



## Playing with Public Money?

Officials in mythical Mayberry may nip problematic project in the bud

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## Midterm Election Coverage

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# CAROLINA JOURNAL

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# SPELLINGS

# COME

# AND

# GONE

**SPELLINGS OUT AS UNC PRESIDENT. WHAT NOW?**



## UNC System president resigns



**KARI TRAVIS**  
ASSOCIATE EDITOR

The leader of the University of North Carolina System surprisingly announced she is leaving her post after just 2 1/2 years on the job.

UNC President Margaret Spellings, former U.S. secretary of education under the George W. Bush administration, offered her resignation Oct. 25, 2018. Her departure will be effective March 1, 2019. Spellings was elected in October 2015 and officially took office March 1, 2016. She signed a five-year contract with the university.

Spellings is the 21st president of the University of North Carolina and the sixth since the unified UNC System was organized in 1971.

The announcement, which came as *Carolina Journal* was going to press, follows months of turmoil among members of the UNC Board of Governors — a scene much like that which surrounded her election. John Fennebresque, the board's former chairman, resigned abruptly after butting heads with his colleagues during the search for a new university leader.

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### Interview: Christian Miller

Professor of philosophy at Wake Forest University discusses his book *The Character Gap: How Good Are We?*

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# QUICK TAKES



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## The Raleigh Acton Children's Business Fair



The Raleigh Acton Children's Business Fair, held Oct. 6 at midtown's North Hills shopping center, drew about 65 child entrepreneurs from around Raleigh. The fair is sponsored by the John William Pope Foundation and pulled in roughly 200 shoppers.

Acton fairs are part of an international franchise, begun by the Acton Academy — a Montessori school in Washington, D.C. — supporting and promoting young business owners. JWPF opened its first such fair in 2016. Participants included kids from traditional, charter, private, and home schools. The fair is marketed directly to parents. It has collected an impressive following, said Lindsay Hollandsworth, communications director at JWPF.

Siblings Payton and Daniel Patterson — students of the Sterling Montessori Academy and Charter School — are first-time Acton fair exhibitors. Payton, 12, and Daniel, 11, originally baked up separate businesses selling sweet treats, but they decided to join forces for the Acton fair.

"It's been a lesson in patience," Daniel said, grinning.

It's also been a lesson in marketing and money management. Daniel saves his earnings or buys "extra things for fun." Payton uses her profits to purchase school supplies.

The two are no stranger to business fairs, having set up shop at a number around the Triangle area. They plan to return to the Acton fair in 2019.

Grace Hester, a homeschooler and young artist, decided to try selling her paintings after years of helping her grandmother — who is also an artist — at art galleries and exhibits.

Formal education is important, but that "doesn't have to occur in a brick-and-mortar building at a desk," Hollandsworth said.

"Experiential education allows whole communities to get involved, and we've been honored to provide a safe, real-world experience for over 180 children since we started."

— Kari Travis

## QUICK TAKES

### Elections board recommends possible prosecution of Democratic Rep. Moore

State elections officials referred four-term state Rep. Rodney Moore, D-Mecklenburg, for investigation and possible prosecution, saying there was “clear and convincing evidence” he failed to report more than \$141,000 in election campaign receipts and expenditures.

The nine-member Bipartisan State Board of Elections and Ethics Enforcement voted unanimously Oct. 17 to ask the Mecklenburg County district attorney to investigate Moore, former campaign treasurer Tammy Neal, and the Committee to Elect Rodney W. Moore for misuse of funds, filing false reports, and obstructing a state audit.

Moore, a vice chairman of the House Finance Committee, lost a primary re-election bid in May. Neither Moore, Neal, nor anyone from his campaign appeared at the meeting to answer the allegations.

Elections Board Executive Director Kim Strach said a routine audit into Moore’s campaign reports



**Elections Board Executive Director Kim Strach said a routine audit into Moore’s campaign reports in May 2017 uncovered a series of questionable items.**

in May 2017 uncovered a series of questionable items, triggering an elections board investigation.

Strach, who has conducted campaign finance investigations into former governors, House members, and senators since 2000, said there is strong reason to believe Moore’s election campaign spent money on impermissible items. She said most glaring were more than \$25,000 in ATM cash withdrawals

and cash-back transactions on retail purchases.

