Union encampment after Gen. Ambrose Burnside captured the island. Similar scenarios played out across the occupied South.

Although many think the controversial Tilden-Hayes presidential election of 1876 and the ensuing Compromise of 1877 ended Reconstruction, in fact, Reconstruction ended generally state by state. In Tennessee, for instance, Reconstruction ended technically one year after Lee's surrender when the state ratified the 14th Amendment in June 1866. North Carolina, by contrast, was not readmitted into the Union until 1868.

American Reconstruction politics was heated and controversial. Long embroiled in battles over what he deemed proper constitutionalism, President Andrew Johnson was impeached for removing Edwin Stanton from his cabinet and supposedly violating the Tenure of Office Act. Johnson was only one vote away from being removed from office.

In North Carolina, Gov. William Holden was impeached and removed

from office in 1871.

During Reconstruction, freedmen — no longer considered property — experienced new opportunities. They took leadership roles in politics and in churches, and most, in some fashion, seized long-denied educational opportunities. Although the South still was primarily rural — as was most of America until 1920 — many freedmen moved to towns to find work and start a new life. Many, however, fell victim to the smallpox epidemic or cholera. Historians do not know how many perished from these diseases. Many other freedmen remained on farms, as a sharecropping and lien system developed in the postwar South.

Reconstruction was a time of rapid social, economic, and political change. It was a time of chaos and conflict. And it was also a time of opportunity and new beginnings. It is a complicated history that is worthy of serious study. This column has only scratched the surface.

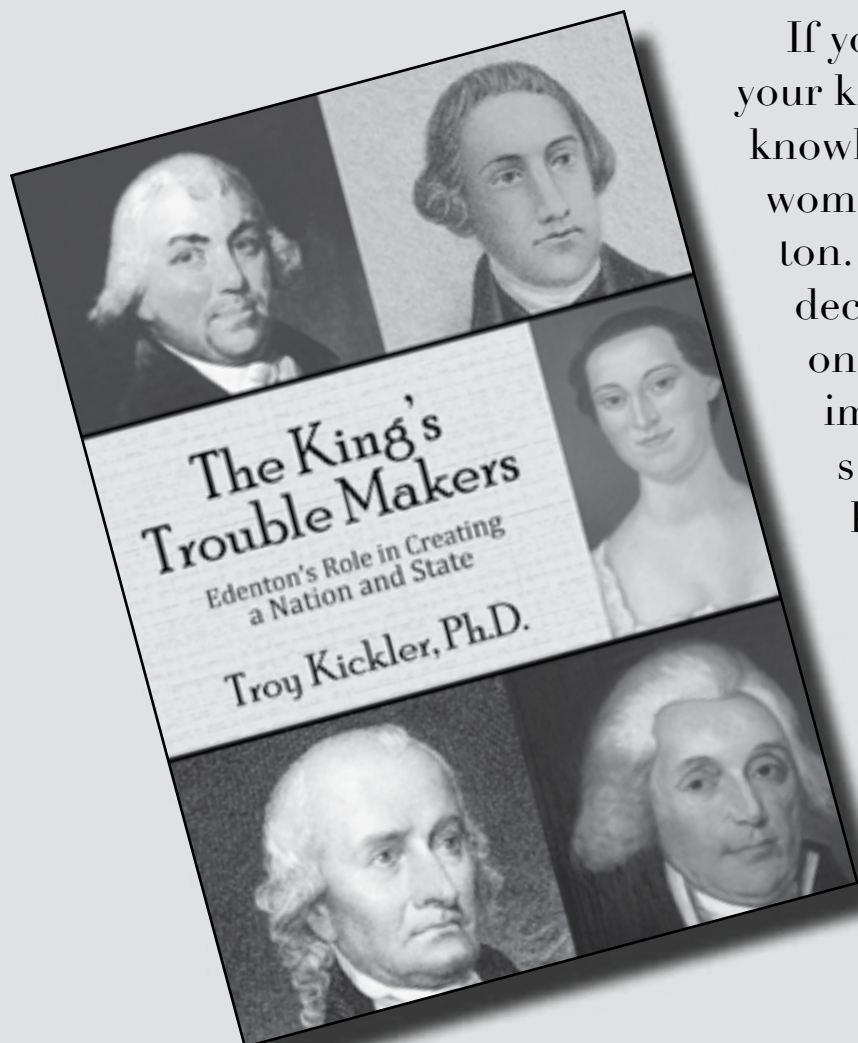
For a recently posted Reconstruction bibliography, visit northcarolinahistory.org. CJ

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



**TROY
KICKLER**

BOOKS BY JOHN LOCKE FOUNDATION AUTHORS



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

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

Go to northcarolinahistory.org for more information.

Book review

Double Down an Entertaining, Behind-the-Scenes Political Tell-All Book

• Mark Halperin and John Heilemann, *Double Down: Game Change 2012*, Penguin Press, 2013, 499 pages, \$29.95.

BY MELISSA MITCHELL
Contributor

RALEIGH
Mark Halperin and John Heilemann's book *Double Down: Game Change 2012*, was greeted with media hype and accolades. With the John Edwards scandal and the Sarah Palin nomination, the original *Game Change* became a soap operatic, tell-all book.

Will *Double Down* also be another scandal-laden tell-all book? Although the book does have some of the traits of its predecessor, the authors have written a good book that contrasts and compares two very different candidates, political parties, and political machines: the Obamans and Romneyites.

The authors go behind the scenes of each political campaign and introduce the reader to a multitude of political operatives, who all seem to hold the record for using profanities, which might offend some readers.

