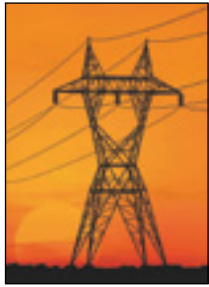


**Senate
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regulation of
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CAROLINA JOURNAL

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FROM THE JOHN LOCKE FOUNDATION

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STATEWIDE EDITION

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Stolen-Identity Tax Refund Fraud Widespread

Durham-style scheme reaches several states, also federal returns

BY DON CARRINGTON
Executive Editor

A stolen-identity tax refund scheme uncovered by a Durham retiree in March apparently is so widespread that one federal official has described it as the "No. 1 tax scam for 2013."

It's called SIRF, stolen-identity refund fraud, and it affects an untold number of innocent taxpayers, costing the federal government billions. It relies on two weaknesses in the operations of the Internal Revenue Service: its desire to get returns to taxpayers quickly, and a timing gap in how it deals with employees and employers.

In short, criminals file fake tax returns in the name of a taxpayer, but do it before the real taxpayer gets around to it. Then, the IRS and some state revenue agencies, in an effort to provide good service, send a refund check to the criminal before they learn from employers if the refund actually

Victims Surprised To Learn They Were SIRF Targets

BY DON CARRINGTON
Executive Editor

The victims of stolen-identity tax refund fraud are real people, not just statistics. Two of them, whose names came up in a *Carolina Journal* investigation into tax refund fraud, are Jody A. Freed, of Slatington, Pa., and Evan Russell, who lives in Raleigh.

Until *CJ* contacted her, Freed did not know she was a SIRF victim. On April 2, the Durham homeowner on Sherron Road who first brought the tax-fraud scheme to *CJ's* attention found correspondence in his mailbox from the IRS office in Birmingham, Ala., addressed to a Jody A. Freed. In a separate envelope was a \$4,108.08 IRS tax refund check made out to a



Evan Russell, manager of the Gorman Street Pub in Raleigh, is one of many victims of the tax scam called stolen-identity refund fraud. (CJ Photo by Don Carrington)

person with that name.

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

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is warranted.

As reported at *Carolina Journal Online* in March, and in *Carolina Journal's* April print edition, a Durham retiree found that his mailbox was being used as a drop box for people engaged

in tax fraud. He had received tax refund checks from Maryland and tax correspondence from the state of South Carolina.

It turns out that this was not an isolated incident. Since the earlier sto-

ries by *CJ*, the Durham retiree has received more tax mailings, including a federal tax refund check for \$4,108.08 made out to someone who doesn't

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Three Convicted in Perdue Campaign Probe

Number of associates taking plea deals now totals five

BY RICK HENDERSON
Managing Editor

Three associates of former Democratic Gov. Bev Perdue — New Bern attorney Trawick "Buzzy" Stubbs, Morganton businessman Charles Michael Fulenwider, and former Western Piedmont Community College board member Robert Lee Caldwell — were convicted April 24 of misdemeanor charges for obstruction of justice in an investigation of fund-



raising violations during Perdue's 2008 campaign for governor.

With the 2011 felony plea of Perdue's former campaign finance director Peter Reichard and the 2012 misdemeanor plea taken by attorney Juleigh Sitton, who ran Perdue's Western North Carolina office, five people con-

nected to the Perdue campaign have been convicted of fundraising crimes.

Stubbs and Fulenwider each were fined \$5,000, and Caldwell was fined \$500. The three men were banned from participating in any political fundraising activities for 18 months.

"Rational people do irrational things," said Superior Court Judge Donald Stephens during an April 24 hearing. "They seem to take leave of their senses during political campaigns."

Prosecutors have stated that Perdue never has been implicated in the criminal activities. Perdue, who served two terms as lieutenant governor before winning the governor's race in

Continued as "Three," Page 15

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Indy Brewer Wants Out of Wholesaler Controls

Legislation would raise limits on how much independents can distribute on their own

BY BARRY SMITH
Associate Editor

WHITSETT

Bill Sherrill feels like he has an uphill battle in an effort to continue self-distributing the beer he brews at Red Oak Brewery in Guilford County.

He chooses to hire people to distribute his beer instead of going through a distributor. But under current state law, that option would not be available to him once he tops 25,000 barrels of beer per year.

"I've invested \$10.5 million in this place," Sherrill said. "I just invested \$500,000 in tanks." Those tanks, Sherrill said, would lead to the brewery exceeding the 25,000-barrel limit. And once he reaches that cap, every drop he brews — not just the first 25,000 barrels — would have to be handled by a separate distributor.

Sherrill believes he's fighting against a powerful lobbying group in the N.C. Beer & Wine Wholesalers Association. He's tried to get the cap raised in past years, but his efforts have gotten nowhere.

Indeed, bills have been introduced in the last three legislative sessions to increase the cap to between 60,000 barrels and 100,000 barrels.

Sherrill, who employs 22 people, says he wants to keep controls on the beer once it leaves his brewery until it gets to the retailer. He doesn't pasteurize his beer or put preservatives in it, so it's important that his beer stay refrigerated.

"If you don't keep it cold, it will go bad quick," Sherrill said.

Sherrill said that a contract he would have to sign with a wholesale distributor "is prohibitive."

Sherrill said he's even pulled his beer out of some sporting venues because it wasn't refrigerated properly.

This year, Rep. Pricey Harrison, D-Guilford, who has sponsored similar bills in the past, is taking up his cause. She has introduced House Bill 781, which would raise the cap to 60,000 barrels a year.

"It seems to be common sense that if you want to distribute your own product, you ought to be able to," Harrison said.

Harrison has sponsored similar bills in previous legislative sessions. She said the last time her bill was considered in committee was 2010, when she eventually removed it from consideration because it had no chance of passing.

Tim Kent, executive director of the N.C. Beer and Wine Wholesalers Association, said the law is in place for good

reason.

"The three-tier system promotes a fair marketplace that cannot be dominated either by mega-brewers or big-box retailers," Kent said of the process of getting beer from the brewer to the retailer.

He said the system in which the brewer gets beer from the brewery to the retailer through a wholesale distributor helps promote product variety, providing a buffer between breweries and the retailers.

"Alcohol is a highly regulated product, and for good reason," Kent continued. "It's highly regulated because if it's misused and not traced properly, the consumer is placed at risk."

Kent said that in previous years the legislation to increase the self-distribution cap has failed because beer distributors have been able to convince legislators that the current system works well. He said that the bill's chances of advancing this year, without the support of the Republican leadership, "are minimal at best."

He said that at least 16 states in the country allow no self-distribution. "By comparison, we have a fairly relaxed system of distribution," Kent said.

Kent said the reason the 25,000-barrel annual limit was put in place was to give "incubator companies" a chance to get started.

Kent also said distributors are prepared to handle Red Oak's brews. "Mr. Sherrill does not have a product that is unique to brewing," Kent said. Wholesale distributors have refrigerated warehouses, and they use refrigerated trucks to transport beer to market, he said.

Erik Lars Myers, owner of Mystery Brewing Co. in Hillsborough, said he used to self-distribute, but now uses a wholesale distributor to get beer he brews to market. He said he favors the bill.

"I think they both are very important options for breweries," Myers said. "I do think that people should be able to self-distribute to an unlimited cap."

Myers said most smaller breweries likely would choose not to self-distribute as they got larger.

"I don't think this is nearly as threatening to the wholesalers as they think it is," Myers said.

However, Myers said if a brewery has the resources and the desire, then it should be allowed to self-distribute. Not allowing them to do so punishes success, he said.

Myers said about half of the 70-plus craft beer breweries in the state self-distribute.

Harrison said she thinks the current situation is anti-competitive.

"The three-tiered system that requires a distributor just doesn't make sense to me," Harrison said. "It confounds me that an individual isn't allowed to distribute his own product."



'It seems to be common sense that if you want to distribute your own product, you should be able to'

Senate Proposes to Regulate Construction of Transmission Lines

By DAN WAY
Associate Editor

RALEIGH

The N.C. Senate in April passed legislation regulating electric transmission lines that some Democrats and energy industry critics say will shield major power providers in North Carolina from competition.

Sen. Buck Newton, R-Wilson, primary sponsor of Senate Bill 635, told senators during floor discussion that there was no opposition to his bill from the state's power industry. Senators approved the measure 42-4. The House had not considered it at press time.

The bill would allow only public utilities to obtain a certificate to construct a new electricity transmission line. The bill redefines public utilities as investor-owned companies, electric membership cooperatives, joint municipal power agencies, and cities or counties furnishing electricity for public or private use.

"The federal government has said competition and competitive pressures are in the best interests of consumers," said Sharon Segner, assistant vice president of LS Power, an independent power company with offices in four states that develops and invests in power generation and electric transmission facilities. She believes S.B. 635 would trample the ability of out-of-state interests to build power transmission lines in North Carolina.

Newton said during Commerce Committee debate that nothing in his bill would prevent LS Power from becoming a public utility in North Carolina.

The only thing the bill protects, said Newton, is ratepayers from out-of-state profiteers who potentially

would squeeze a targeted return on investment from their project and then abandon transmission lines or refuse to upgrade them.

LS Power has generation facilities in South Carolina and Virginia. The company does not have a presence in North Carolina, but Segner said it has explored generation possibilities here in the past and "there very likely in the future could be marketing opportunities."

The underlying issue is an order issued July 21, 2011, by the Federal Energy Regulatory Commission. It requires criteria and procedures to be established allowing regional transmission projects to be sponsored, built, and owned and operated by "nonincumbent" transmission owners if the state law allows such nonincumbent entities.

A nonincumbent entity would be one that owns electricity transmission lines but does not serve retail customers as a public utility. Third-party and joint-venture ownership of transmission would be proscribed under the bill.

"Our business model is to apply for state public utility authority and to be under the authority of the state," Segner said.

"There appears to be no advantage to North Carolina ratepayers to allow this FERC ruling to go forward

as it is, and it would be in our ratepayers' and our state's best interest to push this bill forward and make sure we have the lowest cost and greatest reliability" in electricity transmission, Newton said.

Because FERC sets higher allowable return on equity rates than North Carolina, there is a risk that without his bill North Carolina ratepayers would pay more for a transmission line, Newton said.

LS Power believes Newton's bill "needs to be clear in the language because otherwise it could subject a new company to litigation once it hits the North Carolina Utilities Commission," Segner said. "Some could try to turn the language into making it an anti-competitive [measure]."

Segner said North Carolina is "already fully protected with or without the legislation" being proposed. It has the authority to deny applications from unqualified companies.

Newton disagrees.

"If this bill doesn't go through, then they [outside owners] would be in a position to, with only federal regulation, decide to build transmission lines through and in North Carolina, and our Utilities Commission essentially would have no ability to control the siting, the quality of construction, and ongoing maintenance," Newton

said during committee debate.

"You could theoretically have a situation where the investors had a return on their investment and made all they wanted to do, and they didn't want to upgrade and could abandon it. These are some of the risks that the Utility Commission came up with," Newton said.

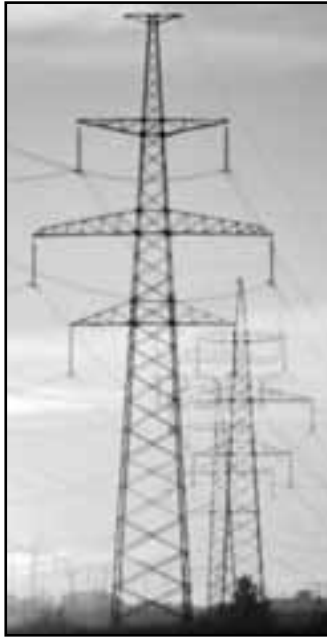
"If anyone is to build transmission in the state of North Carolina, they're going to need to go through a CPCN [certificate of public convenience and need] process in order to get involved, and nothing has changed from that standpoint," Segner said.

During committee debate, Sen. Dan Soucek, R-Watauga, agreed the state should respond to the FERC ruling, "but there seems to me to be an advantage to North Carolina ratepayers to have competition," he said.

"If somebody can [install] a transmission line and lower the cost of capital in a better and more efficient way, and somehow benefits North Carolina ratepayers, and be prepared to be subject to the public Utilities Commission oversight, I don't know why we wouldn't encourage that," Soucek said.

"I was not satisfied with those explanations" of why Newton rejected LS Power's request to amend and add clarifying language to his bill, said Sen. Floyd McKissick, D-Durham. "It certainly struck me as being anti-competitive."

"I do believe in the market power to determine who the players are as long as, again, you can do it within certain parameters" under Utility Commission oversight, said Sen. Dan Blue, D-Wake. *CJ*



Carolina Journal/Connects the Dots

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State Briefs

Princeville audit

State Auditor Beth Wood in April released an investigative report slapping the mayor, former interim town manager, and a town commissioner of Princeville for questionable expenses and loose recordkeeping. The audit found that Mayor Priscilla Everette-Oates used the town credit card for questionable expenses from August 2010 to July 2012.

"The majority of the charges did not have a clearly documented business purpose," the report says.

The mayor, a commissioner, and the interim town manager received check reimbursements of \$4,112 for travel expenses without adequate supporting documentation, the report says.

The report lists seven pages of line-item expenditures without supporting receipts, or unnecessary late fees and finance charges.

Wood, who previously worked at the state's Local Government Commission and for the auditor's office, is in her second term as state auditor. She said she didn't think she had ever seen a local government audit that had an "adverse opinion" with 19 material weaknesses.

Matching funds

The state House in April passed House Bill 297, which repeals all matching funds provisions in state judicial and Council of State public financing programs. The vote on the House floor was 110-0.

A U.S. Supreme Court ruling from 2011 struck down a similar program in Arizona. Even advocacy groups that continue favoring public financing of elections agree that the high court's 2011 decision has made matching-funds programs problematic.

Under North Carolina's public financing for judicial and Council of State elections, candidates who use only government-provided money in their races are entitled to matching or "rescue funds" in primary and general elections.

The trigger for releasing that money is when an opponent running a campaign with private funds spends more than the publicly financed candidate. The trigger also can occur from spending by the privately financed candidate in combination with independent parties supporting the privately funded candidate or opposing that candidate's publicly funded opponent.

The bill was awaiting action in the Senate Rules Committee at press time. CJ

Medical Society Offers Medicaid Reform Ideas

By DAN WAY
Associate Editor

RALEIGH

As Gov. Pat McCrory moves ahead with attempts to fix what he calls an irreversibly broken Medicaid system, the North Carolina Medical Society believes the current program should both remain in place and be enhanced.

In its March 15 response to a request for information issued by the state Department of Health and Human Services, the society doubled down on its support for the non-profit Community Care of North Carolina program as the state's administrator of Medicaid services for some 1.5 million people.

The society is lobbying the state to adopt a system under CCNC supervision that would allow physicians to keep the majority of money the state would save through health care delivery reforms, similar to the federally approved Medicare Shared Savings Program.

In its response to DHHS, the society recommends "providing a tax incentive in the form of either a tax credit or tax deduction for physicians enrolling in a value-driven network that is open to Medicaid patients."

The proposal would increase Medicaid physician reimbursement rates to enhance recruitment of specialty doctors. It also broaches patient cost sharing through "co-pays, coinsurance, deductibles, and other cost-sharing arrangements." Those could be reduced for patients meeting "certain health metrics or participating in health and wellness activities aimed at those metrics."

Under the Partnership for a Healthy North Carolina, McCrory and DHHS Secretary Aldona Wos propose a major, market-based Medicaid overhaul using three to four "comprehensive care entities" contracted through competitive bidding.

Those entities would offer statewide services and assume full risk for cost overruns, rather than leaving state taxpayers responsible for covering unbudgeted expenses, which have reached hundreds of millions of dollars annually.

The managed care firms could be for-profit companies, but nonprofits such as CCNC would be eligible to compete for one of the statewide networks. All entities would offer a basic plan but could include a variety of options to improve health outcomes and save money.

"Speaking as a dyed-in-the-wool Democrat, this is the smartest thing I've ever seen a Republican do," said Al Lewis. He is an instructor of health policy at Brandeis University and a nationally recognized care management outcomes analyst. His book *Why Nobody Believes the Numbers* harshly questioned the cost savings and health improvements claimed by CCNC.

"Instead of legislating CCNC out of existence, they're letting the market do the job. If CCNC has truly saved billions, they'll be the low bidder, and they've got nothing to worry about," Lewis said.

"There is now so much inefficiency built into the state's health care system that it's going to take years to reverse the financial damage this model has caused, but this is a start," Lewis said.

"The state will find that their bids are still higher than neighboring states, thanks to both high reimbursement rates and the ridiculously easy access to care that Medicaid members have become accustomed to," he said.

But the society opposes that competition-centered reform. It believes that the state should maintain the respon-

sibility to pay for Medicaid cost overruns and that CCNC is best suited to care for North Carolina's Medicaid population.

"I'm convinced that the managed care industry, which has grown out of the insurance industry, does some things very, very well," Stephen Keene, general counsel and deputy executive vice president of government affairs and health policy with the medical society, said during a recent meeting with *Carolina Journal*.

"They do a very good job of carrying risk because that's their DNA, the risk management. But they don't do a good job at medical care," Keene said.

"They simply do not have the skills to formulate medical care in a way that saves money without hurting people, and that has been the 20- to 30-year history of the commercial managed care experience from a health care provider, physician, and hospital perspective," Keene said.

"There's no one who thinks that the current way that we're doing business in North Carolina for medicine, be it Medicaid or anything else, is being done the right way," Devdutta Sangvai, president-elect of the medical society's board of directors, said in the meeting with *CJ* staff. But he, too, said for-profit managed care is not the solution.

"The family of medicine needs to work in a collaborative way and come out of their silos and say, 'All right, enough of this, we're hurting each other,'" said Bob Seligson, executive vice president and CEO of the society. "We've got to make it better for ultimately putting the patient in the center, and how to make that as cost-efficient and value-driven as possible."

Rather than focus simply on how much money is being spent, the society said in its response to DHHS, "Movement to a comprehensive, value-driven system for North Carolina Med-

icaid is the most promising market-based reform the state can pursue. We need to move from 'pay for volume' under the (current) fee-for-service system to 'pay for value'; from 'pay for quantity' to 'pay for quality.'"

The society said the value-driven system would be designed to provide the highest-quality care at the lowest cost.

The proposed system is much like the current CCNC model. It would have physician-directed teams coordinating each patient's care through a primary care "medical home" network. Primary care doctors would continue to receive fee-for-service payments and an additional per-patient, per-month fee for each Medicaid patient.

To recruit specialists, the society recommends increasing the reimbursement rate for treating Medicaid patients to an amount equivalent to 95 percent of Medicare reimbursement. That is a standard measurement in government medicine, and 95 percent is what primary care doctors receive in North Carolina.

Using the example of the Medicare Shared Savings Program, the state could implement a similar system for Medicaid in which accountable care organizations contracting through CCNC would receive 60 percent of any savings. The state would get the other 40 percent.

That would meet the state's goal of ensuring providers have a "meaningful stake" in cost control, efficiency, and effectiveness, the society said in its DHHS response. If there were no savings, there would be no shared payout. The state would be obligated to pay any cost overruns.

"As soon as practical," the shared savings formula would favor the value-driven networks in a 70-30 payout, with the accountable care organizations assuming "limited risk" for cost overruns, the society said. CJ



McCrory Unveils New 'Data-Driven' 10-Year Transportation Plan

By DAN WAY
Associate Editor

RALEIGH Gov. Pat McCrory said a 10-year transportation plan unveiled April 17 would get politics out of the decision-making process, reformulate spending, and expand the number of projects and jobs they support.

Over the next 10 years, with no increase in funding, McCrory's "data-driven" Strategic Mobility Formula would fund 260 projects supporting 240,000 jobs, Transportation Secretary Tony Tata said. The current 10-year plan has 175 projects supporting 174,000 jobs, according to state officials.