The elections board secured subpoenas for Moore’s bank accounts, which showed no entries after May 2017.

Strach gave a detailed presentation of three bank accounts Moore’s political campaign opened and how the numbers reported to the state didn’t match audit findings.

The largest bank account reported deposits of \$78,830. But more than 65 entries totaling \$36,605 weren’t on campaign reports. Reports showed \$16,593 was spent from that account. Investigators found more than 90 percent of spending — 1,689 items totaling \$95,753 — wasn’t disclosed.

Strach said a report filed with the state listed \$42,000 cash on hand in the account, when there was just \$4,200, and it appears the account never had more than \$6,000 in it.

Dan Way



**POSSIBLE PROSECUTION.** State elections board Chairman Andy Penry presides over the Oct. 17 meeting of the board.

CI PHOTO BY DAN WAY

### N.C. wins federal grants to expand charter school opportunities



**NORTH CAROLINA** has won a federal grant totaling \$23.6 million over five years to expand charter school opportunities.

Dave Machado, state Office of Charter Schools director, announced the awards Oct. 3 during the monthly meeting of the State Board of Education. Machado told board members the state has tried to win the grants over the past three years.

North Carolina is one of eight states to receive the Expanding Opportunities through Quality Charter School Program grants from the U.S. Department of Education. The other states are Michigan, Arkansas, Idaho, New York, Arizona, Delaware, and Colorado.

The federal grant will be divided into four sub-grants. One will assist new charter schools, which will serve a large economically disadvantaged student population during their planning year. Another will assist charter schools in their first three years of operation serving a large economically disadvan-

**\$23.6 million**

Amount of federal grant awarded to North Carolina for charter schools

tagged student population. The third grant will assist high-quality charter schools that want to expand to serve more low-income students.

“North Carolina’s charter schools should be laboratories of innovation, proving grounds for ideas that can be scaled across all our schools and all student populations,” State Superintendent Mark Johnson said in a news release.

The application deadline for charter schools to apply for the grants is early next spring. Awards will be announced by the end of the school year. North Carolina has 185 operating charter schools, and eight more plan to open next year.

Lindsay Marchello

### UNC launches \$500 tuition program, though many don’t know about it

Spellings, system leaders seek to raise awareness of NC Promise, available at ECSU, UNC-Pembroke, and WCU

Fewer than 20 percent of North Carolinians know about major tuition cuts at three state universities, but leaders of the University of North Carolina System are working to change that.

Elizabeth City State University, UNC-Pembroke, and Western Carolina University, under a program called NC Promise, now offer tuition of \$500 per semester to in-state students. Out-of-state students will pay reduced tuition of \$2,500 per semester.

UNC launched a campaign, “We Promise,” Oct. 1 to publicize the program. The campaign also advertises UNC’s fixed tuition plan, which guarantees tuition will stay the same over four years at any UNC school.

State lawmakers enacted the program in 2016, investing \$51 million to improve enrollment at some of North Carolina’s Histori-



**UNC President Margaret Spellings**

cally Black Colleges and Universities. Critics protested the law, citing concerns over potential revenue losses. Only ECSU chose to participate.

The General Assembly hasn’t put a sunset date on the program, and there’s plenty of support for NC Promise — even if the legislature’s majority switches from Republican to Democrat after the 2018 midterm elections, UNC President Margaret Spellings told *Carolina Journal*.

“I can’t find anyone who doesn’t think college should be more affordable,” Spellings said.

The cuts apply only to tuition. Still, slashing costs allows students to use financial aid for other expenses such as room and board,

fees, and books, Spellings said.

Enrollment is climbing at all three universities even though the public is largely unaware of NC Promise, data from UNC show.

Undergrad transfer rates saw the largest spike, with ECSU at a 57 percent increase over 2017, data from UNC show. UNCP saw a 56 percent bump in the same category, and WCU scored a 40 percent increase.

First-year enrollment jumped 20 percent at ECSU and UNCP, and just more than 10 percent at WCU since 2017. Total undergraduate enrollment at ECSU, UNCP, and WCU shot up 19 percent, 14 percent, and 6.6 percent, respectively.