Divided into three parts, "Part One" of the book opens with a dithering President Obama. He has done poorly in the first debate with Mitt Romney. Obama hates the debates because he feels they are beneath him. Obama's team is concerned because it appears that Obama's heart is not in his campaign.

The Republican gains in the midterm elections, an approval rating that has rarely reached above 50 percent, and the stagnant economy all are problems for Obama. Communications director Dan Pfeiffer worries whether

Obama and his team can achieve an Obama comeback, thinking, "What if people are saying we're just tired listening to you?"

In the 2008 campaign, "Obama had been endowed with an almost superhuman confidence and self-possession," say the authors. Now, "the contrasts were sobering — the Obama of yesteryear, fiery and soaring, the Obama of today, pallid and sluggish, bromidic," state the writers.

By the end of "Part One" of *Double Down*, readers will wonder how Obama was re-elected.

"Part Two" moves on to the massive field of GOP primary candidates. The revelations about these primary candidates may eliminate them from any future run for the presidency. This reviewer was shocked over the hatred that many of these candidates exhibit toward each other.

Even though Romney had a failed attempt in the 2008 GOP primary, he does not face the lack of self-confidence that Obama is exhibiting. Romney's biggest personal obstacle is his tag as a flip-flopper. He constantly worries that he will say something that reinforces that image. Basically an

honest person, when asked questions, Romney cannot obfuscate, and when he tries, he looks unserious and less presidential.

The book chronicles Romney's constant uphill battles: a bloody primary campaign, months of negative ads, his disjointed team, a hostile media, and the Mormon faith issue.

Another problem, says Karl Rove, was that "Romney was not liked or disliked by elected officials, strategists, and lobbyists in Washington—he was a stranger." The authors reveal that Obama has a visceral hatred of Romney.

Although Romney seems destined to win the election, Obama's political machine is underestimated. The "47 percent" remark helps them energize their base by por-

traying Romney as an uncaring, rich elitist.

By "Part Three," Obama still is dithering and telling his team, "I just don't know if I can do this." More striking was Obama's candor and self-awareness, write the authors, noting that Obama, "the most self-contained president in modern history (and possibly, the most self-possessed human

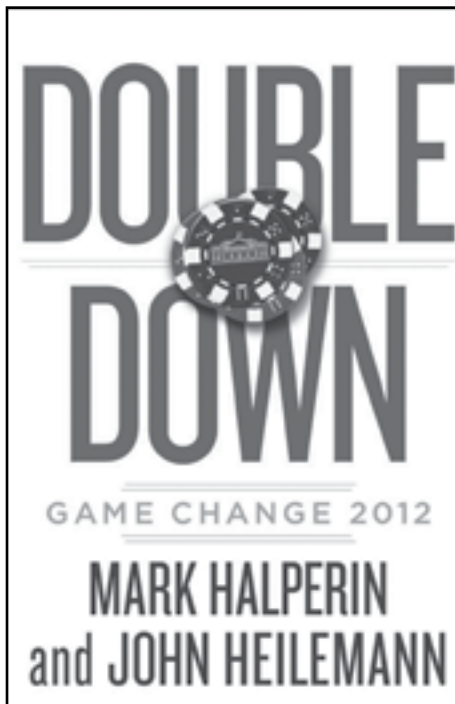
on the planet) was now laying himself bare." Ironically, the authors present this narcissistic behavior as positive. Obama's team seems always to need to be telling Obama what a good president he is and what a good job he is doing.

Many see New Jersey Gov. Chris Christie's embrace of Obama as the turning point in the election and payback for not being chosen as Romney's vice presidential candidate. However, write the authors, "Christie thought Obama was an atrocious chief executive, passive and disengaged, but he knew the president's caginess and magnetism would be hard to beat," which is why he did not run for president himself, instead of payback to Romney, the embrace may have been a genuine emotional response in the wake of Hurricane Sandy's destruction.

Parts of the book are irritating. For example, the authors perpetuate the myth that the Benghazi attack was the result of a video, not a terrorist attack.

While this is a tell-all book, it does not have the soap opera elements of the authors' previous work. Readers will be amused when they read that Obama does not like the Congressional Black Caucus, thinks Israeli Prime Minister Benjamin Netanyahu is "a pain in the ass," and was miffed that President Clinton gave the Democratic National Committee a copy of his convention speech, but did not deliver the speech as written in the copy, and then went over his allotted time.

If you want to know more about the behind-the-scenes operation of campaigns, *Double Down* is well worth the reading time. CJ



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Retrospective

Media for Years Glossed Over Seeger's Evangelical Communism

BY LLOYD BILLINGSLEY
Contributor

RALEIGH
Forty-six years ago, Feb. 24, 1968, folk singer Pete Seeger appeared on CBS television's "Smothers Brothers Comedy Hour," where he performed "Waist Deep in the Big Muddy," a song with the refrain: "and the big fool says to push on." Pete Seeger was singing about the Vietnam War and President Lyndon Johnson, but the tune sums up Seeger himself better than the tide of hagiography following his recent death at age 94.

Pete Seeger was born in 1919 to a musicologist father and concert violinist mother. Beyond the family musical influence, Seeger grew up in an age of evangelical communism. During the 1930s it did seem as though Western capitalism and democracy were failing, and that the future belonged to "scientific" socialism, as practiced in the Soviet Union under the leadership of Josef Stalin. Many Americans flocked to the Communist Party USA, a creation of the USSR, and its various front groups.

The eager acolytes included many in the arts, but they didn't play by their own rules. The official line was that singers, actors, and writers were "artists in uniform" and their work had to advance the Communist cause, otherwise what they did was merely bourgeois decadence. Seeger was an artist in uniform.