Stubborn transportation problems such as a loop around Greensboro, repairs to Interstate 95, metropolitan congestion, and port services would have a better chance of construction funding under this program, officials said. The initiative has resulted in some out-of-the-box thinking, such as a high-speed interstate from the Triangle to Hampton Roads, they said.

Under the plan, statewide, regional, and division tiers would split \$16 billion over the next 10 years. Statewide and regional tiers each would receive 40 percent, or \$6.4 billion, apiece. Division projects would get the other 20 percent. The Transportation Department's trust fund would address capital construction projects, and its highway fund would address operations and maintenance.

The program earned immediate support from Senate leader Phil Berger, R-Rockingham, and House Speaker Thom Tillis, R-Mecklenburg.

"The House stands ready to move

whatever legislation is necessary to get this plan realized as quickly as possible," Tillis said.

A number of House and Senate members are expected to file bills.

"On balance I thought it was a very significant step forward," said David Hartgen, emeritus professor of transportation studies at UNC-Charlotte. "Basically it says let's change the way we allocate those funds."

Hartgen said he also liked the new plan forcing various transportation modes to compete head to head for funding.

"That will significantly identify both pluses and minuses of various intrastate intermodal proposals such as rail service and longer-distance commuter services like [high-occupancy vehicle] lanes or commuter pools from distant counties," he said.

"Right now we do not have a long-term, strategic transportation policy to connect our strong economic regions to give us the most bang for the limited dollars that we have available, and this is a gap that we're trying to close," McCrory said.

"We're not just moving people, we're connecting them to greater opportunities, jobs, health care, education, recreation centers," Tata said.

"We're continuing to invest in regions throughout the state, but we



N.C. Transportation Secretary Tony Tata



N.C. Governor Pat McCrory

have to ask ourselves a question. Are we investing in the right way?" he said.

"The Strategic Mobility Formula ... addresses that fundamental question," Tata said. "It improves

our ability to have the highest impact, and focus on the greatest needs, to better align our infrastructure with commerce, which will increase opportunities for all North Carolinians."

Tata said 1.3 million people are expected to move to North Carolina, the country's fourth fastest-growing state, in the next 10 years, over the same time that revenue is expected to decline by \$1.7 billion.

"Our motor fuels tax is declining, even when factoring in population growth, because vehicles are more fuel-efficient, so we're losing about 2 percent a year in our revenue," he said.

"In addition, our motor-vehicle fees remain flat and unchanged over several years, and our highway-use tax revenue, while increasing from the lows during the recession, are still off their pre-recession highs, so all three revenue streams are flat or decreasing or down from previous highs," Tata said.

"Another discussion that has to be had is the revenue discussion, and what types of funding are we authorized to do as a department," Tata said. That will occur "down the road."

In the meantime, "we have to find a more efficient and strategic way to fund, distribute, and prioritize transportation projects that will have the biggest impact statewide, regionally and locally," Tata said.

At the state level, project selection will be 100 percent data-driven, he said. The data include benefit-cost analyses — does it reduce travel time, and how much does it cost? Does it reduce existing congestion? Does it increase economic competitiveness, and will it increase the value of economic competitiveness within the criteria? Does that mode carry freight? Is it multimodal?

There are seven regions, each of which pairs two divisions. They would

submit projects through a process that is 70 percent data-driven, with 30 percent local input for ranking.

At the regional tier, criteria are similar to the state level. Projects could overlap state projects.

The division tier allows for the greatest local input. Decisions will be 50 percent data-driven and 50 percent local ranking input from metropolitan planning organizations, rural planning organizations, towns, and counties. Data-driven criteria include benefit-cost analyses, the scope of connectivity, localized congestion, safety concerns, and road shoulder width.

"I particularly like the reference to shoulder widths," Hartgen said. "That's a real problem in rural areas. It's the single most effective thing we can do to reduce rural highway accidents and fatalities."

Another benefit to the new funding framework is "it unhinges us from thinking in a constrained way, and [allows] thinking in an unconstrained way what projects are best for North Carolina," Tata said.

For example, he and Commerce Secretary Sharon Decker have discussed "a high-speed connector, an interstate from the Triangle to Hampton Roads" as an economic engine. "Right now, there's no ability to really plan for that because of the way the money is distributed, and so nobody even thinks of it," Tata said. He cautioned such a

highway is not on a construction plan.

Tata said the new plan likely would not allow for repairs to I-95 on a statewide basis, but it could be advanced as a regional plan for those stretches where congestion is highest, from Lumberton to Fayetteville.

And adding tolls to I-95 would remain a possibility for consideration, he said.

"I don't want to get into naming specific projects," Tata said, but some multimodal and rail projects "bubbled up to the Top 10 list" under the new plan because they "helped move freight, helped decrease congestion, helped connect ports and that kind of thing."

"And there are some highway projects that move up from a state perspective," he said.

"I think you'll see an effort to address some things in the Triad area, the loop around Greensboro," congestion around the state, and port improvements, Berger said.

Officials say the new funding plan would fund 260 projects and would support 240,000 jobs

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Obamacare Surcharge Likely to Boost Cost of Health Insurance

Providers will pass fee on to consumers, says BCBS official

BY DAN WAY
Associate Editor

RALEIGH

The number of North Carolina residents who purchase individual insurance plans could triple to "a million plus" once Obamacare takes effect, officials at Blue Cross Blue Shield of North Carolina say.

And all Blue Cross policyholders would pay higher premiums if the giant insurer is selected to provide insurance plans on the federal health exchange that will operate in North Carolina, they say.

That is because Obamacare mandates that insurers pay the government a 3.5 percent fee to sell their plans on the exchange.

"We're just like any other business. We're going to have to build that into our cost structure," said Bruce Allen, director of marketing for Blue Cross.

The Patient Protection and Affordable Care Act, as Obamacare is formally known, requires insurance pricing to be the same both on and off the exchange, he said.

"We're still working through exactly what that will be. I think most insurers will tell you they're going to spread that price to both on-exchange and off-exchange customers," Allen said.

"Today it's about 400,000 North Carolinians buy their own health insurance. We are anticipating that to go over 1 million" after insurance sold on the federal exchange takes effect Jan. 1, 2014, Allen said.

Some of the 700,000 to 800,000 new individual purchasers won't buy their plans on the federal exchange, Allen said.

The "two big drivers" for expansion will be federal subsidies that make insurance more affordable for consumers and Obamacare's individual mandate to buy insurance, Allen said.

New buyers will come from all income categories, but subsidies decrease as income levels rise, Allen said. Most heavily subsidized will be the income range of 100 to 138 percent of the federal poverty level.

That income group would have been covered under Medicaid if the state had chosen to expand its Medicaid rolls.

In rejecting both Medicaid expansion and creation of a state-run health exchange, Republican lawmakers and Gov. Pat McCrory said too many questions remained unanswered about the programs, their structures,

regulations, and costs. They also cited a scorching state audit that found the state Medicaid plan is in financial and operational crisis and needs to be reformed before it is expanded.

Allen would not speculate how much of the new market would be created as companies discontinue employer-provided insurance once the subsidized federal exchange opens.

"Some people project very little employer dumping, some people project very significant employer dumping," Allen said. "I don't think employers yet have figured out what they're going to do."

Devon Herick, senior fellow and health economist at the Dallas, Texas-based National Center for Policy Analysis, said his organization expects major restructuring of the health insurance market over the next decade, and lots of employers to start dropping coverage nationally due to Medicaid expansion and subsidized health exchanges.

"We predict a lot of firms will find a way to get out of providing coverage," he said.

Critics of the state's decision to shun Medicaid expansion have repeated a claim that some 500,000 people would be left uninsured as a result. That number derives from a study by the North Carolina Institute of Medicine.

Pam Silberman, president and CEO of the Institute of Medicine, said that was a "best estimate of people who were both eligible and would enroll" under a Medicaid expansion. But the institute's study undercuts the projection that 500,000 will be left uninsured.

According to the study, in 2010-11 approximately 355,000 uninsured adults in North Carolina had incomes below 100 percent of the federal poverty level. Another 183,000 uninsured adults had incomes between 100 to 138 percent of the federal poverty level.

Obamacare does not allow for those with incomes below 100 percent of the federal poverty level to receive subsidies to buy insurance on the federal health exchange, so the number left uninsured would be 355,000, not 500,000. The other 183,000 individuals in the 100-138 percent range would qualify for subsidized exchange plans.



BCBS says if it is chosen as a provider, its policyholders will see higher premiums

The state Department of Health and Human Services determined an even lower impact and shared its statistics with the General Assembly.

"An estimated 494,000 individuals would have been covered under Medicaid expansion," said Julie Henry, DHHS spokeswoman. "We estimate that 340,000 individuals would be eligible to receive the federal subsidy to purchase insurance in the federally facilitated exchange."

That means only 154,000 North Carolina residents, not 500,000, would be left without coverage due to the state's decision not to expand

Medicaid rolls.

Meanwhile, federal officials are scrambling to cobble together the federal exchanges in states that refused to create state-run networks. The feds were not prepared for that rejection, escalating concern over whether the exchanges will be operational by the Oct. 1 target date to begin selling policies on the exchanges — and how many insurance providers will apply.

In North Carolina there is "no definitive number" of how many insurance providers want to sell on the federal exchange, said Kerry Hall, director

of public information at the state Department of Insurance, even though insurers must apply by the end of April.

"Insurers have been talking to NCDOI, and presumably the federal government as well, because participation in the exchange requires action from both entities," Hall said. "Currently, according to our records, there are 48 insurers listed as active in the individual and/or small-group health insurance markets."

The Insurance Department will regulate the insurance companies that participate in the exchange and the insurance plans sold through the exchange, she said. NCDOI's regulatory role includes giving prior approval of all exchange insurance products and the rates used to develop premiums related to those products.

The federal exchange ultimately decides which plans get certified as Qualified Health Plans and therefore are able to be sold on the exchange/marketplace, she said.

Michael Tanner, senior fellow at the Washington, D.C.-based Cato Institute, said "there's concern" in Congress whether the federal exchanges will be ready to offer sales on Oct. 1.

"They've come up with nothing in terms of a concrete action plan yet. When you get down toward October things will get really iffy," Tanner said.

Conversely, Allen said, Blue Cross has received "a tremendous amount of guidance" from the feds on how the exchanges will work.

"We've been actively working with CMS [Centers for Medicare and Medicaid Services] and the HHS" on health exchange markets and will begin testing this summer, he said. "We're fully expecting the exchanges to go live Oct. 1." CJ

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JLF Report Tackles Problems, Questions About Common Core

BY CJ STAFF

New public school standards dubbed the Common Core are generating questions for parents and taxpayers across the nation, including North Carolina. A John Locke Foundation Spotlight report aims to answer many of those questions.

"Unfortunately, readily accessible information about the Common Core is often hard to come by," said report author Terry Stoops, JLF director of research and education studies. "That's the reason for compiling this Common Core primer. North Carolina taxpayers should use it as a first step in an ongoing effort to assess the massive changes underway in our public schools."

Stoops' report addresses 35 topics in a question-and-answer format, starting with the most basic: What is the Common Core State Standards Initiative?

"The Common Core State Standards are a series of grade-by-grade educational standards," the report explains. "In 2014, the state plans to add tests that correspond to the standards."

Readers will learn that the Washington, D.C.-based National Governors Association, Council of Chief State School Officers, and Achieve Inc. supported development of the Common Core standards, with "significant" funding from the Seattle-based Bill and Melinda Gates Foundation.

The report goes beyond basic details to address questions about the quality of Common Core standards. "There is a great deal of debate about the quality of Common Core English language arts standards," Stoops said. "The new common standards are likely an improvement over North Carolina's previous English standards but are still critically flawed," he said. "A 2012 study from professors at Emory and the University of Arkansas concluded that the Common Core has deficient literature standards and a misplaced stress on literary nonfiction or information reading."

The news is no better for math standards, Stoops reports. "By most accounts, the Common Core mathematics standards are worse than most existing standards," he said. "The report cites three different pieces of scathing criticism, including one expert's assessment that Common Core math standards give students 'a flimsy make-believe version of mathematics, without the ability to solve actual math

problems.'"

Despite these concerns, North Carolina is one of 45 states that have adopted at least one piece of the Common Core. The State Board of Education voted unanimously in June 2010 to adopt Common Core standards.

That vote had nothing to do with any evidence of success linked to Common Core standards, Stoops reports. "Between the time of adoption and the statewide implementation of Common Core standards, they had not been subject to field-testing."

Researchers estimate North Carolina public schools might spend as much as \$525 million over the next seven years, an average of \$75 million a year, to implement Common Core stan-

dards, according to Stoops' report. He also tackles several questions about the federal government's involvement with Common Core. That includes efforts to tie federal grant funding to adoption of the

Common Core.

New standardized tests linked to Common Core will "probably not" be superior to existing tests, but Common Core puts more pressure on North Carolina's teachers, Stoops said.

Teachers and students are not necessarily ready to deal with the new standards, he said. "A recent survey suggested 76 percent of teachers believed students were not prepared to master the Common Core standards," Stoops explained. "In addition, 75 percent of classroom teachers believe that their state is not prepared to implement the Common Core."

Neither teachers nor principals are confident that Common Core standards will raise student achievement, Stoops said. "In one national survey, only 17 percent of teachers and 22 percent of principals report that they are very confident that the Common Core will improve student achievement," he said. "Similarly, only 20 percent of teachers and 24 percent of principals believe the Common Core will prepare students better for college and the work force."

Despite the concerns, Common Core standards have enjoyed bipartisan political support, Stoops said. The first step toward withdrawing North Carolina from the Common Core would require "a change of heart." Withdrawal also would require a change in state law, he said.

Legislators in eight other states, including neighboring Georgia, have filed bills to withdraw their states from the Common Core. CJ



COMMENTARY

Is Learning Better With a Box?

In the field of K-12 innovation, the digital device dominates. An increasing number of school districts nationwide are leveraging electronic platforms to deliver educational content to students. No child is too young for screen-based instruction: Districts in states from Maine to South Carolina to California now give iPads to kindergartners, claiming the tablets boost literacy and technology skills.

As we race toward technology immersion from age 5 on, what will be the impact on students?

Will schools churn out unprecedented numbers of 21st-century learners who think critically, collaborate effectively, and perform proficiently on standardized tests? Or will we discover that all of that swiping, scanning, and searching wasn't real learning after all?

A close look at the evidence ought to dampen our digital ardor.

Most of the truly rigorous research to date addressing digital learning doesn't even pertain to K-12 students. A 2010 research meta-analysis from the U.S. Department of Education of 1,000-plus studies conducted between 1996 and 2008 found that only five both evaluated K-12 students and were sufficiently rigorous to merit inclusion. Overall, the meta-analysis makes a strong case for e-learning for older students: Blended instruction (incorporating both face-to-face and online instruction) led to better student outcomes than either approach used exclusively. But these students were drawn almost entirely from higher education or training contexts, causing researchers to urge, "Caution is required in generalizing to the K-12 population."

How effective are wildly popular one-to-one computing initiatives, in which every student is given a device for in-school and at-home learning? Hard evidence that justifies school districts' considerable cash outlays for individual student laptops or tablets is scant. Though participants say the devices ramp up student engagement, motivation, and collaboration, objective data from standardized tests show IT saturation has no consistent positive impact on achievement.

Proponents of one-to-one

computing suggest test scores do not reflect the full spectrum of benefits. That may be, but such a claim could be made of virtually any education reform. Let's be clear: Student achievement as measured by standardized assessments is, and will remain, the holy grail of real reform.

As we evaluate one-to-one initiatives, we also ought to consider the trajectory of child development. While workers and older students clearly need technological competencies, do elementary school kids?

Such skills are remarkably easy to acquire, as psychologist Eric Sigman noted in a 2010 presentation to the European Parliament's Quality of Childhood Group. Primate research from Tulane University has shown that even monkeys can be trained on computers to solve problems using a touchscreen.

What about the health effects of screen saturation? Research documenting the negative impact of excessive screen time on child health is mounting. A 2012 Japanese study of more than 2,000 elementary and middle school children found that more than three hours daily with IT devices including computers may cause sleep problems. Still other studies link sustained screen exposure from computers and other devices to attention and behavioral issues. Even among young adults, 2012 research from the University of Gothenburg's Institute of Medicine in Sweden found an association between high computer use (more than four hours daily) and poorer mental health outcomes.

We conduct a grand experiment when we saturate young children with screens. And for what? Kids don't perform any better. Obviously, technology has its place in 21st-century classrooms. But there's no evidence supporting total immersion.

Of districts' stampede to provide schoolchildren with the latest devices, Stanford University professor emeritus Larry Cuban has written, "The research pantry is nearly empty." For young children, learning isn't better with a box. CJ

Kristen Blair is a North Carolina Education Alliance fellow.



KRISTEN BLAIR

'Opportunity Scholarship' Plan Geared to Help Low-Income Families

BY DAN WAY
Associate Editor

RALEIGH
House Speaker Pro Tem Paul "Skip" Stam proposes to spend \$90 million over the next two years providing "equal opportunity scholarship grants" to low-income students for private education, an initiative he says will save the state money.

The school choice measure, House Bill 944, provides for a maximum \$4,200 scholarship per child. A scholarship cannot exceed 90 percent of the cost of a private school's charges for tuition and fees.

Feedback has been "very positive, except for the folks you would expect to oppose this — school superintendents and the NCAE [North Carolina Association of Educators], the usual," Stam said.

He's also gained bipartisan support, he said, having talked to "about 30" Democrats regarding his proposed legislation.

Stam said, "One of the primary sponsors [of H.B. 944] is an African-American Democrat," Rep. Marcus Brandon, D-Guilford. Along with Brandon, two other Democrats — both black — had signed on as sponsors, Rep. Elmer Floyd of Cumberland County and Rep. Edward Hanes of Forsyth County. In all the bill had 31 sponsors. It was awaiting its first committee hearing when this issue went to press.

"I'm definitely in favor of it," Bill Cobey, chairman of the State Board of Education, told *Carolina Journal*. He said the measure is "very consistent" with his longstanding school choice stance.

"If this bill becomes law, our state would advance to the forefront of the school choice movement in the United States," said Terry Stoops, director of research and education studies at the John Locke Foundation.

Stoops outlined his ideas for a voucher program, another name for opportunity scholarship, in a recent JLF report.

"North Carolina would become just the 13th state to pass school voucher legislation and the sixth to approve a means-tested voucher." Stoops outlined his ideas for a voucher program in a recent JLF report.

It now costs state and local governments \$6,745 to educate a typical child in public school, and \$8,414 when including federal allocations, according to Stam. The average opportunity scholarship is expected to be \$3,990, according to a fiscal analysis memorandum by the legislative Fiscal Research Division.



House Speaker Pro Tem Paul "Skip" Stam (left) is seeking \$90 million in the first two years of the "opportunity scholarship" program. (CJ file photo by Dan Way)

Paying for a lower-cost private school grant would reduce state public school expenditures by \$17.7 million in 2013-14 and \$25.4 million in 2014-15, according to the fiscal analysis.

The memorandum states 52 percent of public school students would meet grant eligibility requirements in 2013-14, rising to 65 percent in 2014-15. Of those, 3,669 public school students would receive the opportunity scholarships in 2013-14, and 5,990 in 2014-15.

There would be 9,635 new scholarships in 2013-14, and 62 percent of them would go to existing private school students in 2013-14, according to the fiscal analysis. There would be 11,493 student scholarships for 2014-15, with 48 percent going to private school students.

The grant money could be applied to "whatever the school requires the students to pay. That could be called tuition. It could be called a fee. But if it's a required payment it qualifies," Stam said.

"The money is following the child. This is not a subsidy to the school," Stam said.

"The check will be made to the parent but mailed to the school" chosen by the parent, Stam said. "But the parent will have to physically come in and endorse the check to the school."