WCU doesn’t attribute growth to NC Promise, NPR reported in September.

The school has seen constant growth over the past decade — mostly due to engineering and anthropology programs, university officials told NPR.

But ECSU, an HBCU with a total enrollment of about 1,300, is uniquely set to benefit from the program. The university hit rough turf between 2010 and 2016, when enrollment plunged 59 percent. Budget cuts and leadership turnover have plagued the university.

Kari Travis

CI PHOTO BY DON CARRINGTON

## QUICK TAKES

### Cooper flunks fiscal policy report card, but state makes top 10 for fiscal health

The Cato Institute gave Gov. Roy Cooper an F on its Fiscal Policy Report Card.

The state did get some good news from outside reviewers, however.

While Cooper scored poorly for his fiscal policies, North Carolina ranked among the top 10 states for fiscal health, recent state fiscal rankings from the Mercatus Center at George Mason University say.

The Cato Institute is a libertarian think tank focusing on limited government and free markets. On Oct. 9 the organization released the 14th biennial fiscal report card. The report card scores governors across the United States on their fiscal policies, including spending and taxing records.

Five governors received an A for

their fiscal policies. Eight governors got an F. Cooper was among the eight who secured the lowest possible grade.

Governors who cut taxes and spending receive high grades. Those who pursue tax and spending increases receive the lowest scores.

The General Assembly passed tax cuts in 2017 over Cooper's veto. The 2017 law cut the flat individual income rate from 5.499 percent to 5.25 percent, and it cut the corporate tax rate from 3 percent to 2.5 percent.

Cooper has been a vocal opponent of the tax cuts and proposed freezing implementation of the cuts in his 2018 proposed budget. The governor also advocated for increased spending, particularly for education.

In its fifth State Fiscal Ranking, the Mercatus Center ranked North Carolina ninth. Mercatus is a market research center based at GMU.

Specifically, the state ranked second for budget solvency, which measures whether a state can cover its fiscal-year spending using current revenue. North Carolina ranked eighth for long-term solvency and 14th for trust-fund solvency. For cash solvency, the state ranked 23rd. For service-level solvency, North Carolina was 16th.

Dale Folwell, the state treasurer, said the state should focus on correcting the unfunded liabilities for the state's health plan and pension system. The state has about \$50 million in unfunded liabilities.

Lindsay Marchello



Gov. Roy Cooper

FILE PHOTO

### 'Mitigation' money from Atlantic Coast Pipeline nowhere in sight

**EIGHT NORTH CAROLINA** school districts tapped to split \$57.8 million from Atlantic Coast Pipeline developers aren't likely to see that money anytime soon.

Pipeline partners haven't paid the state because a memorandum of understanding negotiated with Gov. Roy Cooper includes conditions that haven't been satisfied. Court challenges against pipeline construction filed by environmental groups threaten to prolong the wait.

"At this time, no funds have been paid to the state," Duke Energy spokeswoman Tammie McGee told *Carolina Journal* by email.

McGee said the agreement among Cooper and pipeline partners called for half of the \$57.8 million to be paid to the state when construction authority was granted for the entire pipeline, and construction was not tied up by a court order or "a reasonable risk" of being halted by court order.

"The remainder will be provided when the project is placed into com-



**MITIGATION.** A Dominion Energy spokesman told *Carolina Journal* roughly 85 percent of the Atlantic Coast Pipeline will traverse existing utility right-of-way, including this area in Halifax County.

mercial service," McGee said.

Dominion Energy and Southern Company Gas, also partners in the \$57.8 million deal, haven't respond-

ed to questions about it. A fourth partner, Piedmont Natural Gas, is owned by Duke Energy.

The Federal Energy Regulatory

Commission approved construction of the \$6.5 billion pipeline in late 2017. The 600-mile underground transmission line will carry 1.5 billion cubic feet of natural gas daily from West Virginia, through Virginia, to Robeson County in southeast North Carolina.

Construction has been on again, off again amid regulatory and legal skirmishes.

The pipeline partners don't have to make any payments until those matters are resolved, so the eight school districts in the pipeline's path won't see any money before then.