In August 1939, Stalin and Adolf Hitler signed the Nazi-Soviet Pact that divided up Europe and launched World War II with the joint invasion of Poland. The invasion prompted many Americans to abandon Communist

causes as well as the notion that Stalin was always right.

Pete Seeger was up past his waist in all that, but like the "big fool" in his song, he decided to press on. With the Almanac Singers he recorded "Songs of John Doe," backing the Communist Party's official positions, and he opposed American involvement in the war against Hitler.

In 1942, Seeger formally joined the Communist Party and in 1945 became director of People's Songs, Stalinist evangelism wrapped in populist pieties. At that time, as Bobby Gentry might say, everything was an "Ode to Uncle Joe." Seeger was not the most talented American Stalinist, trailing Paul Robeson, Lillian Hellman, and others, but he never flagged in zeal.

After World War II, Stalin occupied half of Europe and set up puppet Communist regimes. That prompted many Americans on the Left — liberals and trade unionists in particular — to abandon their support for the USSR. Stalin's colonization of Eastern Europe drew not the slightest protest from Seeger, the alleged champion of peace, democracy, and human rights.

Seeger supposedly left the Communist Party in 1950 for a milder brand of socialism and pro-labor activ-

ism. Stalin died in 1953, and in 1956 Soviet boss Nikita Khrushchev revealed Stalin's crimes. Though the USSR invaded Hungary that year to crush a revolt, Seeger did not champion the rebels. Seeger's brand of "peace" turned out to be anything the USSR wanted.

Throughout the Cold War, he reserved his criticism for the United States and its allies.

During the Vietnam conflict, Seeger became known as an "anti-war" troubadour, but that misses the mark. Seeger was not against war itself, just against U.S. military efforts to halt Soviet colonialism. Once a pro-Soviet regime was in place, Seeger pushed ahead on other fronts. This did not hurt him because the American ruling class has a soft spot for old Stalinists.

President Clinton awarded Seeger the National Medal of the Arts, and the Library of Congress hailed him as a "Living Legend." And Communist dictators still loved the banjo Bolshevik.

In 1999 the Castro regime gave Seeger its highest cultural honor for his work against racism. As Cuban author Humberto Fontova put it, Seeger proudly visited the Stalinist dictator who brought the world close to nuclear war and "jailed and tortured the most black political prisoners in history."

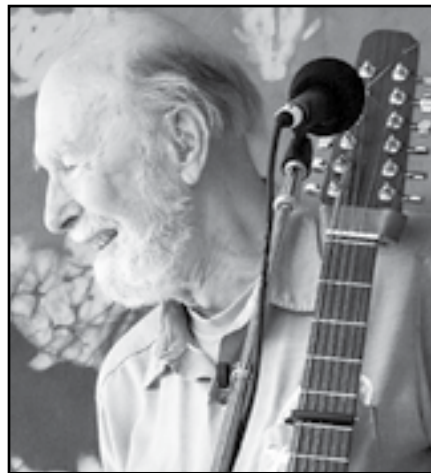
In 2007 Seeger attempted to make amends by composing "Big Joe Blues," supposedly an acknowledgement that Joe Stalin, not Joe McCarthy, had been the major problem back in the day. But Seeger never released the song.

Barack Obama invited Seeger to play at his inauguration, where he performed Woody Guthrie's "This Land is Your Land" with Bruce Springsteen, a big fan. Springsteen recorded the 2006 album "We Shall Overcome: The Seeger Sessions," and introduced Seeger at Madison Square Garden, on his 90th birthday, as "a living archive of America's music and conscience, a testament of the power of song and culture to nudge history along."

Others take a different view. P.J. O'Rourke writes that Pete Seeger is "a good folk singer, if you can stand folk singing. And he's such an excellent banjo player that you almost don't wish you had a pair of wire cutters. His abilities as a composer range from the fairly sublime ("Turn, Turn, Turn") to the fairly awful ("If I Had a Hammer") by way of the fairly ridiculous ("Where Have All the Flowers Gone?")."

Those not on board with Seeger's music can always remember the activism. In recent years, Seeger duly joined other leftist celebrities such as Oliver Stone in a campaign to "Free the Cuban Five," operatives of the repressive Castro regime that gave Seeger a prize.

Even in his emeritus years, the big fool still pushed on. CJ



Pete Seeger, 2007. (Photo by Anthony Pepitone, Wikipedia)

BOOKS AUTHORED BY JLF STAFFERS



By John Hood
President of the
John Locke Foundation

Selling the Dream

Why Advertising is Good Business



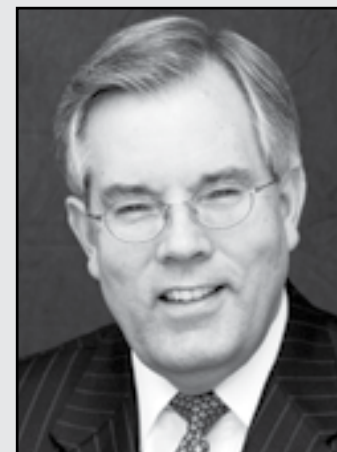
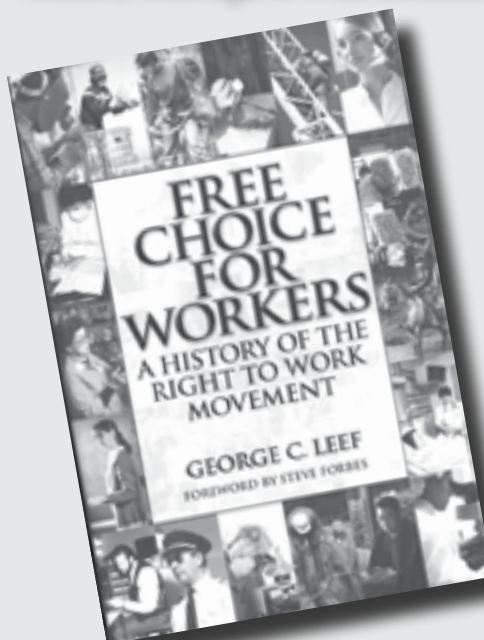
"[Selling the Dream] provides a fascinating look into the world of advertising and beyond ... Highly recommended."