"I'd say it's a great opportunity for the children of North Carolina to have some options, some practical options," if they are unable to afford private education, Stam said.

Opponents of the proposal say it would undermine public education. "Our organization and our members oppose tax credits and vouchers, including the one proposed in this bill, that siphon both students and community support from our public schools," said Katherine Joyce, assistant executive director of the N.C. Association of

School Administrators.

"Vouchers of this kind also shift taxpayer funding to private entities that are not held to the same standards of accountability and accessibility as our state's K-12 education system, and for that reason, they should not be approved by our General Assembly," Joyce said.

Cobey disagrees. "I'm for parental school choice, student school choice, in public education, in private education," he said.

"And yes, I'm for public charter schools. Yes, I'm for opportunity grants, and I think it will give us a mix of education that will greatly benefit the children, the parents, and the prosperity of the state," Cobey said.

"I just believe that one size does not fit all," Cobey said. It is vital to offer educational options "in order to keep young people in school, engaged, interested, and moving towards getting the kind of education that will give them an opportunity to have a ca-

reer, whatever that is."

"We've been trying to do this for about 20 years. It is nice to have a majority in the legislature to be able to actually do it," Stam said.

According to a March poll taken by the Civitas Institute, 78 percent of Democrats surveyed support a \$4,200 opportunity scholarship, and 12 percent oppose it. Among Republicans, 67 percent were in favor and 17 percent opposed.

The Civitas poll showed 83 percent of black respondents favored a \$4,200 scholarship grant, and 6 percent opposed it. Among white respondents, 67 percent supported it, and 19 percent were against it.

Stam wants the state to allocate \$40 million the first year and \$50 million the second year. The amount could be adjusted in succeeding years according to demand.

The State Education Assistance Authority would administer the opportunity scholarships under Stam's bill. The authority would establish rules and regulations for awarding the scholarships and verify eligibility through random checks.

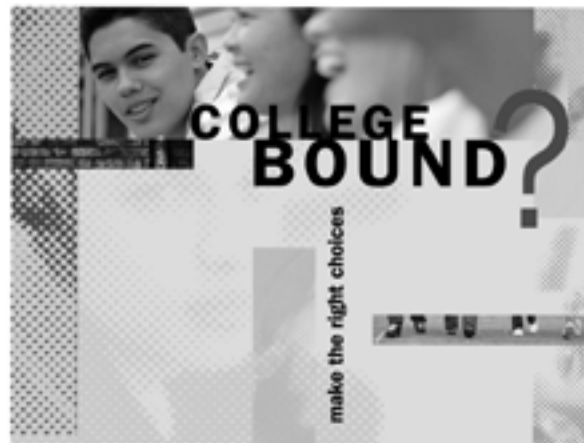
Stam's measure would broaden the authority's oversight from college financial aid and savings programs to K-12 students for the first time.

"Their expected administrative expenses will be 1 percent. They'll keep \$400,000 the first year to do the administration," Stam said. "Compared to most government programs, 1 percent for administration is pretty good."

To be eligible for a grant, household income would be restricted to 225 percent of the federal poverty level the first year, or \$52,988 for a family of four, and 300 percent thereafter, or \$70,650 for a family of four. CJ

Scholarship bill has the backing of several black members of the legislature

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Proposed Board Would Oversee State's Charter Schools

By DAN WAY
Associate Editor

RALEIGH
A Senate committee in mid-April approved a bill creating the North Carolina Public Charter Schools Board, shifting oversight of the state's expanding number of charter schools away from the State Board of Education.

The multifaceted bill includes provisions addressing such thorny issues as funding formulas, allowable enrollment growth, and the relationship between local school districts and charters. It relaxes teacher licensure requirements and states that only non-profit corporations can apply to operate charter schools.

"There is no fiscal impact to the budget for this," Sen. Jerry Tillman, R-Randolph, sponsor of Senate Bill 337, said as the measure found near-unanimous approval in the Senate Finance Committee. At press time, the bill was in the Senate Appropriations/Base Budget subcommittee.

Independent of SBE

The bill would empower the state Department of Public Instruction's existing Office of Charter Schools as the principal administrative unit, working under the direction of the Charter Board. The Charter Board would operate independent of the State Board of Education.

"The charter staff ... is in place, and I don't believe that there is going to be any extra cost attached to that," Tillman said.

The Charter Board would replicate many of the functions now performed by the state Charter Schools Advisory Council, but it would be smaller — 11 voting members instead



of 15. Nine members would be appointed by the governor or the General Assembly. The lieutenant governor and state treasurer also would be voting members.

The State Board of Education would be granted veto authority over any Charter Board action, provided it had assent from a three-quarters majority of its board and the veto was voted on within 45 days of the Charter Board's action.

The Charter Board would provide technical assistance to charter schools and applicants, establish rules, oversee the application and approval process, monitor existing charter schools, renew charters, and revoke them.

The bill would require charters to pay a "reasonable" application fee for the first time. Tillman said the application fee has yet to be decided. It would

not be refunded if an application is rejected or a charter is revoked.

"In the event that somebody does not have the capacity to pay the fee, is there a provision for a waiver?" Sen. Floyd McKissick, D-Durham, asked Tillman.

"No, sir," Tillman responded.

"The reason we have an application fee is to ferret out those wannabes that are not financially stable enough to pay for an application fee," he said. "You've got to be well-fixed to establish a charter, and there are all kinds of applications that come by individuals and fly-by-nights if we don't have a pretty hefty application fee. That was intentional."

For-profits need not apply

Aside from barring for-profit entities from applying for a charter, the application process has other differences from present practice.

Preliminary approval no longer would be permitted from a chartering entity such as a local board of education or from a UNC constituent institution.

An applicant would not have to submit its application to the local school board, and the Charter Board no longer would be required to consider information provided by the local school board in weighing an application.

There would be no requirement for the Charter Board to hear local school boards' presentation of adverse impacts on a school district when approving enrollment growth for existing charter schools.

To ensure timely flow of tax dollars to charter schools, the bill would require school districts to provide the charter schools their share of per-pupil funding within 30 days of receiving their appropriations. The bill mandates that school districts provide in-

formation explaining how the per-pupil share was calculated.

The bill would remove the requirement for a set percentage of charter school teachers to have teaching licenses and would require the charter board of directors to establish a policy on criminal background checks for prospective employees.

Charter schools would have to try to enroll a student population that reasonably reflects the racial and ethnic composition of the local school district.

In a provision that addresses complaints by many parents, charter schools that hold lotteries for admission would enter one surname for all siblings. They would be required to admit all siblings if that surname is drawn. Present law requires only multiple-birth siblings be admitted jointly.

In what appears to be an effort to resolve past tensions between charter schools and local school boards, the bill would require a school district to lease to a charter school any available building or land for \$1 per year. Otherwise, the district would have to show those facilities are needed for enrollment purposes or that the \$1 lease would not be financially feasible.

Finance Committee member Sen. Josh Stein, D-Wake, questioned Tillman about the bill's property tax exemptions.

"If you are a charter school renting from a for-profit landlord and paying full-market rent, the landlord no longer has to pay property tax. Is that an accurate understanding?" Stein asked.

"If the building's use is education, and that property is being used for educational purposes as a school building, they would not be subject to tax," Tillman said.

"That piece doesn't make any sense to me," Stein said. "The tenant doesn't pay property taxes. The owner of the building pays property taxes."

"Would you be amenable to language that qualified if they [landlords] were giving it for below-market rent where they could get a property tax elimination?" Stein asked.

"No, not as long as that building is used for educational purposes," Tillman said. He noted that there are no property taxes collected for land on which traditional schools are located.

"There is a fiscal note which shows minimal to no impact" from the tax-free provision, said Cindy Avrette, a staff attorney in the legislative Research Division.

"The statute even provides a partial exemption," Avrette said. "For instance, if you have a large tract of land and a certain part of it is wholly and exclusively used [as a charter school], that part of it would be exempt but not the remainder." CJ

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It also features the blog Piedmont Publius, featuring commentary on issues confronting Triad residents.

Town and County

Asheville BID delayed

A proposal creating a special tax district in downtown Asheville to provide additional services appears dead for now, reports the *Asheville Citizen-Times*. The inability of Asheville to help fund the Business Improvement District was cited as a key reason for halting the proposal.

Under the plan, an additional tax of 7 cents per \$100 of assessed value would have been imposed on downtown Asheville property owners. The special tax would have provided \$450,000 annually toward operating the BID, with the city, Buncombe County, and local nonprofits providing an additional \$150,000.

Since the city of Asheville is looking to close a \$6 million budget deficit for the fiscal year that begins July 1, it won't help fund the BID.

"The BID was always going to be a partnership, and when one of the partners is not able to do it, it makes it difficult," said Susan Griffin, board chairman of the Asheville Downtown Improvement District Inc., which would have administered the district.

The proposed BID has been controversial, with several business owners questioning why they should pay an additional tax for services such as graffiti removal that they believe the city already should be providing.

W-S arena sales?

Winston-Salem is again considering the sale of Bowman Gray Stadium and Lawrence Joel Veterans Memorial Coliseum. Community concerns about the sales remain, reports the *Winston-Salem Journal*.

Winston-Salem State University is interested in purchasing Bowman Gray Stadium, while Wake Forest University may acquire the coliseum. The city could clear roughly \$15 million from selling the two properties.

Both facilities are used for many more events than just those tied to the two universities, though.

City officials have attempted to reassure residents that the sale will have a limited impact on other uses at the venues. The proposed sales agreements include a number of covenants, including the provision of parking for the Dixie Classic Fair and Fairgrounds at the coliseum, and honoring the existing lease for stock car racing at the stadium.

The deals may close as soon as July 1 for the coliseum and Dec. 1 for the stadium. *CJ*

Restaurant Owner Might Ignore Zoning Rules

By SARA BURROWS
Contributor

RALEIGH

When Arthur Gordon came across an abandoned, dilapidated house on two acres of overgrown land three miles from his popular downtown Raleigh restaurant Irregardless Café, he envisioned a Garden of Eden.

The lot, the last undeveloped remnant of a 40-acre farm given to freed slaves in 1869, was about to go into foreclosure and was becoming a breeding ground for the illicit activities of bored teenagers, who were wandering there from Athens Drive High School across the street.

Gordon decided converting the property into a community vegetable garden would be the perfect way to give the kids something productive to do and supply his restaurant with fresh, organic produce.

The city of Raleigh recently passed a comprehensive development plan that will allow for such gardens as part of an effort to make the city "green" and "sustainable," but not in Gordon's neighborhood.

City planning director Mitch Silver said the city has "taken the lead on this whole urban agriculture movement" by allowing community gardens in east Raleigh, the poorest area of downtown Raleigh, but city officials have decided such gardens are not appropriate for the suburbs — especially if the owner of the garden wants to use some of the produce for profit.

The garden

The Well Fed Community Garden would serve two purposes — provide the restaurant's customers affordable, top-quality food, and create a sense of community.

Gordon said he's concerned about the rising cost of food — citing the costs of transportation, drought and the effect it will have on water prices, a weakening dollar.

"Having a little independence from all of those market forces is going to be comforting," he said. "But the real hope is that we create a place for the community to gather, to spend time together, to enjoy what happens when you put your hands in the soil and start seeing things grow."

Gordon and his wife Anya have invited an agriculture student from Central Carolina Community College to live in the house and manage the garden. They plan to invite their neighbors to work the land in exchange for learning gardening skills and taking home a share of the harvest.

Gordon hired a sustainable landscaping architect to draw up the plan for the garden.

"In a year or year-and-a-half from now, once the trees get planted and the sod gets put down and the fences are completed, it's going to be a Garden of Eden," he said. "It's just going to be gorgeous."

He invited the neighbors to review his plans. "We had maybe 100 people show up," he said. "They were all up there looking around saying, 'When can we start working? We want to help you.'"

The neighbors

But not everyone is excited about Gordon's garden. One woman sent the planning department a four-page letter complaining about it, he said. She submitted photos of his greenhouse — which he has converted to a solarium to comply with zoning regulations — and of the empty space where 15 pine trees used to stand.

Gordon insists he intends to plant far more trees (mostly fruit trees) than he took out, and that the pine trees

he cut down were less than 50 years old. He said he looked up the address of the woman who was complaining "so vociferously" about his garden "and she lives miles away, on the other side of the [Interstate 440] beltline."

The planners

Silver, who also is president of the American Planning Association, said complaints like this one are why community gardens are not appropriate for the suburbs.

Under the city's new Unified Development Ordinance — a set of rules for developers designed to create more urban density and less urban "sprawl" — only vacant lots zoned "Residential-10" can be used for community gardens. Gordon's property is zoned "Residential-4." The difference? Developers are allowed to build 10 housing units per acre in the former and four housing units per acre in the latter.

R-4 zones are typically used for single-family homes, where R-10 "is more of a multifamily development," Silver said.

Most land zoned R-10 is located downtown or near downtown, in what is referred to as "East Raleigh."

"Those are the places where we have a lot of what we call food deserts," Silver said. "So we felt it was OK to have a community garden lot — without a house —

there, if that's what people want to do."

But city planners did not feel it was appropriate to have "urban" gardens in the suburbs, no matter how close they were to downtown.

"We felt that if you bought a piece of property and you assumed you bought into a neighborhood, and then all of a sudden next door there's a garden that pops up, that we wanted to make sure it was in areas that people were comfortable with gardens being next door," Silver said.

There is nothing to stop Gordon from using his garden for personal use or "accessory" use, as Silver calls it.

"That's something we encourage and we hope more people will do," he said. "But he's introducing a business in a residential area, and that is not permitted."

Silver noted that participants in permitted community gardens, in R-10 zones, will be allowed to sell their produce off-site when the UDO takes effect in September.

Allowing community gardens to exist anywhere is progress enough, Silver said. "We've opened up huge portions of the city. We've taken the lead on this whole urban agricultural movement."

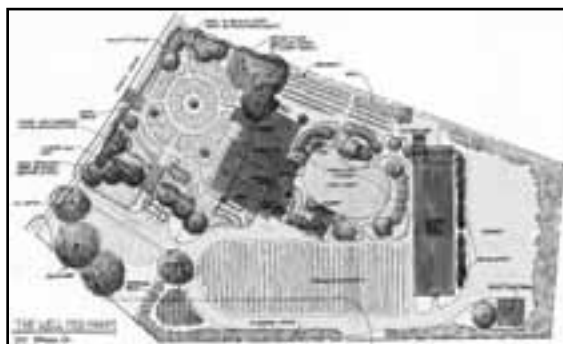
If Gordon wants to build a community garden — one tended by multiple people and one whose produce could be sold — he has two choices, Silver said: Sell his property and buy a new parcel of land in an R-10 zone or apply for a "special use" permit once the UDO goes into effect.

The odds Gordon would have at obtaining a special use permit are unclear, as the city's Board of Adjustment — which issues the permits — recently denied a similar "variance request," which would have allowed him to use his property for something other than the zoning code permits.

In the meantime, Gordon plans to move forward with his plans. "The city can't tell you that you can't grow a garden, and it can't tell you who you can give the vegetables to."

Silver confirmed there are no limits on how large a residential "accessory-use" garden can be.

"All the key phrases right now are everybody wants to be local and sustainable," he said. "The definition of sustainable means that you pay your bills. There are property taxes and mortgage payments involved. It's not just a pie-in-the-sky utopia." *CJ*



The site plan for the proposed community garden near Athens Drive High School.

Raleigh Officials Offer Little Explanation in Manager Firing

By MICHAEL LOWREY
Associate Editor

Raleigh City Council voted in April to fire longtime City Manager Russell Allen after 12 years in the post. The *Raleigh News & Observer* reports that council members provided little insight as to why they chose to make the move.

"He certainly worked very hard," said Mayor Nancy McFarlane after Allen was let go. "He was very dedicated to the city. But we need a different skill set now, to move the city where we're going."

McFarlane's comments were as close as any one on the council came to criticizing Allen's performance.

"I think everybody knows we've had some issues on communication within the city staff and with the council," McFarlane added. "Twelve years is a pretty long time for a city manager, and we're a very different city than we were 12 years ago. I think he was the perfect city manager for that time. Now we need a fresh set of eyes."

Allen will be remembered for his stand on a number of controversial issues on which the city had to backtrack, including a 2008 ban on new home garbage disposals and a proposal to build a \$205 million, 17-story public safety center. During his time as city manager, Raleigh's population grew by 140,000, and the city annexed 20 square miles of land.

Allen, who makes \$232,000 a year, worked through March 31. Raleigh plans to conduct a national search for a replacement.

Failed Durham developments

The city of Durham has agreed to terms with residents of the Dunwoody neighborhood to help pay for infrastructure that the developer failed to provide. City officials insist that the settlement doesn't set a precedent in dealing with other such "failed and struggling developments," says the *Durham Herald-Sun*.

When the economy tanked in 2008, many developers went out of business before completing the infrastructure — including streets, drainage, and sidewalks — in the subdivisions they were building. To guard against developers going bankrupt and leaving homeowners or the city on the hook for completing these items, the city requires developers to have in-

surance coverage.

In several subdivisions, the amount required to complete infrastructure exceeded the amount of insurance coverage. In such cases, the city's standard policy is to pay for 10 percent of the remaining costs, with residents picking up the rest.

The city made an exception in Dunwoody. The developer failed in 2006 after completing 12 houses but before putting a final coat of tar on the subdivision's single street. The company was required to have a \$6,000 insurance policy. It did, but the policy expired after a year.

Durham has agreed to cover \$8,100 of the \$21,000 completion costs. Each homeowner will be assessed \$1,075.

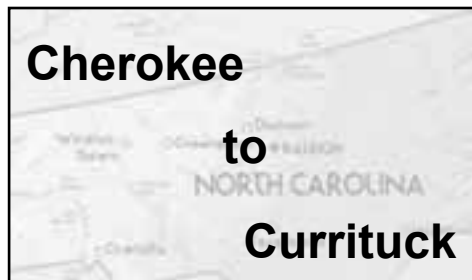
"It seems like it could well be a situation where, while none of us might like it, it's a fair compromise moving forward," said City Manager Tom Bonfield. "I'm not one to be caught in a precedent-type thing because every one of these situations might end up being very different."

Charlotte, Panthers cut deal

The city of Charlotte and the Carolina Panthers have reached a new agreement on public funding for improvements at the team's privately owned stadium. The deal comes after the General Assembly rejected a previous framework.

The city and the team originally had agreed that public money would cover 75 percent of the first \$250 million in improvements at the facility, with the city paying \$125 million, funded by a 1 percentage-point increase in the local prepared food tax. It was hoped the state would contribute \$62.5 million. The state money was not forthcoming, and the General Assembly allowed the city only to use funds from existing sources to fund stadium improvements.

Under the new deal, the city would contribute \$75 million to stadium improvements while the team would spend \$37.5 million upgrading the facility with the arrangement structured to minimize the additional amount of property tax the Panthers would pay. In addition, the city would provide \$1 million a year toward stadium maintenance and \$250,000 a year toward traffic control for 10 years. In return, the team agreed to remain in Charlotte through the 2022 season. *CJ*



COMMENTARY

McCrory Plan Uses Highway Dollars Wisely

In April, the McCrory administration outlined a new state transportation policy. While as always, the devil is in the details, this plan is a welcome step forward for transportation policy in North Carolina.

The last time the state seriously rethought its road policy was in 1989 with the creation of the Highway Trust Fund. The idea was that for a limited period the state would increase the gasoline tax to fund certain road projects. These fell into three categories: building urban loops around the major cities in the state, making major improvements on specified "intrastate highways," and paving dirt roads.

If this sounds like a massive political compromise ensuring that virtually every community across the state got a piece of the action, it is. The funding formula is another massive compromise distributing money around the state for intrastate highway projects.