The GOP-led legislature devised the school funding plan after saying Cooper's side deal was illegal. The mitigation fund Cooper set up bypassed a constitutional mandate requiring state revenues to be allocated by the General Assembly. Lawmakers passed House Bill 90 assuming control of the money, redirecting it to school districts.

Cooper termed the multimillion-dollar side deal a voluntary con-

tribution for renewable energy projects and economic development, and to offset habitat damage. But the deal was hammered out in secret among the parties, and details of its genesis remain elusive.

*CJ* was the first media outlet in the state to question the unusual nature of the deal. It has reported extensively on the fund. Republicans suggested the deal was a political slush fund for the Democratic governor, saying a pay-to-play scheme could harm the state's business climate.

At an Aug. 29 meeting, the Joint Legislative Commission on Governmental Operations created an investigative subcommittee to delve deeper into the matter. The subcommittee was scheduled to meet Oct. 4, but the session was postponed until mid-November. The Cooper administration requested the delay so it could focus on Hurricane Florence recovery efforts.

Dan Way

### Raleigh moves forward with Asheville-like Airbnb regulations

The Raleigh City Council is looking to follow Asheville's lead in handling homestays and short-term rentals. Proposed regulations were brought before the council Oct. 9.

The proposed rules include requiring a property owner to be on the premises while guests are staying at the property and prohibiting accessory dwelling units — such as garage apartments or "granny flats" — to be used as homestays. People would also be prohibited from renting their entire home.

Stef Mendell, a council member,

said the proposed rules have been referred to the Healthy Neighborhoods Committee. The committee was scheduled to meet Oct. 23.

Raleigh has struggled to find an answer to the short-term rental question for more than two years. While short-term rentals like Airbnb are technically banned in Raleigh, the city hasn't enforced the rules while regulations are worked out.

Meanwhile, Asheville has been facing its own challenges in enforcing its short-term rental regulations. As the *Citizen-Times* reports, an Asheville resident has racked up

more than \$1 million in fines for operating short-term rentals but has refused to pay. Reid Thompson has incurred \$1,500 daily fines for two years, but the city has no way to collect. Asheville sued Thompson to make him pay. Thompson countered.

Brent Woodcox, an attorney and member of the grass-roots group YIMBY Raleigh, said Asheville's regulatory scheme is unenforceable. Woodcox has been a vocal proponent of allowing short-term rentals in Raleigh with reasonable regulations.

Woodcox said it was foolhardy for the Raleigh City Council to follow Asheville's example.

"Last year, hosts in Asheville made \$19.8 million," Woodcox said. "There were 160,000 nightly stays, and it was the most popular destination in North Carolina for users of Airbnb."

In a memo from Raleigh city planners on short-term rentals, the industry has been blamed for disrupting the traditional lodging market. The memo outlines some pros and cons to this disruption, including holding short-term rentals re-

sponsible for increasing local rent prices.

Woodcox said there's almost no evidence short-term rentals lead to rent increases.

"There have been some studies that have shown a minuscule effect that cannot be attributed directly to short-term rentals," Woodcox said. "There is something along the lines of if you increase the number of short-term rentals by 10 percent then you might see about 0.1 percent increase in rent."

Lindsay Marchello

# QUICK TAKES

## FDA could follow N.C. in regulating ‘milk’ label

Dairy lobby wants ‘milk’ off labels of beverages from almonds, coconuts, soybeans, rice

The Food and Drug Administration announced Sept. 27 it’s seeking information on how consumers use milk alternatives as a first step in potentially changing how plant-based dairy substitutes are labeled.

The announcement goes on to say the comments will be used to develop an approach toward labeling plant-based dairy substitutes, including soy, almond, and coconut milk.

Michael Dorf, a Cornell law professor, said the government has a legitimate interest in general in labeling food and drinks in a way that doesn’t mislead consumers. But Dorf said this particular case seems less about protecting consumers and more about protecting

the dairy industry from competition.

“The problem as I see it is not that the FDA is proposing to label food, but that they are doing so contextually,” Dorf said. “The claim is that they just want consumers to know what the nutritional value is, but in fact this is an effort to stifle a burgeoning industry on behalf of an established industry.”