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April 2006

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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

Establishment Cannot Stop School Choice

Superior Court Judge Robert Hobgood issued an injunction Feb. 21 that paused North Carolina's new Opportunity Scholarship Program, a private school voucher program for low-income families. At that point, the North Carolina State Education Assistance Authority had received over 4,700 applications for approximately 2,400 vouchers made available by the N.C. General Assembly's \$10 million appropriation last year.

But for the plaintiffs who sued the state to block the voucher program — led by the North Carolina Association of Educators, the North Carolina School Boards Association, and a cadre of left-wing interest groups — this is not a case about low-income families or the North Carolina Constitution or what constitutes a “sound, basic education.” Their objection to the voucher program has little to do with the low-income families that they claim to champion. Rather, the goal is to protect a handful of entrenched and well-funded advocacy organizations that rightfully fear that educational choice will further loosen their grip on schooling in the state.

The irony is that the Left professes to champion choice and opportunity for the poor, yet actively opposes educational options that would provide both.

The Left won this battle, but they will lose the war. In fact, the injunction may strengthen the resolve of the more than 4,700 parents who applied for an Opportunity Scholarship for their children.

My optimism is grounded in history and facts, not disposition. (In fact, I am a pretty miserable person — an Eeyore, if you will.) There is little doubt that educational choice is here to stay. More parents than ever choose to enroll their children in a charter school or a private school. Tens of thousands opt to educate their children at home.

The demand for charter school seats continues to outpace supply. Tens of thousands of families remain on waiting lists for charter schools that cannot expand fast enough to accommodate the demand. Most new charter schools meet their enrollment caps within one or two years of operation. I

suspect that charter school enrollment will exceed 55,000 students this year.

Moreover, the N.C. Division of Non-Public Education estimated that nearly 96,000 children attended private schools and approximately 88,000 attended home schools last year. It's just a matter of time before North Carolina's private and home school populations reach 100,000 students, respectively.

Parents have voted with their feet. They want more, not fewer, educational options.

The demand for options will strengthen as parental dissatisfaction with the district school system grows. And there are plenty of reasons to be dissatisfied. Consider the following:

- In Halifax County, only nine of one elementary school's 180 students earned proficiency in reading or math last year. Again, that is nine students, not 9 percent.
- Of the approximately 127 students who attended a community college immediately after graduating from one Guilford County high school, 115 (91 percent) required remediation in math, reading, and/or English.
- Last year, only about half of the low-income students attending one high school in Vance County graduated on time.
- Both Halifax County high schools had average SAT scores that were more than 200 points lower than the state average.

Too many low-income children are confined to low-performing public schools. That begs the question. How much longer will parents tolerate district schools that fail to year after year? If North Carolina's adequately educate their children history of expanding school choice is any indication, they may not have to tolerate them much longer.

Until then, this case is far from over. Unfortunately, the more time the case remains in the courts, the less certainty low-income parents have about a program that they so desperately want and need. CJ

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



TERRY STOOPS



AN EARLY DENIER

EDITORIAL

Civics Test: When Is Election Day?

If you think Election Day is Nov. 6, you might want to reconsider. Depending on where you live and what office you're talking about, Election Day could be in July or May. Who knows: By the time you read this, it may already have occurred.

Many North Carolinians will not have an opportunity to choose among legislative and even congressional hopefuls, because in many contests, the candidate from one party will run unopposed. In most other circumstances, races for Congress and the General Assembly will be settled long before November because the district lines have ensured that the incumbent party's nominee will face no serious challenge.

This sorry situation begs for solutions, and at least one should give voters more say in who represents them: redistricting reform.

At press time, the North Carolina FreeEnterprise Foundation noted that the 9th Congressional District had no Democratic candidate on the ballot in November. In February 2014, Republicans knew they would hold that seat until 2017.

Moreover, no Democrat had filed to run in 56 state House seats and 17 state Senate contests. On the flip side, Republicans were absent from the filing lists in 30 House seats and 13 Senate races. In several instances, only the incumbent filed for re-election, meaning voters in those districts will have no say over who represents them for another two years.

Establishing — by statute or constitutional amendment — a set of rules controlling the composition of legislative and congressional districts should

make more elections competitive. Districts that represent equal numbers of voters, respect city limits and county lines, are compact geographically, and do not favor incumbent officials or previous election results will encourage representation that reflects constituent interests rather than the entrenchment of power through incumbency.

With the proper rules in place, it doesn't matter very much who draws the lines.

The current system allows the party holding the majority of legislative seats during the session when the once-a-decade census is released to expand its power far beyond its support from voters. In 2012, Republicans and Democrats roughly split the vote for General Assembly and congressional races, and yet the GOP won nine of 13 congressional districts and nearly two-thirds of legislative races.

While the quality of candidates and their campaigns matter, there's no question the districts drawn in 2011 gave Republicans an outsized partisan advantage. (This behavior isn't new. Democrats used similar leverage to their benefit for the districts drawn after the 2000 census.)