The Highway Trust Fund quickly proved to be a disappointment. Revenues were overestimated while the cost of building all the projects on the list wound up being much higher than originally thought. A number of the specified projects were unbuildable. And the intrastate system, based on allocating funds by state highway districts, created bizarre funding trade-offs.

Some 15 years after the Highway Trust Fund was created, North Carolina warmed to the notion of toll roads due in part to the failings of the 1989 highway law. State lawmakers had not started suddenly spending their available free time reading Reason Foundation transportation policy papers. Rather, establishing toll roads let them get around some of the limits of the existing system, which had allowed powerful legislators pushing some pricey projects of questionable worth to cut into the funding line.

The problems with the system became apparent a few years ago when the state was trying to figure out how to widen Interstate 85 over the Yadkin River. I-85 is the state's

most critical highway, connecting the Triangle and Triad to Charlotte. And the old, narrow bridge over the Yadkin was a major bottleneck.

Bridge projects are notoriously expensive, and replacing that bridge was projected to cost \$200 million, more than was available for the local highway district. The state had no real answer on how to address its No. 1 transportation priority. The N.C. Department of Transportation floated the idea of using tolls to help finance the project, but that amounted to desperation more than anything else.

Ultimately, a small statewide discretionary mobility fund was created as a Band-Aid to get the I-85 Yadkin River bridge funded.

Gov. Pat McCrory's proposal builds on that concept in a very big way. Under his plan, 40 percent of capital construction would be allocated on a statewide basis, 40 percent regionally, and highway divisions would allocate the remaining 20 percent of construction money for smaller-scale local projects.

And unlike the 1989 law, McCrory proposes to use statistical data to put the state's scarce transportation dollars to their best possible use. State-level projects would be purely data-driven, with regional projects giving 70 percent weight to statistical measures and 30 percent weight to local project preferences. District-level projects would give equal weight to data-driven measures and local rankings of projects.

McCrory's proposal doesn't increase the total amount of money available for transportation projects. And at some point, that will become an issue. As cars have become more fuel-efficient, the amount of money the gas tax generates has been going down over time. But you can't ask residents to pay more, whether through higher gas tax rates, tolls, or higher fees, until the state first makes the best use of the dollars it now has at its disposal. *CJ*



MICHAEL LOWREY

Michael Lowrey is an associate editor of Carolina Journal.

Mooresville Knocks Charlotte Out of N.C. Top-Taxing City Spot

Average N.C. resident paid 4.4 percent of income in taxes to local government

BY CJ STAFF

RALEIGH

The local annual tax and fee burden now tops more than \$2,000 per person in seven of North Carolina's largest cities. Mooresville ended Charlotte's 11-year run as the large city with the highest per-person local government bill.

That's according to *By The Numbers: What Government Costs in North Carolina Cities and Counties FY 2011*, the 15th annual report published by the John Locke Foundation on local tax burdens.

Meanwhile, the average North Carolinian surrendered almost 4.4 percent of his personal income to fund city and county government in the 2011 budget year, down from 4.5 percent in 2010.

"The typical resident of the median county in North Carolina paid \$1,242 in taxes and fees to county and municipal governments in the 2011 budget year," said report author Michael Lowrey, a JLF policy analyst in economics and regulatory policy. "That's down from an inflation-adjusted \$1,288 figure for 2010. But the numbers look different when you factor in the fact that many of the state's more populous counties also have above-average local tax and fee burdens."

Average down from 2010

Adjusting for population, the state average local government tax burden was 4.39 percent in 2011.

Local governments collected \$15.2 billion in property, sales, and other taxes and fees during the budget year that stretched from July 2010 through June 2011, Lowrey reports. "Local government revenues increased by \$400 million in that year," he said. "This is not to say that all revenue sources increased. Sales tax revenues were flat, while property tax receipts increased by about \$150 million. Water department revenues and other tax and fee income also saw significant increases."

Since the onset of the Great Recession, local governments have become increasingly dependent on property tax receipts, Lowrey said. "In 2007, property taxes made up 56.5 percent of nonutility local revenues," he said. "In 2011 that figure had increased to more than 65 percent."

Combined City and County Tax Burdens For N.C. Municipalities of More Than 25,000 Population

City	Tot. Rev. Per Capita	2011 Rank	Prop. Tax Per Capita	2011 Rank	Sales Tax Per Capita	2011 Rank
Mooresville	\$2,311.18	1	\$1,533.19	2	\$305.82	6
Chapel Hill	\$2,303.21	2	\$1,638.16	1	\$271.15	18
Charlotte	\$2,255.37	3	\$1,427.13	3	\$360.70	2
Wilmington	\$2,165.10	4	\$1,302.95	8	\$362.35	1
Durham	\$2,067.47	5	\$1,409.92	4	\$302.67	7
Monroe	\$2,067.13	6	\$1,373.16	5	\$202.05	33
Asheville	\$2,066.91	7	\$1,254.14	12	\$342.47	3
Greensboro	\$1,935.16	8	\$1,225.76	14	\$263.36	20
Cary	\$1,900.63	9	\$1,219.26	15	\$294.94	10
Raleigh	\$1,892.67	10	\$1,181.79	16	\$272.95	16
High Point	\$1,882.00	11	\$1,234.51	13	\$253.38	26
Greenville	\$1,859.95	12	\$1,176.59	17	\$295.48	9
Wake Forest	\$1,852.51	13	\$1,337.67	6	\$271.26	17
Wilson	\$1,842.65	14	\$1,013.71	24	\$244.12	27
Hickory	\$1,838.02	15	\$1,139.31	18	\$332.01	4
Concord	\$1,814.90	16	\$1,305.22	7	\$279.65	15
Garner	\$1,812.15	17	\$1,296.17	10	\$288.45	12
Matthews	\$1,775.47	18	\$1,301.13	9	\$266.13	19
Huntersville	\$1,764.63	19	\$1,259.38	11	\$253.86	25
Salisbury	\$1,754.69	20	\$1,044.12	23	\$227.36	31
Winston-Salem	\$1,732.25	21	\$1,104.86	21	\$257.51	22
Apex	\$1,663.18	22	\$1,130.78	19	\$240.31	28
Sanford	\$1,617.10	23	\$1,094.27	22	\$326.03	5
New Bern	\$1,590.42	24	\$890.01	29	\$284.30	13
Rocky Mount	\$1,571.94	25	\$864.88	30	\$254.94	23
Kannapolis	\$1,563.55	26	\$1,128.35	20	\$258.37	21
Gastonia	\$1,538.79	27	\$997.14	25	\$239.87	29
Burlington	\$1,515.90	28	\$955.43	26	\$300.78	8
Fayetteville	\$1,374.27	29	\$794.65	32	\$282.80	14
Goldsboro	\$1,347.96	30	\$792.07	33	\$254.83	24
Asheboro	\$1,337.91	31	\$930.07	28	\$230.37	30
Thomasville	\$1,252.76	32	\$853.88	31	\$214.16	32
Indian Trail	\$1,217.11	33	\$935.52	27	\$146.88	34
Jacksonville	\$1,197.68	34	\$631.49	34	\$290.14	11

Among North Carolina's largest cities, Mooresville (\$2,311 per person) displaced Charlotte as having the state's largest local government burden. Chapel Hill also moved ahead of the Queen City to rank No. 2. Charlotte, Wilmington, and Durham rounded out the top five. They topped the list of 34 ranked municipalities with at least 25,000 residents. Jacksonville (\$1,197 per person), Indian Trail, Thomasville, Asheboro, and Goldsboro ranked lowest in local government burden among the larger cities. Lowrey calculates the burden by adding all local taxes and fees collected in the city, then dividing by the total population.

Coastal/resort communities

Three coastal communities — Oak Island, Kill Devil Hills, and Carolina Beach — had the highest local per-person tax burdens among the 92 ranked N.C. communities with populations between 5,000 and 24,999 people. The report ranks each of these communities, along with 180 municipalities with populations between 1,000 and 4,999 people. Even residents of more than 190 municipalities with populations of fewer than 1,000 people can see how their communities rank against their peers.

Lowrey used the most recent data available from the State Treasurer, Bureau of Labor Statistics, and Bureau of Economic Analysis to construct rankings of local government cost on a per-person basis. For counties, he also constructed rankings on a share-of-income basis.

Lowrey continues to highlight a continuing problem that helps skew data. Four counties and nearly 40 municipalities missed state deadlines to file their State Treasurer's Annual Financial Information Report.

"Whether those local governments filed the statements after the deadline or not, the information still is not available from the treasurer's office," Lowrey explained. "Without those reports, *By The Numbers* cannot include local tax burdens for those communities. Complete reporting would result in a somewhat higher combined county municipal

median tax burden."

Lowrey also repeated his annual warning against comparing the relatively high per-capita tax numbers in resort communities to those in other N.C. cities. Communities with larger numbers of second homes and resorts — combined with small year-round populations — will see larger per-capita tax burden figures, he said.

Among the 10 most populous counties, Durham (5.86 percent), Mecklenburg (5.31 percent), Guilford (5.19 percent), New Hanover (5.12 percent), and Buncombe (4.75 percent) ranked among the top 25 N.C. counties in average cost of local government. Wake (4.60 percent), Gaston (4.56 percent), Forsyth (4.56 percent), and Union (4.22 percent) ranked near the middle of the pack. Cumberland (3.22 percent) ranked No. 85 of the 96 ranked counties.

North Carolina collected \$21.9 billion in state tax and fee revenues from July 1, 2010, to June 30, 2011. That's 6.3 percent of state residents' personal income. Local governments collected an additional \$15.2 billion in property, sales, and other taxes and fees. That's another 4.4 percent of personal income.

"Combined, they represent a state and local tax and fee burden of 10.7 percent," Lowrey said. "Federal collections raise the total tax burden on North Carolinians to approximately 27.3 percent of personal income, on average."

Lowrey stresses that a high cost-of-government ranking in the *By The Numbers* report does not equal a judgment that a city or county is governed poorly.

"*By The Numbers* is a tool that represents factual data only, without editorial comment or bias," Lowrey said. "The best way to compare your city or county to others is to find municipalities or counties of similar size and demographics."

"This report helps taxpayers evaluate whether the services they receive from local government merit what they are paying for them," he added. "We hope taxpayers will continue to ask about the proper role of local government and its relationship to the state. It's important to keep these discussions alive and to ensure our local leaders remain accountable to taxpayers." CJ

Four counties and 40 municipalities missed deadlines for reporting annual financial information

JLF: Billions in Debt Added Without Taxpayer Approval

By CJ STAFF

RALEIGH

Bypassing statewide bond referendums has cost North Carolina taxpayers an estimated \$261 million in extra interest payments on state debt since 2005. That's a key finding in a John Locke Foundation Spotlight report.

"North Carolina voters have not seen a statewide bond referendum since 2000," said Sarah Curry, JLF director of fiscal policy studies. "That doesn't mean the state has avoided taking on new debt. Instead all debt issued since then has been done without voter approval."

Some N.C. legislators are pushing a measure that would limit the amount of nonvoter-approved debt North Carolina could take on in the future. In the report, Curry explains why limiting future use of nonvoter-approved debt might work better than repealing the law that created that type of debt.

State lawmakers have been able to avoid statewide bond referendums in recent years because of language in the state budget approved 10 years ago, Curry said. "The 2003 budget legislation included the State Facilities Finance Act, which opened the door to 'special indebtedness,' a blanket term for various forms of debt outside the traditional category of general obligation bonds."

GO bonds require voter approval. The three forms of special indebtedness require no vote of the people. Curry's report discusses all three: lease purchase revenue bonds, limited obligation bonds, and certificates of participation, or COPs.

"Over time COPs have become the most popular and preferred financ-



ing methods, which is attributable to the fact that they can be issued more quickly than bonds requiring a voter referendum," she said. "By 2008 outstanding COPs amounted to almost \$1 billion. The current outstanding balance tops \$500 million."

While that dollar figure has dropped, limited obligation bonds have taken on a larger role. The state's outstanding debt from this type of special indebtedness is \$2 billion.

Overall, the portion of state government's total debt that lacks voter approval continues to climb. "Special indebtedness made up about 18 percent of North Carolina's outstanding debt five years ago, but the figure now tops 40 percent," Curry said. "The state treasurer's latest North Carolina Debt Affordability Study projects that percentage will grow to 46 percent by 2017."

While COPs and the other forms of special indebtedness prove more convenient for politicians, they also

lead to more costs for taxpayers, Curry said. "General obligation debt traditionally has a very low interest rate because it is secured by the full faith, credit, and taxing power of the state," she said. "Special indebtedness is repaid by an annual debt service appropriation from the state's General Fund, which means a higher interest rate than voter-approved debt."

Even a slight difference in interest rates can make a big difference, Curry said. "The interest rate penalty increases the cost of projects being financed and over time amounts to a significant portion of the debt."

For example, Curry estimated the cost to taxpayers from 2005 to 2011 of an additional 0.25 percentage points on the interest rate of nonvoter-approved debt. Each year, the estimated additional interest topped \$10 million, peaking at more than \$64 million in 2008. For the entire period, the special indebtedness is estimated to have cost taxpayers an extra \$261 million.

Lawmakers have taken steps to scale back nonvoter-approved debt, canceling \$232 million in special indebtedness in 2011. The cancellation included all special indebtedness authorized in 2010.

Some legislators want to repeal the 10-year-old law that created special indebtedness. Curry's report documents potential problems with that option.

"The removal of these debt vehicles would be viewed negatively by the financial markets and could send investors a signal that North Carolina no longer endorses appropriation funding for debt-financed projects," she said. "This domino contagion would negatively affect the value of the outstanding special indebtedness held by investors and possibly lower the state's bond ratings or trigger other unintended consequences."

Senate Bill 129 would take a different approach. It would limit future use of nonvoter-approved debt. "This bill does not eliminate special indebtedness altogether but limits the amount North Carolina may have outstanding at any one time," Curry said. "Special indebtedness makes up about 40 percent of North Carolina's total outstanding debt, but the bill would cap the percentage at 25 percent."

That means North Carolina no longer could rely on nonvoter-approved debt until that type of debt drops below 25 percent of the state's total debt burden, Curry said. "In essence, there is a chance for a temporary moratorium on special indebtedness," she said. "Given the fact that this nonvoter-approved debt leads to higher interest costs, this change could save taxpayers valuable dollars." CJ

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Stolen-Identity Tax Refund Fraud Widespread, Costing Billions

Continued from Page 1

live at his address. Additionally, two neighbors have reported receiving tax correspondence and checks to people who do not live at their addresses.

Stolen-identity refund fraud is so rampant that Russell George, Treasury inspector general for tax administration, dubbed it 2013's "No. 1 tax scam." However, it has been going on for some time.

George said that for tax year 2010 the IRS processed 1.5 million undetected stolen identity returns, representing a \$5.2 billion loss to U.S. taxpayers. In tax year 2011, more 641,000 individuals were victims of identity theft by criminals using their identities to get fraudulent tax refunds, the IRS estimates. For tax year 2012, that figure was estimated at 1.2 million.

Those committing this kind of fraud are brazen. For instance, someone filed 2,137 tax returns to the IRS in 2010 and used the same return address in Lansing, Mich. The illegal take from those returns totaled \$3,316,051, according to the IRS.

That was not the only address to which hundreds of fraudulently obtained IRS refund checks were sent. Some 765 similar refunds went to the same address in Chicago (totaling \$903,084), and 741 to the same address in Belle Glade, Fla. (totaling \$1,004,897).

Why thieves are successful

Government officials say their challenge is to find a balance between customer service and system integrity. Officials say they want to issue refunds quickly to satisfy tax filers, but those efforts preclude a thorough examination of tax returns to prevent fraudulent refund checks from being issued.

"Stolen identity refund fraud, or SIRF, can be described all-too-simply as a series of crimes by which criminals steal Social Security numbers, file tax returns showing a false refund claim, and then have the refunds electronically deposited to a bank account or to prepaid debit cards, or sent to an address where the wrongdoer then can get access to the refunds," Assistant U. S. Attorney General Kathryn Keneally told the U.S. Senate's Special Committee on Aging April 10.

How to prevent it

Based on testimony provided to two Senate committees, officials seem to be focusing on three things they can do to combat this type of refund identity fraud.

The first would require the IRS to process W-2 forms and other information from employers before it processes individuals' tax returns and issues refunds.

Employers now have until March 31 to file W-2 forms with the IRS, but taxpayers can begin filing returns as



Since March, a Durham retiree received the above tax correspondence to a person who does not live at his address (house numbers redacted), including a federal refund check.

early as mid-January. SIRF criminals understand they have a window of opportunity to submit fraudulent returns before tax authorities receive W-2s from employers. Because of this timing, identity thieves can receive fake refunds before tax officials have any idea they've been scammed.

Second, the IRS could implement a real-time tax system to verify many elements of a return when it is filed. The IRS now uses what it calls an "after-the-fact approach to compliance," dealing with concerns weeks or even months after refunds have been mailed. Among other potential problems, a real-time tax system could flag addresses from which multiple returns have been filed.

Third, the IRS could take better care of victims. National Taxpayer Advocate Nina Olson, whose job it is to provide an independent voice for taxpayers, and who does not represent the views of the IRS or other federal agencies, told the committee on aging that "victims often have to wait in excess of six months to have their cases resolved and receive their refunds."

Because of inefficiency, she told the committee, "Too many victims fall between the cracks of IRS bureaucracy."

Durham scheme

When the retired Durham resident received several pieces of mail from government agencies addressed to different individuals at his home on Sherron Road, and saw unfamiliar people checking mailboxes on his street, he concluded someone was using his address in a tax refund fraud scheme.

He shared copies of the documents with *CJ* and turned over all correspondence and checks to federal authorities.

After *CJ*'s initial meeting with the homeowner, two neighbors told him they also had received similar mailings. *CJ* interviewed the neighbors and concluded that the three households had received 17 official mailings addressed to people who didn't live at those addresses.

The mailings were sent from the IRS and the state revenue departments of Maryland, South Carolina, and North Carolina. The mailings included refund checks from Maryland for \$1,651 made out to Sherry D. Aroarena, and another for \$1,746 made out to Jessica B. Fonseca. Also, there was a \$4,108.08 check from the IRS payable to Jody A. Freed.

A national problem

The seriousness of the problem prompted the U.S. Senate's Committee on Aging to hold a hearing on SIRF issues April 10, and the Senate Committee on Finance to hold one on April 16.

George, the Treasury inspector general for tax administration, said an audit conducted by his office identified more than 76,000 tax returns for the year 2010 that were filed using the identities of senior citizens that had characteristics of an IRS-confirmed identity theft case.

"Those returns resulted in potentially fraudulent tax refunds totaling over \$374 million." He explained that the identities of senior citizens are targets for identity theft because many are not required to file a tax return. The IRS is unaware of the fraud until a legitimate taxpayer also files a return using the same name and Social Security number.

The IRS and other law enforcement agencies have uncovered a number of SIRF operations. For example, a February press release from the U.S. Attorney's office in the northern district of Georgia reported that Kevin Joseph Sonnier, 44, of Ellenwood, Ga., and Bernardo Davis, 26, of Morrow, Ga., were arrested and charged with wire fraud, aggravated identity theft, and conspiracy to defraud the government. Sonnier and Davis are accused of filing more than 15,000 false tax returns from 2011 and 2012 that claimed more than \$15 million in fraudulent refunds.

"They obtained some of these names and Social Security numbers through the use of a website and advertisements that touted the availability of an 'Obama stimulus payment' and provided a toll-free number. However, no stimulus payment actually existed, and Sonnier and Davis instead used the victim's personal information to file thousands of false tax returns that claimed millions of dollars in bogus refunds," stated the release.

Refund fraud in N.C.

N.C. Department of Revenue director of business operations Cale Johnson said the department does not track identity theft statistics and it doesn't know how much money the state loses to SIRF. He also noted that the department does not have the statutory authority to bring charges related to identity theft.