Nondairy alternatives have grown in popularity. Data from Nielsen, commissioned by the Plant Based Foods Association, found that nondairy milk sales rose 9 percent to \$1.6 billion in 2018. Conversely, the share of cow’s milk in market sales dropped 6 percent.

The National Milk Producers Federation wrote to FDA Commissioner Scott Gottlieb on Oct. 26 to request that he enforce the “standard of identity” requirement for nondairy “milk” products. This requirement dictates what standards a food item must meet to use a certain label.

North Carolina is a step ahead of the federal government in terms

of dictating what is and isn’t milk. The Farm Bill, Senate Bill 711, became law in June despite a veto from Gov. Roy Cooper. It directs the N.C. Department of Agriculture to develop an enforcement plan to carry out the FDA’s standard of identity for milk. North Carolina would enact a ban of the sale of plant-based products labeled as milk only if 11 other states from the Southern Dairy Compact passed similar legislation.

Dorf said a few possible challenges could follow new FDA regulations over the labeling of plant-based milk products.

“One possibility is an administrative law challenge,” Dorf said.

Another possibility is a free-speech challenge, but that depends on the kind of regulation the FDA comes up with.

Dorf said conglomerates that sell a lot of dairy products are selling plant-based milk. This could be a long-term solution to the animosity between the industries, no matter what the FDA decides.

Lindsay Marchello



PLANT-BASED BEVERAGES. FDA requirements dictate what standards a food item must meet to use a certain label. North Carolina is a step ahead of the federal government in terms of dictating what is and isn’t milk.

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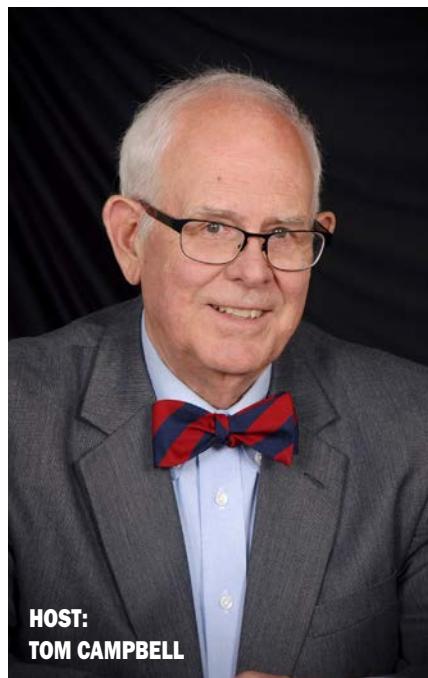


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## QUICK TAKES

# State Health Plan payment changes should save money

State Treasurer Dale Folwell is making good on a pledge from his 2016 election campaign to cut costs and boost transparency in the State Health Plan.

Folwell has announced that in January 2020, the State Health Plan will change the way it reimburses medical providers. The attempt to save \$300 million would translate into \$60 million in savings to plan members.

Instead of using a commercial-based plan with varying fees, the state will convert to reference-based government pricing. Payments to medical providers will be based on a negotiated percentage above Medicare rates.

Folwell's long-term strategy is using the purchasing power of the self-insurance plan — it has a \$3.3 billion annual budget — to control health-care costs while promoting care, transparency, and affordability.

North Carolina will join Montana, which has switched its financially troubled state health plan

to that model. But North Carolina is bound to make a bigger splash. Montana has 30,000 plan members. North Carolina has 727,000 teachers, state workers, retirees, and their dependents on its plan.

The State Health Plan is funded with employee contributions and tax dollars. It has \$35 billion in unfunded liabilities. Blue Cross and Blue Shield of North Carolina administers the plan and will continue to do so under the new model.

During a July forum, Folwell challenged BCBSNC and key state medical providers to cut costs annually by \$300 million. His impatience bubbled over at an Aug. 30 State Health Plan meeting, when he said the insurance giant keeps so much billing information secret that he can't determine how much of charged expenses were waste, fraud, and abuse.