For years, the John Locke Foundation has joined elected officials and interest groups across the ideological spectrum to call for nonpartisan redistricting reform. House Speaker Pro Tem Paul “Skip” Stam, R-Wake, has been on board with this campaign when Republicans were in the minority, and, to his credit, his enthusiasm has not waned now that the GOP has firm control. Let's hope he, and his allies for reform, can get this done. CJ

EDITORIALS

Job Trends

Data back contention of growth after UI exit

Last July, North Carolina became the first state to exit the federal government's extended-benefits program for unemployment insurance. Six months later, at the start of 2014, extended benefits ceased in the rest of the country. President Obama and some politicians and analysts want to renew the program for 2014.

Given the stakes, policy analysts across the spectrum have focused intently on the labor-market statistics in North Carolina, which show a dramatic drop in the unemployment rate (from 8.8 percent in June to 6.9 percent in December, more than twice the drop the nation as a whole experienced). We wish these analysts' intense focus on the issue had been accompanied by an extensive knowledge of how the statistics were produced and what they meant.

For example, if they truly knew what they were talking about, these analysts would not be claiming that North Carolina's exit from extended benefits caused the state's civilian labor force to contract. They would know that the apparent decline in the labor force began in February 2013, months before the end of extended benefits. Moreover, they would know that apparent decline in the work force was not large enough to be statistically significant, because of

the small size of the U.S. Bureau of Labor Statistics household-survey sample.

The other BLS survey that generates labor-market statistics, the payroll survey, has a much larger sample size. According to the payroll survey, North Carolina employers added 51,400 jobs from June to December, a statistically significant increase. Moreover, that rate of increase (1.3 percent over six months) exceeded the national average for the same period (0.8 percent).

North Carolina's job-creation trend also exceeds the national average over the longer run, since 2011. Still, there was a period in which the state lagged the national average. Unfortunately for the Left's flimsy narrative, it was the first six months of 2013 — which preceded the end of extended benefits.

So here's what the evidence tells us about North Carolina's July 2013 exit from extended benefits: 1) It was followed by a large, statistically significant drop in unemployment; 2) It was followed by a statistically significant increase in filled jobs as measured by the payroll survey.

Other claims, about household employment and labor force participation, lack statistical significance. Does that mean liberal editorialists will stop making them? You already know the answer to that question. *CJ*

Politics and the Bard

Polls show a little maturity wouldn't hurt

"I am hurt," says the dying Mercutio in *Romeo and Juliet* after trying to stand up for his friend Romeo and getting stabbed for it. "A plague o' both your houses!"

That phrase sums up the way many North Carolinians feel about their elected officeholders, according to an average of results from the last six publicly available polls. With one exception, most N.C. voters don't disapprove of their politicians. But they don't much approve of them, either. The exception is President Obama, about whom nearly everyone has an opinion. According to the poll average, 51 percent of North Carolinians disapprove of the job Obama is doing as president, with an average of 43 percent approving of his performance.

Gov. Pat McCrory has the same approval rating as Obama, 43 percent, but a lower average disapproval rating, also 43 percent. In other words,

there's an average of about 14 percent of North Carolinians who lack a firm opinion about the governor's job performance, compared to just 6 percent about Obama's. Even more North Carolinians don't yet know what to think of Sen. Kay Hagan's performance. Her job-approval average is 37 percent, and her disapproval average is 47 percent.

What about the North Carolina General Assembly? As an institution, it's none too popular, with an average of 25 percent approval.

Public Policy Polling and the Civitas Institute's January poll each asked a generic-ballot question for the 2014 legislative races. The two surveys yielded the same result: a tie.

Both sides could do with a bit more sober reflection and mature behavior. Or as the Bard put it in *Henry V*: "The empty vessel makes the loudest sound." *CJ*

COMMENTARY

A Conservative View
Of Moral Monday

Any political movement that can turn out tens of thousands of protesters on a chilly morning in February must be deemed impressive.

To this conservative, the 2014 edition of Historic Thousands on Jones Street — an annual march through downtown Raleigh initiated by the NAACP and now associated with the Moral Monday movement — was a remarkable feat of organization, logistics, and marketing.

If organization, logistics, and marketing were sufficient to produce favorable legislation or electoral victories, the Moral Monday movement would be destined for success. I don't think that is what's about to happen, however. While the movement has ample financial and human resources, its strategy is fundamentally flawed.

The conservatives now in charge of the legislative, executive, and judicial branches of state government, and of most county governments across North Carolina, believe their policies are right. They don't believe they are sacrificing morality on the altar of political expediency.

For example, while they believe their fiscal policies of spending restraint and tax reduction will boost job creation and economic growth, they also believe these policies combat the moral evils associated with oppressive government. They recognize that government is necessary to fund core public services, and that these funds must come from taxation. But they reject the morality of using government coercion to confiscate and redistribute income, particularly when the action is motivated by envy.

North Carolina conservatives also believe that while temporary assistance for needy families is an appropriate state function, they oppose public-assistance programs that discourage work, enable self-destructive behavior, supplant voluntary charity, and sustain a debilitating culture of dependency. Conservatives believe such welfare policies are morally wrong.

On education, conservatives believe it is a moral imperative to give children the opportunity to attend the schools most likely to help them succeed — which is why they favor public-school reforms such as

merit pay and parental choice measures such as charter schools and vouchers. You may think conservatives are mistaken to believe these policies will have the intended effects. But if you think accusing them of immorality for embracing these reforms will do anything other than make you look unhinged and disingenuous in their eyes, you are kidding yourselves.