He said the department saved more than \$19 million last year as a result of just one of the anti-fraud initiatives encompassing SIRF-related activities.

Regarding multiple, and thus likely fraudulent, refunds being sent to the same address, he said, "The department does monitor and seeks to identify and prevent multiple fraudulent refunds from being issued to the same address." *CJ*

Three More Perdue Campaign Associates Plead Guilty to Infractions

Continued from Page 1

2008, chose last year not to seek a second term.

Wake County District Attorney Colon Willoughby, who led the prosecution, said the plea agreements put an end to his investigation of Perdue's 2008 campaign finances.

Perdue's donors attracted the attention of the State Board of Elections soon after it wrapped up its 2009 criminal investigation of Perdue's Democratic predecessor, Mike Easley. The board fined Easley's campaign committee \$100,000 for filing false campaign finance reports related to flights he received from former N.C. State University Board of Trustees chairman McQueen Campbell and others. Easley's committee paid a small portion of the fine. The former governor later offered an Alford plea to a Class I felony for filing a false campaign report. Easley lost his law license for two years, and it was reinstated recently.

The defendants

Stubbs, who for roughly 25 years was the law partner of Perdue's late first husband Gary, admitted that in 2007 and 2008 he provided flights worth more than \$28,000 to the Perdue campaign after he had given the maximum donations permitted. He was charged with felony obstruction of justice and forcing the Perdue committee to file false reports. He is a seasoned political donor who has made at least 250 contributions to state or local candidates or committees over the past two decades. The January issue of *Business North Carolina* noted that Stubbs' colleagues in the legal profession had named him the state's top bankruptcy attorney.

Caldwell, a former state magistrate, was charged with concealing the payment for a December 2007 flight Fulenwider arranged that took Perdue to a fundraiser in Manteo for then-state



In top photo, Buzzy Stubbs, center, is flanked by his attorneys Wade Smith, left, and David Long, right. In bottom photo, from left, Robert Lee Caldwell, left, Caldwell's attorney Jake Sussman, Charles Michael Fulenwider, and Fulenwider's attorney James Cooney. (CJ photos by Don Carrington)

Senate leader Marc Basnight. The flight originated in Hickory, picked up Perdue and her party in Chapel Hill, flew to Manteo, and dropped Perdue in Chapel Hill before returning to Hickory.

The flight was invoiced originally to Fulenwider, who also had donated the maximum to the campaign. In 2010, Fulenwider told *Carolina Journal* he needed to find someone else to pay for the flight. He recruited Caldwell, who convinced a local barber, James Fleming, to write a check covering roughly \$3,000 of the \$4,000 flight. State records indicate that Fleming had not made a campaign donation in at least 20 years.

Caldwell reimbursed Fleming, which violated state laws banning political donations made in the name of another person. In February 2011, Caldwell was indicted for the payment scheme. In court Wednesday, Fulenwider was named as the person who paid Caldwell for the flight, though

Fulenwider was not indicted in that scheme.

Fulenwider's guilty plea related to a separate plan in which he paid a portion of Sitton's salary when she worked for Perdue. Fulenwider gave \$32,000 to a company owned by Reichard, which then paid Sitton \$2,000 a month. This scheme also provided the basis for the charges that led to the plea agreements Reichard and Sitton accepted.

The investigation

Around the time the elections board convened its hearing on Easley's campaign flights, state Republican Party officials noticed that the Perdue committee had begun amending its reports from the 2008 campaign, reimbursing donors who had provided flights as much as two years earlier. State campaign laws require any services provided to a political campaign to be reimbursed in a timely manner —

typically within a few days.

The elections board later opened an investigation of the Perdue flights. After finding the committee neglected to pay for more than 40 flights in a timely manner, on Aug. 24, 2010, the board fined her campaign committee \$30,000. The elections board ended its investigation without taking sworn testimony.

During the board's investigation, then-state Republican Party Chairman Tom Fetzer asked Willoughby to review the board's work, accusing Chairman Larry Leake, executive director Gary Bartlett, and John Wallace, who served as an attorney for the state Democratic Party and the campaigns of Easley and Perdue, of interfering with the probe in an effort to minimize Perdue's potential role.

CJ examined the flight logs and other documents produced during the elections board investigation. A few days after the board fined Perdue, CJ reported the records implicated Stubbs and Reichard in attempts to hide payment for campaign flights.

In October 2010, the State Bureau of Investigation, at Willoughby's request, began its own investigation of the campaign. At the time, Willoughby said the board's investigation of Perdue appeared to be less "careful and deliberate" than earlier ones.

A subsequent story by CJ detailed the convoluted payment arrangement for the flight involving Fleming, Caldwell, Fulenwider, and Perdue.

Perdue currently is a spring fellow in politics at Harvard University's Kennedy School of Government. She is scheduled to become a distinguished visiting fellow at the Sanford School of Public Policy at Duke University this fall.

To read CJ's full coverage of the Perdue flying operations, visit <http://bit.ly/Q1PYHo>. CJ

Executive Editor Don Carrington provided additional reporting for this story.

Victims Surprised To Learn They Were Victims of Tax Identity Fraud

Continued from Page 1

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 named Jody Freed and located, in Slatington, Pa., a woman whose last four Social Security numbers matched those in the North Carolina document.

She said that, due to an injury, she 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.

Evan Russell, 27, the manager of the Gorman Street Pub in Raleigh, also is a victim of SIRF. Russell told CJ that in early March he filed his federal and North Carolina tax returns using TurboTax preparation software and expected a federal refund of approximately \$1,000.

His return was accepted initially, but later he got a notice saying it was denied because his Social Security

number had been used for an earlier filing. Thinking he must have made an error in completing the return, he went to an H&R Block office and had it handle his refund filing. H&R Block also received a notice that the Social Security number had been used.

An H&R Block employee showed him how to file a fraud report with the IRS, which required that he download a form from the IRS website, enclose copies of his driver's license and Social Security card, and mail the information to an IRS office in Kansas City. An IRS representative later told Russell that his name and Social Security number had been used to produce a \$5,500

tax refund that went to an address in Georgia.

Russell said that after he learned about the IRS issue, his bank notified him that someone in Ontario, Canada, had tried to make a \$700 withdrawal from his account. He also got a notice from Google that someone had hacked into his email account and that he needed to change his password.

At press time, Russell said he had not communicated with N.C. Revenue Department officials and doesn't know if the same fraudsters made an attempt to get money from the state of North Carolina using his name. He said he had calculated his North Carolina refund to be \$83. CJ

Somin: Being Politically Ignorant Can Be a Rational Decision

BY CJ STAFF

RALEIGH

If you've ever questioned the quality of our politicians and their policies, you might want to consult the work of Ilya Somin, professor of law at George Mason University. During a recent speech at Campbell University, Somin offered highlights from his forthcoming book *Democracy and Political Ignorance*. Somin discussed the book with Mitch Kokai for Carolina Journal Radio. (Head to <http://www.carolinajournal.com/cjradio/> to find a station near you or to learn about the weekly CJ Radio podcast.)

Kokai: What's the basic message in *Democracy and Political Ignorance*?

Somin: The basic message is that the level of political knowledge in the electorate overall is very low and that this is not simply a consequence of people being stupid or the information not being available. It's a consequence of perfectly rational and understandable behavior that even smart people engage in. And, ultimately, the way to best reduce the magnitude of this problem is to reduce the role of government in society and also to decentralize it more than it is today.

Kokai: Why are we so ignorant about politics?

Somin: Obviously, all of us are ignorant necessarily about the vast majority of the knowledge that exists in the world. We have to be. Our brains are limited, and our time is limited. And with politics, as with everything else, we are more likely to learn information if there is actually some benefit or some advantage to learning it. And if your only reason to become informed about politics is to be a better voter — to decide whether Romney or Obama, for example, will be the best president of the United States — that turns out to be very little incentive because the chance that your vote will actually make a difference to the outcome of an election is infinitesimally small, maybe one in 60 million in a presidential election.

Kokai: If most of us are ignorant about politics, how does that impact elections?

Somin: I think it impacts it in a couple of different ways. One is as between the candidates that actually exist, often voters decide based on ignorance. A good example is they often credit or blame incumbents for things they didn't cause. So, for instance, when there is a drought, for example, incumbents are likely to be voted out even though obviously they didn't cause the drought. On the other hand, when the local sports team does well, that increases the mayor's or the governor's chance of being re-elected even

"When we buy the TV or the car, we do two things differently from when we vote for president. One is we tend to acquire more information. We spend much more time on those decisions, most of us, than on voting decisions. Secondly, we tend to be less biased in the way we evaluate what we do know."

Ilya Somin
Professor of Law
George Mason University



though in most cases they didn't cause that, either. Also, incumbents are repeatedly rewarded or punished for trends in the world economy, which they didn't cause.

But the deeper and more important effect is not just about what decision we make between the candidates who are put before us, but on what choices we have in the first place. Obviously the parties are not stupid. They're trying to put candidates before us and platforms before us that have the best possible chance of winning. And the platforms that have a better chance of winning with an ignorant electorate often are very different and of worse quality in various ways than the ones that might be more successful if the electorate were more knowledgeable.

Kokai: Some people will hear what you say and respond, "Well, let's make people more knowledgeable about politics."

Somin: Obviously, that's the solution that many people have advocated. There are a couple of problems with it. One is simply, empirically, we've tried this, and it hasn't worked very well. For instance, education levels have risen enormously for the last 50 or 60 years, the percentage of people who go to college or get high school diplomas and so on is much higher than it was before. It's even the case that IQ levels have risen enormously. But political knowledge levels have remained roughly the same. So it seems that just making people more educated doesn't necessarily make them more knowledgeable about politics.

In addition, given the enormous size, scope, and complexity of modern government, it's difficult or impossible to get any large fraction of the population to be informed about more than a small percentage of this information.

In the United States today, government spending at all levels accounts for nearly 40 percent of our gross domestic product, and that doesn't account for all sorts of other government activities that are not on the budget. So even if voters knew more than they do today, significantly more, they would still only be knowledgeable about a small fraction of what government does.

Kokai: You contrast the process we use when we buy a television set with the process we use to choose a president.

Somin: Buying a TV or buying a car versus buying a presidential candidate, if you will. When we buy the TV or the car, we do two things differently from when we vote for president. One is we tend to acquire more information. We spend much more time on those decisions, most of us, than on voting decisions. Secondly, we tend to be less biased in the way we evaluate what we do know.

I mentioned earlier that some people acquire political information for the purpose not of becoming better voters, but just because they find it to be fun. They're political fans just in the way that many people are sports fans and acquire information about sports teams not because they want to influence the outcome of games or they think that they can influence the outcome. It's because it's fun to cheer for your team.

The problem is when you're acquiring knowledge to cheer for your team or cheer against the bad guy, so to speak, you're not going to be very objective in the way you evaluate the information. You're not going to seek out opposing points of view. You're going to be highly biased. And the data show that is, in fact, the way most of us process political information, particularly those of us who are most interested in

politics and therefore act most like fans in our behavior. When, on the other hand, we make decisions where we know what we do will actually make a difference, the outcome, we certainly don't completely eliminate all our biases, but we work harder against them.

So notice just everyday social norms. People hate it when their political views are criticized. If you explain to me why I am wrong about politics, I'm going to be resentful and annoyed. That's why there is a norm against arguing about politics in polite company. On the other hand, if you point out to me where I could get a better deal on a new car or TV, I'll be very grateful. Right? So our attitudes toward these things reflect a difference between a decision where we know what we do has little effect on the outcome, so we don't try very hard to be unbiased, versus one where we know our decision does make a difference, so we welcome new points of view, at least more so than we would otherwise.

Kokai: And you would take account of voter ignorance by having a smaller government. How so?

Somin: I don't sketch out a detailed trajectory, but I do give some evidence that it's at least possible to achieve this. Just in the last 20 or 30 years several advanced democracies have successfully greatly reduced the role of government in their societies. Our neighbor Canada is a good example. It used to be Canada was a much less free-market nation than the United States, and now it's more of one actually than we are. That's partly because our government has grown but partly because they shrank theirs.

Other good examples include New Zealand, Ireland, and there are several other cases of significant shrinkage in the size, scope, and complexity of government. CJ

CCs Working to Improve Remedial Course Results

BY DUKE CHESTON
Contributor

RALEIGH
Scott Ralls, president of the North Carolina Community College System, says he noticed a problem with remedial education in the state's community colleges: "Too few students were coming out the other end."

He was referring to the remarkably low success rate of community college students required to take remedial classes. Because of the low success rate, Ralls and system leaders are revamping how the colleges address remedial education, in part by making it easier to proceed directly to college-level courses.

Most degree-seeking students in the NCCCS are required to take remedial classes. According to system officials, 69 percent of recent high school graduates who enrolled in a community college last year were put in at least one remedial class.

Not many of those are making it to graduation. For example, only

8 percent of students who are placed in the lowest-level remedial (also called "developmental") math classes successfully made it to college-level math classes. That may be one reason community college graduation rates are typically between 10 and 20 percent.

One of the problems, according to Ralls, is that placement tests are putting students in the wrong classes. Ralls said that many college leaders complained about the ineffectiveness of the tests, which were designed primarily to be cheap and quick.

"We just assumed we were always doing the right thing," Ralls said. But, "All of a sudden, the data smacked us right in the face and said, 'No, that's not right.'"

The data Ralls was referring to included a study done by the Columbia University Teachers College for the NCCCS. Researchers estimated that current tests place 30 percent of students erroneously.

In late February, the State Board of Community Colleges voted to change the way NCCCS implements remedial education in several ways. The changes, set for fall 2015, are intended to help students either bypass remedial classes or work through them

more quickly.

The idea is that many students take remedial classes that they don't really need. Faced with several semesters of classes covering material they already studied, they drop out before finishing.

One change is that the classes will be shortened, divided into smaller segments so that students can address specific deficiencies more quickly. For example, students needing remedial math will take up to eight one-credit-hour classes that last four weeks each (one credit-hour for scheduling purposes, not credit toward a degree). Previously, students took semester-long noncredit courses.

Another change is controversial, perhaps even counterintuitive: The community colleges intend to help students succeed in school by making it easier for them to be placed in more difficult, college-level classes.

Rather than requiring all degree-seeking students to take placement tests, students who graduated from high school less than 5 years ago can use either their GPA or SAT or ACT scores to be placed directly into college-level classes. System leaders believe, based on research, that these measures give a more accurate picture of a student's potential for success, since they reflect more skills than the content knowledge measured by the placement tests.

The "Multiple Measures" placement process — the new system being implemented — will apply to all degree-seeking students (that is, everyone except those taking "continuing education" classes, which don't lead to a degree). The process will be hierarchical: If a student's high school GPA is greater than or equal to 2.6, he or she can enroll in college-level classes. If it is below 2.6 but the student scored high enough on the SAT or ACT, he or she can enroll in college-level classes. If the GPA, SAT, and ACT scores are not high enough, then the student will have to take a placement test.

It will, however, be a new one developed by the College Board, which system officials believe will be more accurate. CJ

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

The goal is to allow students to address deficiencies much quicker

COMMENTARY

N.C. State's Monument to Futurism

The media gushed effusively over the new James B. Hunt Library at North Carolina State's Centennial Campus. One *Scientific American* blogger called it "the plugged-in library of the future," while the *Raleigh News & Observer* said "it may well be the most advanced library in the world, and is one of the most unusual buildings in the nation by any measure."

But does the library, dedicated officially on April 3, live up to that hype? More importantly, does it justify the \$115.2 million in taxpayers' money (along with another \$5 million in donations) spent to build it, not to mention the \$4,648,182 in annual operating costs?

Unfortunately, that answer at this point is more art than science. Predicting the library's value includes so many unknown variables and conjectures that no cost-benefit analysis could approach accuracy. And after several visits, I wonder whether the library is more like a shrine to wasted space and questionable design features than an inevitable prototype.

The library — named after a former North Carolina governor — certainly has lots of space — more than 221,000 square feet. The question is: How well is that space used? N.C. State's main library, D.H. Hill, for instance, stores almost as many books in roughly half the space.

The Hunt library also doesn't lack for shiny new gadgets. From a state-of-the-art "gaming" room to video design studios to two "creativity studios" that are really high-tech art galleries, the emphasis on technology and the future is very much in evidence (if not "in your face").

And that might be a real problem as we approach the real future. Buildings designed according to architects' vision of the future tend quickly to seem out of date, for rarely does the future conform to their expectations. I recall from my youth the "geodesic dome" design of noted 20th-century futurist Buckminster Fuller being hailed as the way of the future, yet it has almost never been used for actual buildings.

Let us hope this design, by the Norwegian architect firm Snohetta, fares better. Let us hope also that the future does not include Snohetta's clashing color schemes of faded green, purple, turquoise, gray, and red that set the tone for much of the library.

Also conforming to the futuristic theme is the library's much touted robotic book storage system — a "bookBot" — on full display on the first floor. It features metal bins for storing books stacked fifty feet high with "robots" — actually computerized mechanical "pickers" that store and remove books from the shelves.

One intended purpose of the bookBot is to cut costs, ostensibly by reducing the labor needed to restock bookshelves. Whether it does that is anybody's guess at this point — back-of-the-napkin calculations suggest that the cumulative minimum-wage salaries

paid to additional student workers needed to return books to the shelves might be cheaper over time than the present future value of the bookBot's large investment. If so, the bookBot is merely an extravagant toy.

There is also a Big Brotheresque twist to the library. On the second floor, visitors are met — or perhaps, confronted — by the Emerging Issues Institute, Jim Hunt's government-funded policy think tank. Its 24,500-square-foot wing is an in-kind donation from taxpayers. Its huge presence in the new library is disconcerting. Despite attempts to appear balanced and nonpartisan, its political leanings are obvious: They come from liberal Democrat Jim Hunt, who is the institute's board chairman, and others who think as he does.

Certainly, libraries have to evolve with the times and offer more than just books. And N.C. State was in desperate need of another library. But in both form and function, the James Hunt Library seems to fall well short of the magnificent praise directed its way. CJ

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



JAY SCHALIN

Campus Briefs

'Butts in Seats' bake sale

In mid-April, N.C. State's University Honors Program hosted the "Butts in Seats Bake Sale," a politically themed event on campus, the name of the event being a reference to remarks made by Gov. Pat McCrory in January questioning the job prospects of some UNC system graduates and the value of their UNC education.

McCrory told radio host and former U.S. Secretary of Education Bill Bennett that he wanted to fund colleges "not based on how many butts in seats, but how many of those butts can get jobs." McCrory singled out some fields, such as women's studies programs, as being of particularly questionable value.

Organizers of the event charged customers different prices for baked goods based on their program of study. For example, chemical engineers, who tend to have excellent job prospects after college, were charged the most.

Some students involved with a student group called Young Americans for Liberty thought this was a partisan slap at McCrory and confronted the organizers. After confirming that the university had funded the event, a YAL member said, "this is the University Honors Program, not the Democratic Party. You can't just use the University Honors Program to put forth an obviously leftist political event."

When challenged, one organizer walked away, and the other gave the YAL member a free cupcake.

UNC allows ammo

At UNC-Chapel Hill, controversy arose in February and March when Student Congress passed a bill making it more difficult for the Tar Heel Rifle and Pistol Club (a student group dedicated to shooting sports) to purchase ammunition. Club members protested, and some tried to speak before Student Congress about the bill during debate, but were not allowed.

Student body president Will Leimenstoll vetoed the bill in March, telling the *Daily Tar Heel* student newspaper, "I didn't feel that everyone who wanted to have a say in the matter had the opportunity to have their voice heard." The veto essentially killed the bill, since proponents did not have enough votes to override it. CJ

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

UNC Chancellor Choice a 'Surprising' Selection

By JANE S. SHAW
Contributor

RALEIGH

Carol Folt, acting president of Dartmouth College in Hanover, N.H., has been named the next chancellor of UNC-Chapel Hill. She replaces Holden Thorp, who has resigned effective June 30.

The selection was surprising to many because Folt has been an administrator for 30 years at a relatively small Ivy League college in northern New England, a setting utterly different from UNC-Chapel Hill. Not only does the school have an enrollment one-seventh the size of Chapel Hill's, it does not offer athletic scholarships.

But Folt has some strengths — charm, for one. The petite, 61-year-old seemingly won over the hearts of the UNC Board of Governors, students, and public after her election on April 12. "She just lights up a room," said Will Leimenstoll, UNC-CH student body president.

In some respects, Folt fits the mold of academic-scholar-turned-administrator, like her UNC-Chapel Hill predecessor Thorp. Also, she is an academic liberal, with a doctorate in ecology from the University of California at Davis whose research centered on the effects of fish toxins and the potential impact of climate change. She even created a "sustainability" minor, which integrates subjects such as social justice and ethics with environmental sciences.

Folt also was a pioneer in creating Dartmouth's Women in Science Project, and according to Dartmouth, oversaw "an unparalleled increase ... in the number of women department chairs and holders of endowed professorships." At a reception after her selection she talked about changes that have taken place during her professional life. Her first example was to note that academia is "celebrating" 40 years of Title IX (the law that requires parity in women's activities, especially sports). A faculty member calls her an "educational progressivist."

Folt does come with some baggage — her years as an administrator have won her some enemies.

Indeed, a red flag for the search committee might have been the divisiveness that has characterized Dartmouth for a decade or so, during which Folt has held high administrative posts — although only recently the top position.

A group of alumni argue that Dartmouth is adrift — putting more money into administration and graduate schools than into undergraduate teaching. To stop this drift, alumni elected several dissenting trustees — until the board changed the governance structure to reduce the power of independently elected trustees.

One dissenting candidate (he lost in 2010), Joseph Asch, '79, a Yale



UNC-CH Chancellor Carol Folt (UNC photo)

Law School graduate and international businessman, became concerned about the college when he spent his summers in Hanover, auditing more than 30 courses and getting to know professors there.

Asch noticed that students were unable to get into classes because there weren't enough classes being taught, a situation unknown before 2000, he says. Academically, Asch said Dartmouth seemed "dead in the water." But spending on facilities was lavish, and debt has risen to more than \$1 billion. Now, Asch writes an outspoken blog that has been critical of Folt and

other administrators.

A spokesman for Dartmouth responds that since Joseph Asch has a "longstanding, very public dislike for almost anything Carol Folt does, I would treat his current criticism with a grain of salt."

On the positive side, in the words of one search committee member, Folt was the "go-to person," "the fixer," at Dartmouth when something needed to be done. The fact that she has some detractors didn't bother the search committee. Members may have perceived that as a sign that she was willing to stand up to faculty members if necessary.

Standing up to sports-loving boosters may be more challenging, however.

The process of selection of UNC chancellors is highly secretive. Even the three candidates whose names were selected by the search committee, which reported them to the Chapel Hill Board of Trustees, were never revealed publicly, although one is known to have been a UNC system "insider."

UNC president Tom Ross selected Folt from those three candidates. One knowledgeable observer commented privately that Folt's selection was a "Tom Ross-orchestrated power play."

Time will tell if it was a good one. CJ

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

Carol Folt is an academic liberal whom some call an 'educational progressivist'



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Opinion

Politically Correct Incidents in the Ivory Tower: My Top Picks

The term “politically correct” comes straight out of the Soviet Union. There, it referred to activities and talk that reflected the prevailing ideology — the only ideology allowed.

In the past six years, during which I have headed the John W. Pope Center for Higher Education Policy, I’ve come across the Ivory Tower variety of politically correct behavior. Lest we forget these incidents, here are some of the most notable:

Replacing the Constitu-

tion: In 2007, Judith Blau, a sociology professor at UNC-Chapel Hill, organized a student convention to rewrite the U.S. Constitution. As Jay Schalin reported at the time, the new constitution’s preamble had phrases like “working for collective rights will create a more harmonious society.” Its body, wrote Schalin, “consisted of a litany of liberal causes, including abolition of the death penalty and the promotion of multiculturalism, gay marriage, and environmentalism.”

Instead of getting rid of our Constitution, Blau and her students might usefully have explored why it is the oldest written constitution still in effect.

Yale Sex Week (and other campus Sex Weeks): Officially justified to

promote safe sex, in 2010 the nine-day event featured pornographic filmmakers, sex consultants, a sex therapist, and sex workers (one of whom has been an escort, a stripper, and a “professional dominatrix”). Nathan Harden gave a day-by-day account on the Phi Beta Cons website. One speaker’s goal was to “challenge gender norms through porn,” while another discussed masturbation and “educated students about an array [of] sleeves and plastic gizmos designed to enhance solitary bliss.”

Affirmative Action: Sen. Hubert Humphrey once said that he would “eat my hat” if affirmative action turned into quotas — and they did (but he did not). Well-intended efforts to open up education to minorities have turned into catastrophe. They hurt the students who are rejected and those who, with an admissions boost, are accepted.

As authors Richard Sander and Russell Nieli have made clear, bringing in students who are significantly less capable than the average student at that school means that such stu-



dents rarely will stand out. They will not become the favorites of professors, and they will not do as well as if they had been in a more congenial academic environment. Some of

these students *would* be at the top of the class if they attended a school that had not used quotas or “points” to admit them. Faculty and administrators ignore the logic of what Sander and Nieli say because it undermines the push for diversity, the Holy Grail of politically correct behavior on campus.

The Duke Lacrosse Case:

In 2006, three members of the Duke lacrosse team were charged with rape of a black woman whom they had hired as a stripper at a party. The horrendous story fit right into a po-

litically correct narrative — privileged white boys viciously attacking a black female student (from a different, historically black, school). Tossing out the presumption of innocence, 88 faculty members signed a letter condemning the men and their actions publicly as symbolic of the racism on campus. The president and provost, too, hung

them out to dry. But the story was a hoax, the woman has since been arrested for murder, and Duke had to pay millions to settle a libel suit.

The faculty members who had used the occasion to whip up alarm about racism never apologized and never were reprimanded, and Duke’s trustees blithely renewed the contract of the president a few years later.

The Larry Summers Affair: Hell hath no fury like a woman scorned — but in academia, hell hath no fury like women who have been treated “insensitively.”

In 2005, Lawrence Summers, president of Harvard University (a good Democrat, having been treasury secretary under President Clinton), gave an impromptu talk in which he suggested that one possible reason for relatively few women in the high ranks of math and science was genetic. At the top (and bottom) ends of the bell curve of scientific aptitude, there are more men than women, and that might be one factor in underrepresentation of women.

A female biologist at MIT was so outraged that she walked out of the conference, and the National Organization of Women demanded Summers’ resignation. Not much later, Summers did resign. Other factors were in play, but this was the spark that ignited the fire that wouldn’t go out.

So, we see how again and again, politically correct behavior wins out over objectivity and good taste. CJ

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



JANE SHAW

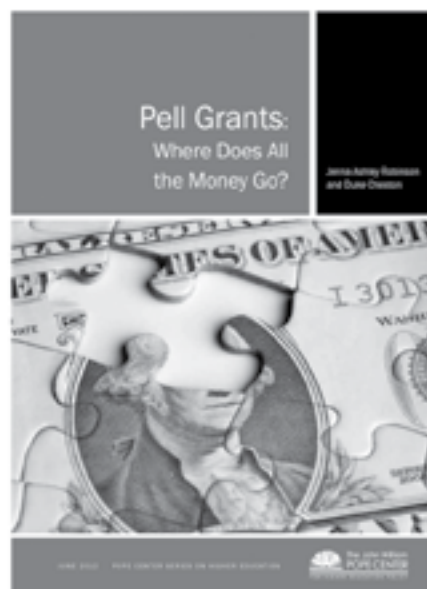
The tenets of political correctness seem to win out over objectivity and good taste

Are Pell grants going to those who need them?

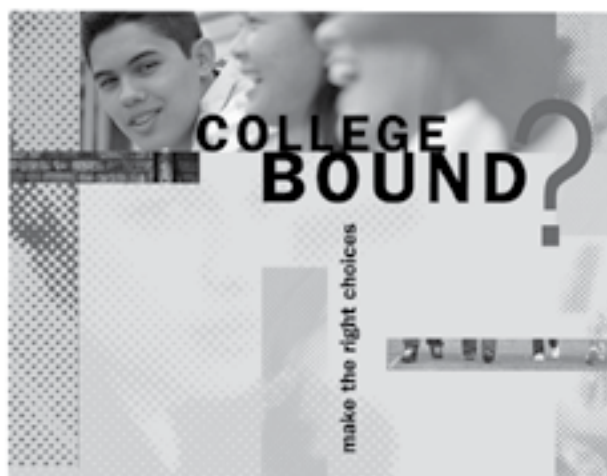
Jenna Ashley Robinson and Duke Cheston examine out-of-control Pell grant spending.

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From the Liberty Library

• Economist Herb Stein famously said that something that can't go on forever, won't. For decades now, America has been putting ever-growing amounts of money into its K-12 education system, while getting steadily poorer results. Now parents are losing faith in public schools, new alternatives are appearing, and change is on the way. In *The K-12 Implosion*, Glenn Harlan Reynolds provides a succinct description of what's wrong and where the solutions are likely to appear, along with advice for parents, educators, and taxpayers. For more, visit www.encounterbooks.com.

• Grover Cleveland is the forgotten conservative: a man of dignity, integrity, and courage often overlooked by the history books. Historian and author John Pafford reveals a president who deserves more attention. Cleveland set a standard for principled leadership in office that is especially relevant today. In *The Forgotten Conservative: Rediscovering Grover Cleveland*, Pafford tells the story of Cleveland, who as governor of New York fought hard for civil service reform, rejecting the "spoils system" that had created so much corruption in state government. A man of strong faith and principles, he brought his reform mentality to the White House. Today, Wisconsin's Scott Walker and New Jersey's Chris Christie are making headlines with their efforts to reform the civil service behemoth and clean up the government of their states. Perhaps one of their leadership examples should be the forgotten conservative, Grover Cleveland. Learn more at www.regnery.com.

• When our founding fathers secured the constitutional "right of the people to keep and bear arms," they also added the admonition that this right shall not be infringed. It is the only time this phrase appears in the Bill of Rights. So why aren't more people listening? History has proven that guns are essential to self-defense and liberty — but tragedy is a powerful force and has led many to believe that more restrictions or outright bans on firearms will somehow solve everything. They are wrong. In *CONTROL*, Glenn Beck presents a passionate, fact-based case for guns that reveals why gun control isn't really about controlling guns at all; it's about controlling us. For more information, visit imprints.simonandschuster.biz/threshold. CJ

Book review

Tate Offers Advice, Info To Help Survive Obamacare

• Nick J. Tate, *ObamaCare Survival Guide: The Affordable Care Act and What It Means for You and Your Healthcare*, Humanix Publishing, 2012, 264 pages, \$19.95.

BY SAM A. HIEB
Contributor

RALEIGH

OK, I'll go out on a limb and assume you haven't read the entire 2,500-page Patient Protection and Affordable Care Act, popularly known as Obamacare.

Never fear, health care journalist Nick J. Tate read it for us and compiled his conclusions into the easy-to-read *ObamaCare Survival Guide: The Affordable Care Act and What It Means for You and Your Healthcare*. And to make things even easier for you, I read Tate's book and will sum up those conclusions.

No doubt if you listen to conservative talk radio, you've heard political guru Dick Morris promoting the *ObamaCare Survival Guide*, in the process reminding us how he warned us about Obamacare.

Morris — who so famously — and wrongly — predicted a Mitt Romney landslide in the 2012 presidential election — is no fan of Obamacare. With that in mind, it would be easy to conclude prematurely that the book is a diatribe against the ACA.

But it's far from that. Tate actually gives Obamacare a fair enough shake. Indeed, he says, there is some good news. If the goal of Obamacare was to reduce the number of uninsured individuals, then it certainly will do that.

The Supreme Court upheld the controversial "individual mandate" requiring citizens to purchase health insurance, and they will be able to purchase health insurance at an affordable price through a network of health insurance exchanges, albeit with considerable help from the federal government.

In addition, Obamacare also will bring to an end the "confusing, inconsistent, and arguably unfair mishmash of Medicaid income eligibility levels across the nation" and replace that mishmash with a single standard.

Medicaid standards currently fluctuate from state to state, with the extremes being Minnesota — where the income level for eligibility is 275 percent of the federal poverty level — and Alabama — where eligibility is set at 25 percent of the federal poverty level. North Carolina's Medicaid program provides more generous benefits for children, the elderly, and those with disabilities than it does working adults, who lose eligibility if they earn roughly 30 percent of the poverty level.

For those states that choose to expand Medicaid under Obamacare rules, the law indeed levels the Medicaid eligibility at 138 percent of the federal poverty level, no longer making eligibility in those states dependent fully on where you live.

North Carolina, for its part, has not adopted the Medicaid expansion; Gov. Pat McCrory is attempting to replace the state's existing Medicaid system with a managed-care model that will provide coverage to everyone below 100 percent of the poverty level. McCrory projects his plan will be able to increase coverage and improve outcomes at a lower cost than the Obamacare expansion would entail.

Another positive aspect of Obamacare is its long-term care provision for the elderly, a difficult issue most Americans will have to deal with at some point.

Obamacare seeks to address the desire for seniors to remain in their homes during their final years.

"Most seniors would understandably prefer to avoid being sent into a nursing home, where they are disconnected from their families. Obamacare makes a sensible effort to align Medicare with this preference," Tate writes.

While well-intentioned — as are many aspects of Obamacare — the Community Living Assistance Services and Supports provision, Tate says, "was nothing less than an actuarial nightmare" as seniors by definition use more health care than they pay for.

Further, premiums paid by enrollees designed to make the program self-sustaining would not have been put in a designated health care account. Instead, Tate writes, funds would be used to — you guessed it — fund other federal programs.

In a moment of clarity, the White House pulled the plug on the CLASS provision. Despite that moment of sanity, it still represents the one step forward, two steps backward problem dogging Obamacare.

While the CLASS provision took the needs of seniors into account, the bulk of financing for Obamacare shifts money from Medicare — the government program designed to assist seniors.

Money redirected from reductions in Medicare payments will go toward expansion of Medicaid in the individual states and the establishment of state-run health insurance exchanges, both of which North Carolina has opted out of, at least for the time being.

The effect of these reductions in Medicare payments is uncertain. As a result, providers

simply could refuse to accept Medicare patients, resulting in the rationed care Obamacare opponents have warned about.

It's already happening. Tate notes that in 2010, Harvard Pilgrim Health Care dropped Medicare Advantage due to reductions in payments, forcing tens of thousands of seniors to look elsewhere to supplement basic Medicare coverage.

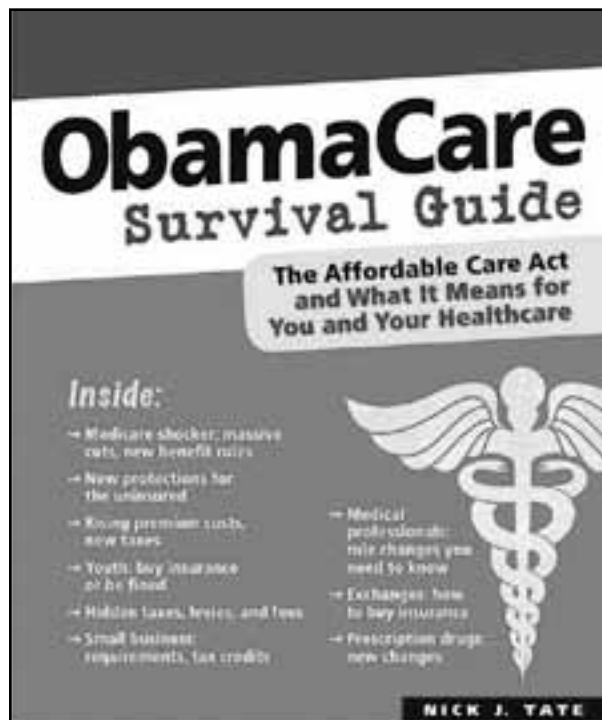
Where does all this end? Tate cites Bob Dylan when reminding us "sometimes you don't need a weather vane to see which way the wind is blowing."

"Common sense says that insuring more than 30 million people and simultaneously guaranteeing that every citizen has a plethora of new health care benefits will impose a significant burden on taxpayers that did not exist before Obamacare's passage," he writes.

While many — including me — believed that the only chance to repeal Obamacare came and went with President Obama's 2012 re-election, Tate is more optimistic.

"Like any other law in the initial period after its enactment, Obamacare lives in a fluid state. It's likely that new developments will cause the law to mutate into something very different from what it is today," he writes.

In the meantime, Tate recommends citizens stay informed. The changes in care, providers, taxes, and fees may be overwhelming, but knowledge is power. With that power, you very well could survive Obamacare. CJ



Names of Streets and Parks in Raleigh Loaded With History

We can be surrounded by our past yet remain clueless.

Street signs, for instance, help commuters and travelers find their final destinations. Those signs can be much more than guideposts, though. They often provide interesting clues into an area's history.

During the 1780s and early 1790s, state legislators had lengthy and intense debates regarding where to establish a permanent capital. While debating whether to ratify the U.S. Constitution at the 1788 Hillsborough Convention, delegates also tackled this topic. Delegates chose seven locations, including Isaac Hunter's inn in Wake County, and decided that a new capital should be located within 10 miles of one of the proposed spots.

This ordinance intensified an ongoing debate. Many were dissatisfied with a proposed Wake County choice, for the location was, they argued, essentially "unconnected" to

the majority of the state's commercial centers. For convenience sake, many Easterners wanted the capital to be in New Bern, while others preferred Fayetteville.

Proponents of a capital in Wake County preferred a more central location for all Tar Heels. The location, it was argued, would make representation more democratic; Piedmont and western delegates would not be so far removed from the seat of government. (Discontent already had been expressed from North Carolinians living in the land that later became Tennessee, as evidenced by efforts to create a State of Franklin during the mid-1780s.) The choices were winnowed until finally a slim majority — 57-55 in the House, and 27-24 in the Senate — voted for the Wake County site.

In January 1792, the General Assembly established a commission to choose a permanent location in Wake County and then supervise and plan the site. On March 31 of that year, the nine commissioners purchased 1,000 acres from Col. Joel Lane. (His offer was selected from among 17 others within the allotted space in Wake County). The commissioners helped survey and plan the 400 acres within the Lane tract — what is essentially downtown Raleigh today. The General

Assembly approved the proposed city name and street names in December 1792. The first State House opened in 1794.

The namesake of the capital was Sir Walter Raleigh, a nobleman who sponsored the first English colonists to what his contemporaries called the New World.

The street names are now as they were in 1792. The streets named North, South, East, and West were the respective boundaries of the 400 acres that comprised original Raleigh. Lane Street is named after the prior owner of the land.

Other streets were named after each of North Carolina's eight judicial districts, represented then and commemorated now, in downtown Raleigh: Edenton, Fayetteville, Halifax, Hillsborough, Morgan, New Bern, Salisbury, and Wilmington.

The nine commissioners (an at-large member and one from each of the judicial districts) were complimented with street names: William Dawson of Chowan County, Edenton district; Joseph McDowell of Burke County, Morgan district; James Martin of Stokes County, Salisbury district; Thomas Blount of Edgecombe County, Halifax District; James Bloodworth of New Hanover County, Wilmington

district; Frederick Hargett of Jones County, New Bern district; Henry William Harrington of Richmond County, Fayetteville district; and Thomas Person of Granville County, Hillsborough district. The at-large commissioner, Willie Jones, the state's leading Antifederalist, was also from Halifax County.