Finally, accusing Republican politicians of failing to respect the democratic process, as Moral Monday protesters routinely do, sounds grossly hypocritical to North Carolina conservatives who spent decades on the outside looking in as Democrats gerrymandered electoral districts, ignored legislative procedure whenever they found it convenient, and even resorted to criminal activity to keep themselves in power.

Democrats never have faced an election in which they received a majority of votes for a legislative chamber and then, because of gerrymandering, won only a minority of seats. But that actually happened to Republicans in 2000, 2002, and 2004. Where were the liberal activists and special-interest groups when these abuses were going on? Did they attempt to obstruct the Democratic legislative majorities as illegitimate? No, because they generally liked the legislation that resulted.

To many liberal activists and Democratic pols participating in Moral Monday protests, these rhetorical and strategic considerations are irrelevant. They have no interest in trying to persuade conservative politicians to adopt different policies. They simply want to destroy them, politically and sometimes even personally, in order to regain power. I can think of many appropriate adjectives for this. "Moral" is not among them.

Conservatives should resist the temptation to ridicule or dismiss Moral Monday protesters. It makes those conservatives look small. Still, at its core, the Moral Monday movement is based on a self-defeating principle: that the only people deserving of respect are those who already agree with you. *CJ*

John Hood is president of the John Locke Foundation.



JOHN HOOD

MEDIA MANGLE

'Man Bites Dog'
Vs. 'The Narrative'

There's an old newsroom adage that if a dog bites a man, it's not news, but if a man bites a dog, it is. For those who don't understand this musty aphorism, it means that something being unusual greatly adds to its newsworthiness.

There was a time when a man-bites-dog story would send a city editor into paroxysms of glee: Just think of the witty headline we can write. Just think of how many additional rack sales this could mean.

Nowadays, things are a bit different. The man-bites-dog story must be run through the filter of "the narrative" that the media has begun using. Newsworthiness alone is no longer good enough as a barometer. How it might help or hinder "the narrative" has become the most important factor.

JON
HAM

As you may already have guessed, "the narrative" is the left-wing template that news stories must nowadays be wedged into, sometimes tortuously. If they can't be massaged, molded, twisted, and filled with enough ambiguities and questionable "facts" to fit "the narrative," often they simply do not appear in the news.

It's often said that the greatest power newspapers and other mainstream news media have is the power to ignore a story. Ignoring one for lack of newsworthiness is good journalism. Ignoring one for ideological reasons is bad journalism.

A good example of the latter occurred on Feb. 25, when a group of black pastors held a press conference to call for the impeachment of Attorney General Eric Holder for urging state attorneys general to ignore state laws against gay marriage.

"Any decision — at any level — not to defend individual laws must be exceedingly rare. They must be reserved only for exceptional circumstances. And they must never stem merely from policy or political disagreements — hinging instead on firm constitutional grounds," the Rev. William Owens, founder of the conservative Coalition of Black Pastors, said in his statement.

This has all the key elements of a man-bites-dog story. *Conservative* blacks alone fit that bill. Blacks attacking our black attorney general, as well as our black president, also fit the formula.

But a funny thing happened. Not one national media outlet reported this group's statement of opposition to Holder and Obama. *The News & Observer* had not mentioned it as of our press time, several days after the event. A local New York CBS station did a story, but the national CBS folks ignored it.

The conservative-friendly *Washington Times* and Great Britain's *Daily Mail* ran the story. So did many conservative websites and blogs, but no mainstream outlets. I guess the mainstream media didn't hear about it because the black pastors held their press conference in an out-of-the-way venue called the National Press Club. CJ

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



2 out 3 LIKE a Minimum Wage HIKE



Unemployment Benefits

Like most people, my grandparents struggled during the Great Depression. My maternal grandfather lost his life savings in a failed bank. A widower, his extended family wanted to take his children — including my mother — and raise them. He refused. My paternal grandfather moved constantly between part-time jobs, all the while trying to keep his small farm afloat.

The unemployment compensation system was developed to help people like my grandfathers who — through no fault of their own — faced tough times when the economy went into a tail-spin. The system really is a form of insurance. Employers pay money into a fund during good economic times (even though economists have determined that workers effectively pay the fee by receiving slightly lower wages). Then, during a bad economy when unemployment rises, jobless workers receive payments from the fund to replace some of their lost wages.

The unemployment compensation system has been around since the mid-1930s, but recently it has become a source of debate in Washington as well as in North Carolina. The system was designed to help workers who became unemployed temporarily and who would be called back to work when the economy improved. But many people today have remained unemployed for months — and some for years.

Certainly, unemployment compensation payments help jobless workers by providing them funds to meet their daily living expenses. The payments aren't lavish — averaging no more than half a worker's previous salary and with a maximum cap. Yet one of the hotly debated questions is whether receiving unemployment payments motivates a jobless worker to search *less* for a new job — thus contributing to higher unemployment!

There are opinions on both sides of this issue. However, this question is a good example of how economic research can be helpful. Economists have techniques and methods that can isolate the impact of one factor (here, unemployment compensation) on another (job search).

Fortunately, the evidence from economic studies is consistent and clear — jobless workers receiving payments from the unemployment compensation program decrease their job search — but only slightly. Using information from the unemployment resulting from the Great Recession, one study found the extension of unemployment benefits increased the duration of unemployment by only 7 percent. Another study found an increase in jobless benefits only temporarily reduced search activity for about one week.

Yet other studies have found a link between unemployment benefits and the unemployment rate — suggesting the extension of benefits during the recent recession could have increased the jobless rate by between 0.5 and 1.5 percentage points. But how could this happen if there's been little reduction in job search efforts by unemployed workers?