Other state leaders were also recognized: Revolutionary General William Davie, Senate Speaker William Lenoir, and House Speaker Stephen Cabarrus.

Three of Raleigh's four downtown squares were named for early governors who served after North Carolina's independence — Richard Caswell, Abner Nash, and Thomas Burke. The fourth square, historians have concurred, is named for jurist Alfred Moore.

Next time you make a right (or left) in your hometown, you might want to ask yourself: "How did this street get its name?" The quest for an answer will lead you to a better appreciation and a deeper understanding of where you live. *CJ*

Troy Kickler is director of the North Carolina History Project (northcarolina-history.org).



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Book review

Biography Puts More Frost on Flakiness of California's Jerry Brown

• Chuck McFadden, *Trailblazer: A Biography of Jerry Brown*, University of California Press, 2013, 248 pages, \$29.95.

BY LLOYD BILLINGSLEY
Contributor

Raleigh
Jerry Brown threw his hat in the ring while still a novice as governor of California, supporting Associated Press reporter Chuck McFadden's contention that "a California governor is automatically a potential president."

For those unfamiliar with Brown's three presidential bids, and his many other escapades, McFadden's *Trailblazer* will serve as an instructive and entertaining account of this political chameleon.

Jerry's father was two-term California Gov. Edmund G. "Pat" Brown. Jerry "internalized his father's ferocious ambition" and traded on his father's name. Jerry had not passed the bar exam when he "breezed into clerkship" for a state Supreme Court judge. As McFadden explains, "He was, after all, the son of the governor."

Jerry's boosters deny he was raised with a silver spoon in his mouth, but *Trailblazer* confirms that he was, starting in a five-bedroom house in the affluent Forest Hills section of San Francisco. The Yale law grad later bought a house with a swimming pool in the upscale Laurel Canyon neighborhood of Los Angeles. As mayor of Oakland, he "built a \$1.8 million live-work loft."

Brown trained for the priesthood, and in seminary wrapped a wire tightly around his leg, a procedure thought to increase spiritual awareness. His Jesuit training "instilled in him a certain

amount of intellectual arrogance, a liking for austerity, and a sense of righteousness that has manifested itself throughout his political career."

In a 1970 run for secretary of state, he was able to tap his "father's network of supporters for campaign funds." All his ideas were "styled to receive maximum media attention," but Brown "spent much of his time in Los Angeles running the office from poolside."

In 1974, Brown beat Republican State Controller Houston Flournoy for governor by a scant 2.9 percentage points and quickly pushed collective bargaining for state employees. He opposed Proposition 13, a property-tax limitation measure that passed in a landslide. Then Brown performed "one of the most dazzling flip-flops in the history of American politics" and proclaimed himself a "born-again tax cutter." He wasn't and never would be.

In March 1976, Brown announced his candidacy for president of the United States, "galloping in to clean up politics as usual." He trounced Jimmy Carter in the Maryland primary, and attracted "enormous and national interest" before fizzling.

His "Moonbeam" tag came from singer Linda Ronstadt, whom he met at

the El Adobe Café in Los Angeles, and who at the time was better known than Brown. The two journeyed to Africa in April 1979, while Brown was preparing his second bid for the presidency, and the couple landed on the cover of *Newsweek*.

In 1980 Brown ran on the platform of "Protect the Earth, serve the people, and explore the universe," giving verisimilitude to the "Moonbeam" concept. Before an eastern campaign swing he told the California legislature, "We must subordinate our own ambitions and our own individual egos to a much larger purpose." But Brown failed to match his upstart performance in 1976, losing to incumbent Jimmy Carter, who then lost to Ronald Reagan, the actor and union leader who had preceded Brown as California governor.

Brown chose not to seek a third term as governor and lost a 1982 Senate race to Republican Pete Wilson.

Wilson used Brown's opposition to Prop 13 as a sign the governor was a phony conservative, but as mayor of San Diego, Wilson opposed Prop 13 as well.

Brown targeted the Oval Office again in 1992, promising to "take back America from the confederacy of corruption, careerism, and campaign con-

sulting in Washington." He opposed the North American Free Trade Agreement, called for elimination of the federal Department of Education, and even advocated a flat tax.

His Jesuit sense of righteousness came to the fore again when he famously accused Bill Clinton of "funneling money to his wife's law firm for state business." In a question about federal education policy in the first primary debate, Brown also told the Arkansas governor that it wasn't the government's job to do your kid's homework.

After his 1992 presidential run, Brown brushed up on Zen Buddhism and spent time with Mother Teresa before making a comeback in 1998 as mayor of Oakland. In that office, Brown opened two charter schools, one a military academy that teacher union bosses compared to the Tuskegee experiments.

Brown won a race for state attorney general in 2007 and in 2010 easily defeated Republican Meg Whitman for governor. McFadden's lengthy election account is freighted with punditry but short on analysis. And his title is somewhat misleading because the real trailblazer in this story was Jerry's father, Pat Brown.

For all the fawning press he has received as a champion of the common man, Jerry Brown is a scion of the ruling class. The "born-again tax cutter" now has made California the highest-tax state in the nation. The governor who tried to launch a California-based space program now champions a \$68 billion bullet train that may never run on time. *Moonbeam Grounded* would have been a more appropriate title. CJ



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Book review

Authors Argue It's Progressives Who Are True Enemies of Science

• Alex Berezow and Hank Campbell, *Science Left Behind: Feel-Good Fallacies and the Rise of the Anti-Scientific Left*, Public Affairs, 2012, 303 pages, \$26.99.

BY GEORGE LEEF
Contributor

RALEIGH

In *Science Left Behind*, authors Alex Berezow (holder of a Ph.D. in microbiology who edits the site RealClearScience) and Hank Campbell (founder and editor of the online publishing site "Science 2.0") take a hard look at one of the more familiar tropes of American politics: The Left embraces science, while the Right is ignorant of or even hostile to it. They argue that the Left — especially its green and "progressive" elements — is much more ignorant of or hostile to science than the Right is.

Berezow and Campbell contend that the "progressive" left has adopted four myths: everything natural is good; everything unnatural is bad; unchecked science and progress will destroy us; and scientific knowledge is merely relative — just another opinion or world-view. Throughout the book, they show how those beliefs drive leftists to take positions for or against policies without regard to scientific evidence that adopting the policies would make many people worse off.

Food is one area where the progressive opposition to science (and actual progress) has been the most pronounced. Progressives are infatuated with "organic" food even though it is no healthier and may be less safe than ordinary produce. Choosing organic is only a costly personal choice driven by the "everything natural is good" myth, but the authors note that because or-

ganic farming is less efficient, it requires more cultivated acreage to get the same yield. Going "organic" isn't saving the planet.

Far more damaging is the effect of the second myth on food issues. Opposition to anything they perceive as not natural leads the progressives to obstruct scientific advances such as irradiation (which does a much better job of killing harmful pathogens in food than careful washing) and genetically modified crops.

Progressives have blocked irradiation on the baseless ground that radiation is always bad for people — never mind that once the pests have been zapped, the process has no effect on human consumers. And progressives do their utmost to block or delay the use of GM crops with silly slogans such as, "We'll create Frankenfoods!"

Berezow and Campbell show how absurd those fears are. Genetic modification has been going on for thousands of years as farmers have tried to breed better plants on a hit-or-miss basis. Recent innovations have led to greatly improved strains such as "golden rice" with the Vitamin A many poor people around the globe lack. Tough. Progressives have used their political clout to put up regulatory obstacles to GM crops.

When it comes to energy, the progressives' anti-science ideas are equally harmful. They have thrown up one roadblock after another to nuclear power (it's not "natural" to make en-

ergy by splitting atoms), hydroelectric power (dams are inconvenient for fish), drilling for oil (can't touch the "pristine" Arctic National Wildlife Refuge even though hardly anything lives there), natural gas (progressives have pushed the fake horror stories about "fracking"), and even wind power (which kills birds).

On the other hand, the progressives allied with agricultural interests and a few big businesses to foist on consumers ethanol — an inefficient fuel that requires steady subsidization, drives up food prices, and even does some environmental damage. A few progressives finally have admitted that ethanol was a bad idea.

The authors sum up the mind-set of the progressives with regard to energy: "No energy source is perfect, and every energy source either poses a risk or some sort of environmental distur-

bance. ... [P]rogressives seem to be holding out for a miracle solution — an unlimited, completely renewable, environmentally sound energy with no downsides whatsoever." Unfortunately, that childish utopianism gets in the way of energy production we need now.

Speaking of risk, progressives also have managed to enshrine the "precautionary principle" into law, although much more so in Europe than in the U.S. This principle amounts to the demand that any new product or process must be proven 100 percent safe before the government approves

its sale or use.

What's wrong with proving safety? Berezow and Campbell answer that proving anything to be safe "isn't just difficult — it verges on the impossible, since science can't account for every single possible exigency."

Among other examples, the precautionary mind-set is responsible for preventing the introduction of new medicines that could save lives and relieve suffering on the grounds that testing has not yet proven they will never have any harmful effects. Proving such a negative is impossible, hence few new remedies reach patients.

Perhaps the most frightening topic the authors look into is the way anti-science progressivism is worming its way into our education system. In the world of higher education, progressives have sown a minefield in numerous topics, making research into them hazardous. Science, of course, assumes that questions are always open, but anti-science progressives reject free inquiry into matters central to their belief systems.

Didn't Barack Obama promise in his 2009 inaugural address that his administration would "restore science to its rightful place"? He did, but all he accomplished, the authors write, was to replace conservative anti-science policies with progressive ones. They offer plenty of evidence to back up that assertion.

Berezow and Campbell have done the world a gigantic service by demolishing the myth that the Left is pro-science. Emphatically, it is not. *CJ*

George Leef is Director of Research of the John W. Pope Center for Higher Education Policy.



BOOKS AUTHORED BY JLF STAFFERS



By John Hood
President of the
John Locke Foundation

Selling the Dream Why Advertising is Good Business



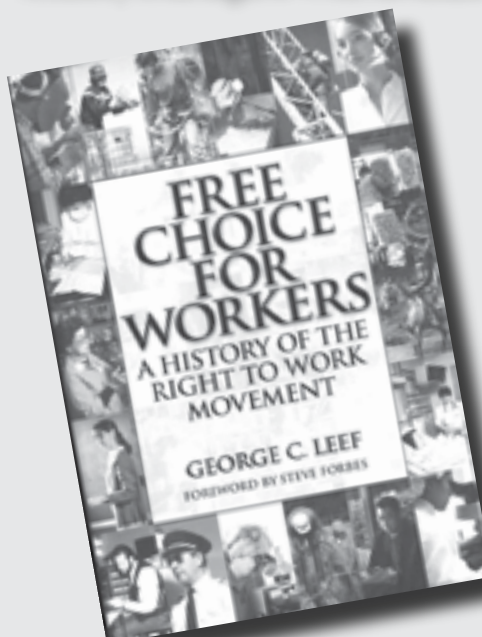
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COMMENTARY

Addressing The Keys To Economic Recovery

The General Assembly is three months into the long session. More than 1,700 bills have been filed with only 38 (at press time) now law.

The first bill signed into law encourages students to develop job skills through expansion of career and technical education. The next ones include a measure shoring up a \$2.4 billion unemployment insurance debt; a bill to shift funding from textbooks to digital learning; a decision not to operate a state-based health exchange and to reject an expansion of Medicaid under Obamacare; and a bill to sunset on a wasteful and ineffective earned income tax credit.

With an early summer adjournment expected, lawmakers have only a few months to tackle the remaining big issues and make good on campaign promises to get our economy moving, stimulate long-term growth, and create jobs. Tax, regulatory, and education reform are key components to fiscal recovery and a healthy economy.

For two decades, attempts to reform our outdated tax system have failed. Current proposals include some old ideas: expand the state sales tax to include more than 100 new services; reduce the personal income tax; scale back the corporate tax; and rewrite the franchise tax.

It will take comprehensive reform and a new type of revenue generation to spur real economic growth. One proposal would replace current personal, corporate, and estate tax revenue with a consumption-based flat tax of 6 percent. The plan also would lower the state sales tax to 4.5 percent. Under this plan, experts predict a \$4 billion growth in income (and an extra 10,000 jobs) this year, rising to \$5.8 billion and an extra 14,000 jobs by 2017.

A budget for the next two years will be enacted before July 1, the beginning of the new fiscal year. Gov. Pat McCrory's \$20.6 billion proposal offers fiscally responsible priorities. McCrory imposes no new taxes and no additional debt while setting aside \$600 million

in reserves. He proposes no major new programs, ends raids on the Highway Trust Fund, and diverts \$75 million from Golden LEAF and the Rural Economic Development Center — programs that reward political cronies and have no taxpayer oversight. He leaves a surplus for the next fiscal year.

Legislators would do well to adopt McCrory's budgetary priorities, halting a long history of reckless spending and regulatory overreach. As they move toward a final budget, lawmakers should consider decreasing spending and scaling back corporate welfare programs. A comprehensive evaluation of incentives and a rewrite of film industry tax credits are long overdue.

Jobs require a well-educated work force. Measures are needed to ensure accountability so taxpayers, parents, teachers, and employers know that a high school diploma has value. Reform bills affecting traditional public schools include measures to modify teacher tenure, strengthen teacher education and licensing standards, increase transparency on school performance, and study performance-based teacher pay. While most families choose traditional public schools, the expansion of charter schools, a new voucher to enable low-income families to attend private schools, and a scholarship grant for children with disabilities would allow parents to determine the best option for their children. Competition and choice are the best way to improve education and provide a well-educated work force.

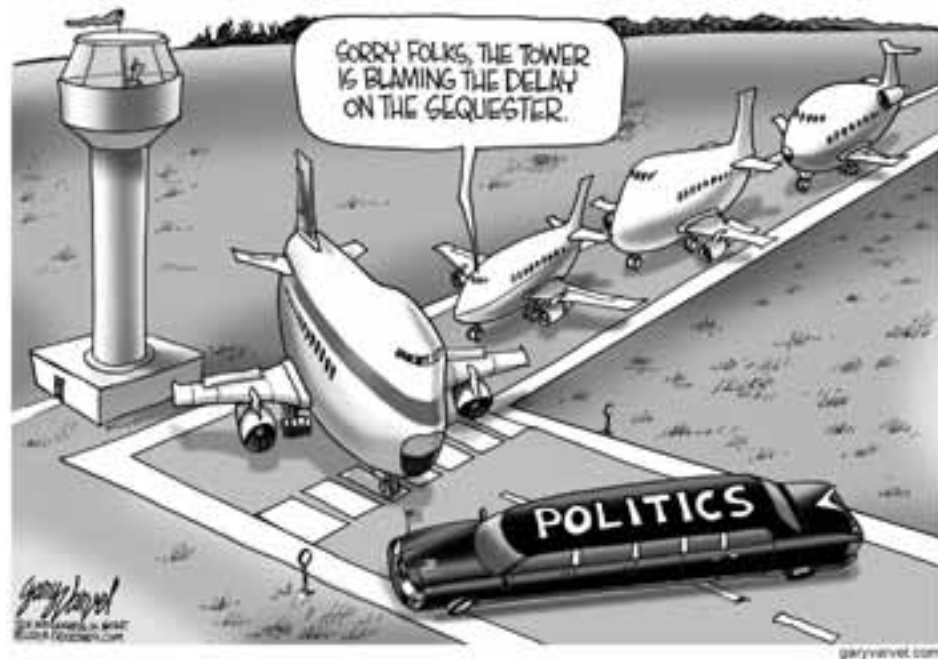
Overly burdensome regulations stifle economic growth. A periodic review and scheduled expiration date for rules is a being considered. The Rules Review Commission should be authorized to review not only new rules but also existing ones.

With just a few months left, the General Assembly still has important issues to tackle. Economic recovery depends on lawmakers adopting comprehensive tax, education, and regulatory reforms. CJ



BECKI GRAY

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



EDITORIAL

Our Incurious Ex-Governor

Now that Wake County District Attorney Colon Willoughby has closed his investigation of illegal activities by former Gov. Bev Perdue's campaign, the unanswered question should not be, "What did Perdue know and when did she know it?" but "Why didn't she try to deal with the crimes sooner?"

After all, five people associated with her 2008 campaign for governor — including Peter Reichard, her campaign finance chairman; Buzzy Stubbs, the former law partner of her late first husband; and Juleigh Sitton, whom Perdue chose to run her Western North Carolina office — are criminals as the result of actions they took to hide campaign flights and salaries worth tens of thousands of dollars as Perdue was ferried from one fundraising event to another. These were not low-level operatives who failed to file paperwork correctly. They were senior members of the campaign who were orchestrating and benefiting from an elaborate criminal conspiracy.

You'd think the governor would want to get to the bottom of the troubles, or at least find out what was going on. But no. As media reports of the investigation (including several in *Carolina Journal*) revealed the complexity of what the State Board of Elections called an "aircraft provider" program for the campaign, Perdue and her team acted as if they were learning of these events when they saw them in the press.

This lack of curiosity doesn't add up. In the spring of 2009, members of her campaign staff (if not people inside the governor's office) began scrambling to account for as many as

100 flights Perdue took in 2007 and 2008. State campaign law says any services provided to a campaign must be repaid in a timely manner — typically within a week. Some of Perdue's flights took place more than two years before her campaign reported or paid for them.

Even so, the governor's attitude throughout was: "Nothing to see here, folks. Move along."

CJ covered the scandals from the beginning, and our reports on a December 2007 Perdue flight involving Morganton businessman Mike Fulenwider and former magistrate Robert Lee Caldwell were the first media accounts of the scheme that led to Caldwell's April 24 misdemeanor plea agreement. Fulenwider pleaded guilty in a separate money-hiding scheme.

What may have been lost in the coverage is how much Perdue gained from these freebies. Stubbs tried to hide flights worth \$28,000. Fulenwider laundered \$32,000 to supplement Sitton's salary. The dozens of unreimbursed flights were worth thousands of dollars that the campaign received from donors who had given the legal maximum. By getting those flights for free from current donors, Perdue did not have to recruit new donors and convince them to contribute. These schemes allowed the campaign to get twice the bang for its buck, if not more.

With a criminal conspiracy of such complexity taking place under her nose, if Perdue really was this clueless, you have to wonder how much attention she paid to the serious matters of governance North Carolinians trusted her to confront. CJ

EDITORIALS

Medicaid Competition

McCrorry proposes market mechanisms

There are many unknowns regarding the proposal by Gov. Pat McCrorry to use competitive contracting to reform North Carolina's Medicaid program. But what we do know about it suggests the governor is heading in the right direction.

His idea is to award contracts to three or four provider networks that would coordinate and deliver services to poor, disabled, and elderly Medicaid recipients. The state currently uses a single nonprofit, Community Care of North Carolina, to perform this task, but it does not bear any financial responsibility if costs come in higher than budgeted. In other states, and in managed-care programs more generally, such at-risk contracts are commonplace.

The McCrorry administration doesn't have the final word on Medicaid reform. The plan will have to pass muster in the General Assembly and receive the necessary waivers from Washington. But here's why it is worth considering:

- We have a relatively high-cost Medicaid program. North Carolina spends just over \$6,000 per enrollee on Medicaid payments, plus additional funds for administration and disproportionate-share hospital subsidies. Our program costs 10 percent more than the national average and 26 percent more than the average of Medicaid costs in Southern states.

- These percentage differences translate into very large dollar amounts. If North Carolina's Medicaid costs were at the regional average, we'd be spending about \$640 million less in state money. That's money that otherwise could be devoted to fiscal priorities such as tax relief or education.

- Unlike some state programs, Medicaid is not an investment. Most Medicaid dollars go to fund acute and long-term care services to elderly and disabled North Carolinians. These are necessary and valuable expenditures, obviously, but they represent consumption, not investment. Providing this medical safety net at a lower cost would free savings to enhance the state's economy through a combination of private investment (via tax relief) and public investment (such as roads and schools).