An answer may be provided in a fresh study released at the end of 2013. The authors argue the existence of jobless benefits could mean potential employers have to offer slightly higher salaries before they can attract workers. In economics, increasing the price of something (in this case, workers) tends to reduce its use. So the modest bump-up in salary would cause employers to hire less labor and lead to an increase in the unemployment rate.

This is the theory — and the authors of the study found empirical support for it. We'll need to see if other studies confirm this finding. If they do, it implies unemployment compensation payments don't increase unemployment by reducing searching by jobless workers, but instead by increasing the salary that must be paid to attract jobless workers to seek new jobs.

Regardless of the accuracy of any study, with so many folks being jobless for long periods of time, we may want to rethink our way of helping them. Thirty years ago one of my colleagues suggested a possible reform. He recommended eliminating the monthly jobless benefits in favor of a large, one-time payment to unemployed workers they could use for retraining or relocation. Such a payment would be several thousands of dollars, and it would require a revision of how jobless benefits are financed. But it could be the best long-term solution. CJ

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

2014 Elections Are About Freedom

And so it begins again. Filing is over, and the 2014 election cycle is off and running. North Carolinians will elect a U.S. senator and 13 U.S. representatives to serve in Washington. We will elect 50 state senators and 120 state representatives to the North Carolina General Assembly. The elections for the chief justice and three other justices to the N.C. Supreme Court, along with the elections of three members of the N.C. Court of Appeals, are important well. District attorneys will be elected to more than 30 districts and dozens of superior and district court judges will be chosen to serve. In addition, all 100 counties will hold elections for county commissions, or school boards, or both.

Who we elect to these offices and the leadership they provide will affect our lives every day, in ways many of us probably don't realize. Decisions made by elected officials will help or hinder a fragile economy; recovery is at risk. And as with elections since 1788, freedom is at stake.

The underlying theme in all

these races will be economic freedom. From Obamacare to tax reform to job creation to regulations to educating the work force — everything is about the economy. Is government the answer, or should individuals have the freedom to choose? Whether it's health care, education, how much money remains with those who earn it and how much is provided to those who need help — should the government take charge, or should individuals be allowed to make decisions for themselves?

Candidates for federal office will have to defend or amend Obamacare and find solutions for the escalating costs of health care. They will have to figure out how to minimize the crushing blow of an employer mandate on the business community. They'll have to choose how much of our health care system is dictated by government and how much is left under individual choice and control. (Sen. Richard Burr will be with us at a Headliner luncheon March 31 in Raleigh to explain his consumer-driven alternatives to Obamacare.)

Federal candidates will offer solutions to the country's growing debt, to a badly needed but undocumented work force, and to a central government that is dysfunctional. The major question for them will be: Should the federal government be everything to

everyone, or should it provide a platform for freedom allowing individuals to choose who they want to be? Can individuals be left free to create wealth that supports a vibrant economy, or, instead, should government try to sustain the economy through transfers of wealth?

Candidates for the General Assembly will answer questions about school choice, taxes, and spending. Should parents be free to choose the best options for their children? Should poor students have the same opportunities as their wealthier classmates? Is a simpler, fairer, more equitable tax system that allows families the freedom to keep and choose how to spend more of their money better than paying more to the government and getting less? Is a state government obligated to provide transparent and honest accounting of where tax dollars are spent? Isn't the best way out of poverty a job?

In many ways, the outcome of North Carolina's judicial races may have the greatest impact on life in our state. The Supreme Court could make decisions on the voter identification requirement, redistricting, school choice, the death penalty, property rights, and more. Who those judges are and the principles that drive their decisions are critical to the preservation of freedom in North Carolina. A

healthy respect for and strict adherence to the North Carolina Constitution provide our only assurance that the judicial branch of state government will protect our freedom.

Local government candidates will be answering questions about public transportation, school construction costs, land use, zoning, smart growth, debt, and transparent budgeting.

School boards should ensure taxpayer dollars are spent effectively on classroom instruction and focus on meeting the educational needs of children, families, and communities; they also should encourage collaboration among all schools in their district, including charter, private, and traditional public schools. Nor should they antagonize parents who choose to educate their children at home.

The issues center on the economy, but the election is about freedom. Every issue should be put to this test: Does it restrict or promote freedom? Every candidate should be committed to preserving freedom and every voter to understanding what is at risk. This election is about freedom. We are about to entrust new leaders with our freedom. Vote like it matters. *CJ*

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



BECKI GRAY

A Common-Sense Obamacare Alternative

During the late 1970s, a young congressman from upstate New York by the name of Jack Kemp began pushing for across-the-board tax rate cuts to cure the nation of its economic ills.

Unemployment was rampant, interest rates were sky high, and the president of the United States — Jimmy Carter — described America as being in a state of "malaise."

Carter was right. His non-sensical economic policies and those of the Democratic-controlled Congress were punishing the job creators and productivity and rewarding big government at all levels.

But back to Jack Kemp. He was a force of nature when it came to promoting what commonly came to be called "supply-side economics" and later, legislatively, the Kemp-Roth tax cuts.

His economic ideas, along with those of economists Art Laffer and Jude Wanniski, were incorporated into former Gov. Ronald Reagan's presidential campaign, resulting in Kemp-Roth becoming law and the nation experiencing an unprecedented period of sustained growth from the mid-1980s through the 1990s.

Fast-forward to February 2014.

Once again we are seeing massive government overreach at all levels, this time by President Obama, his administration, and his Democratic allies in Congress.