The current Medicaid contractor, CCNC, originated as an arm of the state Department of Health and Human Services, becoming a private nonprofit a few years ago. It can and probably will become one of the comprehensive-care contractors under the new system.

While the development of CCNC may have been a first step toward cost containment, it's time to take the next step and create financial incentives for coordinating care more efficiently. *CJ*

Fixing Interstates

Reason-Hartgen study offers interesting choices

We're strong advocates for the user-pays principle in transportation. As much as possible, users of a particular asset — roads, airports, seaports, or railroads — ought to pay in rough proportion to the operating and capital costs they impose.

For the most part, that's current policy. Surcharges on airfares pay the cost of operating North Carolina's airports. Users pay to ship freight by port or rail. Motorists finance much of the state's automotive transportation system by owning and operating personal or commercial vehicles and paying taxes on cars and motor fuels.

In recent years North Carolina has extended the principle by financing with tolls new limited-access highway lanes.

While tolls are a useful tool for adding capacity, they aren't suited for every job. In the case of North Carolina's section of Interstate 95, stretching from Northampton County to Robeson County, tolling may prove

viable in some places but probably not in others.

A new comprehensive transportation study conducted by Reason Foundation and the Hartgen Group concludes that refurbishing and modernizing I-95 is "vitally important to the state's economy and the coastal plain in particular." The long-term price tag could be in the billions. The work need not be done immediately, however. North Carolina should begin by devoting about \$150 million a year to address I-95's most critical needs.

Where can the state get the money? The new Reason-Hartgen report offers 20 recommendations for reorganizing the Department of Transportation, reshaping DOT's priority list, and reforming the state's contracting process. The plan includes the \$150 million annual reserve for fixing I-95 while forgoing lower-priority projects, achieving a net savings of \$21 million a year.

That would be a good start. *CJ*

COMMENTARY

Research Guides Policy Initiatives

For a group of people claiming to believe in empirical study and higher learning, liberal politicians and other critics of North Carolina's new conservative leaders seem remarkably uninformed or contemptuous of the research basis for the policy initiatives now being debated in Raleigh.

For example, Gov. Pat McCrorry's budget proposes to convert teacher-assistant positions in second and third grade into funding for teaching positions. This proposal is not only eminently sensible but also consistent with decades of research suggesting that adding aides to classrooms other than kindergarten and first grade does not produce measurable academic benefits. In higher grades, tax dollars are best spent on high-quality teachers and educational materials.

Outside of a few interest groups and partisans, this fact is widely accepted by education researchers.

Similarly, a bill to focus North Carolina's early childhood spending on poor children prompted lobbyists for the preschool industry to complain vociferously. While there is some empirical evidence for long-term benefits from spending tax dollars on high-quality preschool programs for truly disadvantaged children, subsidizing preschool for kids well above the poverty line simply gives their parents a free service and their preschools more revenue. This is a conclusion shared by scholars of all ideological stripes.

The strategy McCrorry and legislative leaders have chosen to address North Carolina's economic challenges — reforming taxes and regulations in the short run while redirecting tax dollars from public assistance to roads and schools in the long run — is supported by the available data on what makes state economies prosper.

Studies of economic growth have proliferated over the past 20 years. Some studies conclude, for example, that the overall level of taxation has a consistent, negative effect on job creation and income growth by discouraging private investment or household spending. Other studies, however, suggest that it depends on how the resulting tax money is used — that if the revenue is spent effectively on education or infrastructure, the resulting

gains in productivity can over time exceed the cost to the economy of higher tax burdens.

Regardless of which of these conclusions you find more persuasive, the evidence for the following two propositions is stronger:

- At any given level of overall taxation, economies fare better when their governments avoid high marginal tax rates, particularly on savings, private investment, and corporate income.

- Public assistance programs such as Medicaid and unemployment insurance do not make economies more productive. States such as North Carolina that have maintained relatively high spending on such programs have hampered their economic growth by discouraging both private and public investment.

Knowing that, you are better prepared to interpret what the new leadership in Raleigh is really doing — and why. To the extent McCrorry and state lawmakers can reform the state tax code to reduce marginal tax rates, especially on private capital formation, North Carolina's economy will likely show immediate, significant improvement. Already-implemented unemployment insurance reforms and successful reforms in North Carolina Medicaid, the most-expensive Medicaid program in the South, will free up scarce resources for growth-enhancing tax relief, infrastructure investment, and education reform in the future.

I've been in the public-policy research business for nearly a quarter of a century. I am under no illusions that all questions have been answered. I expect and welcome continued study, analysis, and debate about what governments should and shouldn't do. But at some point, it becomes impossible to deny the existence of some firm conclusions.

They include the wisdom of targeting education dollars to teachers, targeting preschool dollars to at-risk students, and keeping marginal tax rates and welfare spending as low as feasible. McCrorry and legislative leaders have done their homework. Their critics haven't. *CJ*

John Hood is president of the John Locke Foundation.



JOHN HOOD

EDITORIAL BRIEFS

The Needs Of Small Business

Small businesses, especially recently established ones, are critical to the growth of the American economy. Unfortunately, we know very little about what these firms do and what their needs are, write Nathan Allen and Sander Daniels in *The American*, the online magazine of the American Enterprise Institute. New technologies are helping to address that, providing surprising answers.

Over 91 percent of U.S. businesses have four or fewer employees. Obtaining detailed data on such a large and varied range of enterprise has in the past been difficult and expensive. New online tools are changing that, making it easier to conduct meaningful survey data.



"We might expect that taxes are overwhelmingly important to small businesses when they rate the business-friendliness of their state or city," said Allen and Daniels.

"In reality, that suspicion is largely unfounded."

Instead, small business owners want to know how business-friendly state and local governments are in providing professional licensing and permits. Obtaining permits to operate can cost thousands of dollars and consume a significant amount of time. Adding to the burden, small businesses may face licensing requirements from different levels of government — state and county, for example — and may operate in multiple jurisdictions, each with unique licensing and permitting requirements.

Small businesses also place great value on training and networking programs. The availability and effectiveness of such programs goes a long way toward explaining how business-friendly a state is perceived to be.

Farmland bubble?

The price of prime farmland is increasing rapidly across the Midwest. Writing in *The American*, Missouri farmer Blake Hurst fears that this amounts to a new real estate bubble, much like the one that burst in the 1980s, devastating the farm economy for much of that decade.

Hurst notes that land prices have gone up in the Corn Belt by 10 percent or more six of the last seven years. An acre of land in Iowa that sold for \$2,275 a decade ago is now priced at \$8,700.

Much of the runup in prices has come from existing farmers borrowing money at low interest rates to buy more land. A recent survey shows more farmers in Kansas have a 40 percent debt-to-asset ratio today than in 1979, just before farmland prices collapsed.

"A debt-to-asset ratio of 30 percent can enter dangerous territory with a land price drop of 50 percent, which sounds like a lot, until you remember that is a price level last seen only 24 months ago in much of the Midwest," says Hurst.

Unlike the early 1980s, the federal government may not be willing or able to bail out farmers if the land-value bubble bursts this time around, Hurst says. CJ



Robots in Our Workplace Future?

In the 2012 movie "Robot and Frank," set sometime in the future, a robot is purchased to provide personal care for an elderly — and mentally deteriorating — former jewel thief named Frank. When Frank learns the robot doesn't distinguish between legal and illegal behavior, he uses it to pull off some final jewel heists.

As the police close in, Frank is faced with the decision of whether to wipe out the robot's memory so it can't be used to trace the burglaries. This is a tough call for Frank, since the robot now gives him more attention than do his children.

I won't reveal Frank's decision — in case you want to watch this well-done flick — but the movie is thought-provoking on several levels: the perils of aging, the relationship of children to elderly parents needing increased care, and the emergence and role of robots in our society. Although I am experiencing — and have experienced — the first two challenges, as an economist I will confine my comments to the last issue.



MICHAEL WALDEN

Historically, humans have had a love-hate relationship with machinery and technology. We love what machines, gadgets, and technical processes can do for us — making us more productive, expanding our horizons, and simply taking a lot of the drudgery out of life.

But machines and technology usually replace labor and therefore cause jobs — at least initially — to decline. Washers and dryers in big hotels and institutions meant less work for human washers and dryers. The introduction of the tractor and harvester on the farm dramatically increased farm output but caused the number of farm workers to plunge. These trade-offs have led some to oppose the introduction of machines and technology. There are incidents in history when this opposition actually turned violent.

How has this trade-off been resolved? Easy: Although new machines and technology destroyed some jobs, they ultimately created others. The productivity, income, and wealth created by machines and technology generated resources and spending in new endeavors, and these endeavors, in turn, cre-

ated new jobs.

So, as workers left the farm in the 19th and early 20th centuries, they moved to the factories that were just developing to provide the new consumer goods — like cars, telephones, and appliances — that households were buying. Then, in the late 20th century computers made factories high-tech centers where one worker could do the work of 20 to 50 workers years before. But, fortunately, jobs were expanding in the professions, health care, finance, personal services, and the new information-technology sector to soak up the extra labor.

This process — of machines, inventions, and technology destroying some jobs, but creating wealth, spending, and jobs in new areas — has, over time, kept the job market expanding. However, will it continue? Some say no.

What has changed? Here, we go back to the robot in "Robot and Frank." Frank's robot had something called "artificial intelligence." This means it could use information, experience, and reasoning to learn, make decisions, and solve problems. Experts say if robots actually could be made with these skills, it could be a big "game changer" for the job market.

How so? Up to now, machines and technology — including robots — have been used primarily for routine jobs — such as putting fenders on a car, filling bottles, or dispensing money at an ATM. Nonroutine jobs where the situation is frequently changing, and jobs requiring high-level knowledge and complex decision-making, still have been the domain of humans. Interestingly, these jobs are at both the very high end and the very low end of the wage range.

If machines can be developed to adapt to differing conditions — so their responses vary with the situation — and if they can be programmed to "think" and "reason," then they can start to do more nonroutine jobs. Some economists say this is already occurring and is one reason for the slow growth in employment in the last three years.

Could this mean the ultimate end of jobs for people? Some say yes, others say no, that just as in the past, new labor-using industries will develop.

We'll find out. CJ

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

Margaret Thatcher Will Be Missed

For those of us who care about ideas and public affairs, a small handful of people, even if we have never met them, place an indelible mark on us. We follow their lives with great interest. Our words and deeds are influenced by theirs.

Margaret Thatcher was one of those people for millions of Britons who came of age in the 1980s. As a tremendously polarizing figure, her impact differed greatly across impressionable young men and women. I was one of the legion for whom Thatcher's premiership and political philosophy had an edifyingly positive effect. I was 13 when she was elected prime minister in 1979. I was a political science graduate student in the United States when she was booted out of office by her Conservative Party colleagues in 1990. The period in between was transformative, and nobody was more responsible for that than she.

Thatcher's ideas about liberty and the role of the state were her most important contributions. In the 1970s, Britain was widely known as the "sick man of Europe." Frequent strikes debilitated an already inefficient economy, and governments

were paralyzed by corporatism — a process in which the peak organizations of business and labor each effectively held vetoes over any policy decision. This forced the administration to mediate in industrial disputes rather than lead a way out of them. Labor unions' significant influence resulted in a massive state — in 1975 government spending was about 50 percent of GDP — and led to policies that brought about unemployment and runaway inflation — UK prices in 1975 were 25 percent higher than 12 months earlier.

Thatcher understood the importance of private property rights and economic liberty. She privatized huge swaths of uncompetitive industry, cut income tax rates, and greatly increased homeownership by allowing tenants to purchase their state-owned residences. My paternal grandmother, a die-hard Labor Party voter, gratefully became a homeowner as a result of this last policy.

Thatcher and Thatcherism were not unalloyed successes. The prime minister put too much stock in the financial sector — of which Britain is a world leader — and did not create the economic conditions, by investing strategically in education, for example, for Britain to lead the next industrial revolution as it had the first. The UK stopped making a lot of things. There is now no domestic auto industry worth speaking of — the Indians own Jaguar, the Germans the Mini,

and the Chinese the famous London taxicab — and the once large and innovative aerospace sector is depleted. The country lost the tech and research battles to the United States and Japan. It now enjoys only a small presence in the global marketplace in these areas.

Thatcher had two additional impacts on my thinking. In the 1980s — but unfortunately not today, something touched on in a previous column — the United States was a fluid and socially mobile society. The UK, with its rigid class system, was not. Thatcher directly challenged the antiquated prejudices of the upper echelons of British society. Even though she shattered the last glass ceiling for women by becoming the first female head of state in a major industrialized democracy, feminists criticized her for not doing enough for her sex. This was in no small measure because she saw class divisions as more pernicious. Thatcher believed strongly that people should be valued by their work and contribution to society, not their breeding.

This naturally upset many traditionalists in her Conservative Party. It also grated on many working-class people who drew comfort from blaming their plight on social stratification, and criticized ambitious and industrious people with a kind of inverse snobbery. Millions of Britons benefited from Thatcher's thinking, including my father, who was able to break free from societal expectations

for a man of his background and forge a successful business career. It helped me recognize the possibilities that a place like the United States could offer — and it also explains my concern about declining social mobility here.

The strength of her leadership was also influential. It is true that in some regards Thatcher was not a skilled leader. She was often dogmatic and inflexible and put little stock in deliberation. But her governing style provides a superb example of execution of a decision after it has been made. Too many large organizations, both public and private, suffer from leaders who confuse pandering with consultation, vacillation with pragmatism, and extortion from those with minority points of view with democratic decision making. They do not understand the importance of steady administration and the respect holding one's ground engenders, even from critics. Because of Thatcher, I do.

I am no Thatcher clone. She might have found me a little too "intellectual" for her action-oriented politics, a little too interested in process and not enough in outcomes. But my deep love of meritocracy and liberty are directly attributable to her. She will be missed. CJ

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



**ANDY
TAYLOR**

The Honor and Grace of George H.W. Bush

When I reflect on the "Greatest Generation," I'm always amazed at the selflessness that characterized them. Men and women stood tall, rolled up their sleeves — and fought in Europe and the Pacific, saving the world from tyranny.

They knew the stakes, they understood their mission in combat or back home, and they fought or worked to support the war effort.

In my view, President George H. W. Bush truly personifies that generation.

Service to country may have been instilled in George by his father, Prescott Bush. Prescott served in World War I, and had a distinguished career in both politics and business.

After the attack on Pearl Harbor, George enlisted in the Navy

and became a naval aviator at age 18. Upon completion of a 10-month course, Bush was assigned to a torpedo squadron as the photographic officer. Later in 1943 he was promoted to lieutenant and piloted one of four Grumman TBM Avengers that attacked Japanese installations in the Bonnin Islands, specifically the island of Chichijima.

During the mission, the Avengers encountered very intense anti-aircraft fire. Bush's plane was hit by flak, and his engine caught fire. But Bush and his two-man crew continued and released their bombs over the target, inflicting several damaging hits on the enemy. Still in peril, Bush flew several miles away from the island when one member of his crew bailed out of the plane. Sadly, the man's parachute did not open.

As the Avenger's engine failed, it is unclear which member of Bush's crew bailed out with him, as both crew members were lost in battle that day. It was reported that Bush waited at least four hours in a life raft while several fighters circled overhead until

a lifeguard submarine rescued him. During 1944 Bush flew 58 combat missions, for which he received the Distinguished Flying Cross.

Home from the war, he got married and got his college degree. After college he became a successful wildcatter in the oil business and was a millionaire by age 40. He went on to become a U.S. congressman from Texas, ambassador to the United Nations, chairman of the Republican National Committee, and director of the CIA, before running in 1980 for president in the Republican Party primary and being nominated as Ronald Reagan's running mate.

After the Reagan-Bush ticket won, Bush became one of President Reagan's most trusted and able advisers. Never seeking the limelight, Bush gave advice privately to Reagan. And in Bush, Reagan found a loyal soldier and friend.

After being elected president in his own right in 1988, Bush successfully prosecuted the mission to bring to justice Manuel Noriega — the drug-dealing dictator of Panama. And in a

mere 100 hours, the coalition led by Bush against Saddam Hussein pushed Iraq's military out of Kuwait and back to Baghdad. Bush also presided as the Berlin Wall fell and the Soviet Empire collapsed.

While in office, the country experienced a mild recession, but by mid-1992 the country had its lowest interest rates and inflation in years, even though unemployment was the highest it had been since 1984.

In the 1992 presidential election, Bush lost to Bill Clinton by a margin of 43-37 percent. Independent candidate Ross Perot got 19 percent of the popular vote, which, in the opinion of most political observers, cost Bush a second term.

But think about this: What would a second-term Bush presidency have looked like?

For sure, Bush's first concern would have been for the country, and as president he would have continued to conduct himself with honor and grace, as he does to this day. CJ

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



**MARC
ROTTERMAN**

Former Gov. Easley Seeks Escape From Political Siberia *(a CJ Parody)*

BY SHEA D. DEAL
Government Writer

RALEIGH

After shunning the public eye for the past four years, former Gov. Mike Easley is back in the news expressing his views. Advisers say it was the first step in his effort to come back from political exile.

He recently told The Associated Press that the Republican-led General Assembly would be wrong to undo a law limiting class size to 24 students in kindergarten through grade three. While he was governor from 2001-09, he made class-size reduction one of his priorities.

"You bet I am back. The Democratic Party needs me," Easley told *Carolina Journal*. Referring to the two Democrats who preceded him in the Executive Mansion, Easley said, "Jim Hunt's getting old and Bev Perdue is still more unpopular than me."

Easley has made few public appearances since leaving office in January 2009. After lengthy state and federal investigations into questionable activities that occurred during his tenure as governor, he pled guilty in November 2010 to a Class I felony for violating campaign finance laws. The State Bar suspended his law license for two years but since has restored it.

Even though he can practice law again, the former two-term governor said with Republicans in charge of the General Assembly and the executive branch, it's time for his unique perspective to be heard.

Easley offered *CJ* his views on some other recent GOP initiatives.

- Voter identification: "Requiring a voter to



Easley said he missed speaking into a microphone since becoming so accustomed to doing it during elections board hearings and in courtrooms as a defendant.

show a photo ID is another bad idea. Why should anyone have to prove his identity to vote? A small amount of fraud is acceptable," he said.

- Expanding charter schools: "The General Assembly approved charter schools before I became

governor. I would have vetoed that bill and certainly do not agree with any expansion of elitist, unaccountable experiments with our children," he said.

- Public funding for political campaigns: "Republicans want to end public financing for judicial and other statewide offices now eligible for it. I don't really care much about that, but I think they should change the law so candidates and office holders can accept unlimited contributions and gifts from friends without reporting them," he said. "I have an unusual amount of expertise in that area."

- Consolidating state universities: "This is one idea I like. I know it would be a big deal, but after my family's unpleasant dealings with North Carolina State University, I would love to see that place dissolved. The programs could be divided between Carolina [UNC-Chapel Hill] and Central [North Carolina Central University in Durham]. Those two schools have treated us well."

N.C. State hired Easley's wife Mary in 2005 to run a campus speaker's program, gave her an 88 percent pay raise in 2008, then fired her in 2009 when news reports revealed the governor had a role in her employment situation. Mary sued the university over her termination, and the school settled the case out of court last year, enabling her to double her annual government pension from \$40,000 to \$80,000. Mike Easley has degrees from UNC-Chapel Hill and N.C. Central, and Mary Easley was a lecturer at the N.C. Central law school before moving to N.C. State.

When asked who might seek his political analysis, Easley said, "I've heard CNN is trying to restart 'Crossfire' again. I could pretend to be on the left or the right. But if nothing else, maybe I'll get a slot on [Raleigh-based political roundtable program] 'NC Spin.'" *CJ*

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