It began on day one of Obama's administration when he set out to "transform" America and to redesign one-sixth of the economy (America's health care system) into what can be described only as socialized medicine.

The outcome of this massive redistribution-of-wealth scheme has been confusion and chaos.

The calamities include: the colossal failure of the rollout of the Obamacare website; higher premiums; canceled policies; families and individuals being denied treatment by the doctor of their choice and limited access to their health care networks.

And, of course, what Politifact called the "lie of the year" in 2013 was really the lie of the century: If you like your insurance policy and you like your doctor, you can keep them.

Enter Republican U.S. Sens. Richard Burr (N.C.), Tom Coburn (Okla.), and Orrin Hatch (Utah) with a common-sense alternative designed to fix the mess Obama and his cohorts have gotten us into.

The bill is called the "Obamacare Replacement Plan."

It is, in essence, a legislative road map to repeal Obamacare fully. The key to the Burr, Hatch, and Coburn plan is choice and trust in the free-market system.

Just to hit the highlights, the legislation would do the following:

- It would repeal Obamacare and instead focus on targeted reforms designed to lower costs and expand access to care.
- It would let families and businesses make their own health care decisions.
- It would empower us consumers to make our own choices on what plan and what doctors we want and need and takes the decision-making

out of the hands of the federal government.

• The "Obamacare Replacement Plan" also increases transparency, which sadly is lacking in the Affordable Care Act.

With the introduction of this bill, Sens. Burr, Coburn, and Hatch have offered a serious and practical proposal to replace Obamacare with something much better for the American people.

And let's not kid ourselves — this effort by three prominent senators serves another purpose, as a political rejoinder to Obamacare in the upcoming 2014 elections.

In other words, it gives candidates running for federal office against Obamacare an answer to the question, "What's your solution?"

As was the case with Kemp-Roth, the Burr-Hatch-Coburn "Obamacare Replacement Plan" is not only good policy — it is also good politics. *CJ*

Marc Rotterman is a senior fellow of The John Locke Foundation and a former member of the Reagan administration.



MARC ROTTERMAN

Crisco Seeks Celebrity Help in Primary Against Aiken (a CJ parody)

By JOHNNY LARUE
Entertainment Correspondent

RALEIGH

Former N.C. Commerce Secretary Keith Crisco, who is running for the Democratic nomination in the 2nd Congressional District, has announced the hiring of several "strategic campaign advisers" in his contest against "American Idol" runner-up and Chatham County resident Clay Aiken.

Crisco, an Asheboro business owner and first-time congressional candidate, named a "Reality Team" to counter Aiken's built-in name recognition and celebrity appeal.

Heading the team will be campaign manager Ruben Studdard, who defeated Aiken in the 2003 "American Idol" finale, and campaign media/talk show liaison Arsenio Hall, who bested Aiken in "Celebrity Apprentice."

"Ruben and Arsenio have shown Clay can be defeated in a popularity contest, so their experience and advice will be invaluable," Crisco told *Carolina Journal*.

Other members of the Reality Team include "American Idol" and High Point native Fantasia, who will handle outreach to African-American voters, and "Idol" runner-up Adam Lambert, named ambassador to the LGBT community.

Crisco says Studdard already has been a big help. "He designed a logo



Second District Democratic primary candidate Keith Crisco recently unveiled the campaign logo that his adviser, "American Idol" winner Ruben Studdard, designed for his campaign against opponent, "American Idol" runner-up Clay Aiken. (CJ spoof photo)

for my campaign that is really nice. It looks sort of familiar to me, but I can't really put my finger on it," he said.

Garner native Scotty McCreery, who won Season 10 of "American Idol," has decided to remain on the sidelines. When contacted by *CJ*, McCreery said that neither campaign would be able to guarantee 24/7 access to Bojangles' chicken, and "that pretty much sealed the deal," McCreery said.

Crisco said choosing a theme for his campaign has been difficult. "Our first idea was to ask people to 'Vote Clay off the island,' but the producers

of "Survivor" wouldn't let us use that," Crisco said. "Then I thought we'd call this our 'Amazing Race,' but the CBS lawyers sent us a stern letter."

Meantime, Sharon Decker, Gov. Pat McCrory's commerce secretary, saw a potential boost for the state's economy from celebrity politicians.

"If we can convince some Hollywood types to move here and run for office, imagine all the publicity North Carolina can generate from 'Inside Edition' and 'Entertainment Tonight,'" Decker told *CJ*.

Decker said she was placing Rich-

ard Lindenmuth, the interim head of a public-private partnership that plans to take over many of the Commerce Department's functions, in charge of developing a recruitment and relocation program for celebrities who want to throw their hats in the ring.

"We can expand the film industry tax credit to cover moving costs and subsidize movie and TV stars' housing for the first year while they establish residency," Decker said. "A consulting firm we hired found that every Emmy- or Oscar-winner we relocate here to seek election will create 1,750 job-days for film crews, makeup artists, and publicity professionals and more than \$5 million in economic impact for the state."

For his part, Aiken has assembled a more traditional campaign team. His advisers include Gary Pearce, a long-time associate and confidante of former Gov. Jim Hunt; Joyce Fitzpatrick, who worked with former Sen. John Edwards; and Betsy Conti, the wife of former state Transportation Secretary Gene Conti, who served with Crisco in the administration of Gov. Bev Perdue.

Even with those establishment Democrats in his corner, a source close to Aiken told *CJ* that the entertainer has a trump card he can play. "If this gets really nasty, Clay has Simon Cowell as one of his 'favorite' cell-phone contacts," the source said. "If Crisco decides to play dirty, bring it on." *CJ*

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