The Treasurer's Office contends state and federal guidelines demand transparency, but BCBSNC isn't providing it. Blue Cross says it gives all claims data to the State

Health Plan, it has an online cost transparency tool, and third-party auditors check the books.

The State Health Plan has used BCBSNC's network of medical providers for decades. State agencies are lumped together with other employers in a selected insurance plan. They share a network of doctors and other health care services. BCBSNC says it can't release all contract details because private and public entities are under the same contract.

Under reference-based pricing, BCBSNC will pick a network of providers specifically for the State Health Plan. Plan officials then can see all billing details.

Aside from greater transparency, Folwell said the new system will give providers more predictable payments. Primary care, mental health, and critical-access providers are expected to see fee increases under the new rate structure.

Dan Way



**SAVING MONEY, BOOSTING TRANSPARENCY.** Dale Folwell announced that the State Health Plan will change the way it reimburses medical providers.

PHOTO BY DAN WAY



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## QUICK TAKES

# Hurricane relief marks break from partisan fights

Gov. Roy Cooper signed the \$793 million Hurricane Florence Disaster Recovery Act into law Oct. 16 after unanimous legislative passage. An N.C. State University political science professor says not to expect the good vibrations to last.

"We see these things fairly frequently, crises or challenges that emerge that generate quick and pretty large actions by government that are built upon bipartisan cooperation," Andy Taylor told *Carolina Journal*.

"And then we resort to polarized, normal politics. That happened repeatedly at the state and national levels the past 20 years or so," Taylor said. "It to some extent demonstrates that government can do stuff, and it need not be gridlocked," he said.

Hurricane relief isn't an ideological issue, so it's hard for either party to gain advantage politically.

That doesn't mean officials don't

genuinely want to help. The governor has spent much of the past month visiting devastated portions of the state.

He and lawmakers have churned out photos and news releases praising volunteers, consoling victims, and promising help.

Senate Bill 3 passed the House and Senate unanimously. It directs funding for myriad operations, including housing assistance; road and municipal infrastructure repairs; aid for public schools, universities, and community colleges; scholarships for affected students; community hospital support; mental health services; small business loans; and agricultural recovery.

The plan immediately OKs \$398.4 million to meet the most pressing needs and \$394.5 million to be spent later after relief officials set priorities. In addition to \$56.5 million previously appropriated, the total Hurricane Florence state relief funding now stands at

\$849,430,477.

Of the current round of funding, \$700 million will come from the state's rainy-day fund. The reserve, built over a period of years under Republican-led budgeting to cushion the blow of emergencies, had about \$2.1 billion.

Recovery fund money will come from the state Highway Fund, \$65 million; Education Lottery Reserve, \$25 million; Shallow Draft Navigation Channel Dredging and Aquatic Weed Fund, \$2 million; and \$930,477 to the state Department of Insurance for Hurricane Matthew relief.

Cooper's action came 31 days after Florence smashed into the North Carolina coast. In contrast, the first funding bill for Hurricane Matthew disaster recovery came in December 2016, two months after the storm slammed the state, and that initial funding bill was just \$200 million.

Dan Way



**NOT AN IDEOLOGICAL ISSUE.** Damage in Brunswick County linked to Hurricane Florence.

NC DEPT OF TRANSPORTATION

## ACT scores show national downward trend as N.C. remains below average

The 2018 ACT scores are in, and they don't paint a pretty picture.

North Carolina graduates continue to score below national averages, and the percentage of graduates meeting math and English college readiness scores are trending down. Readiness levels in math and English have been trending downward since 2014.

The results are based on the more than 1.9 million graduates, or 55 percent of the national graduating class of 2018, who took the ACT. In North Carolina, 100 percent of high school seniors are required to take the test.

"The negative trend in math readiness is a red flag for our country, given the growing importance of math and science skills in the increasingly tech-driven U.S. and

global job market," Marten Roor-da, ACT CEO, said in a press release. "It is vital that we turn this trend around for the next generation and make sure students are learning the math skills they need for success in college and career."

On the national level, 40 percent of students tested met the math benchmark, down from a high of 46 percent in 2012. Readiness in English is trending down, too, with 64 percent meeting the English benchmark in 2015 and 60 percent meeting the benchmark in 2018. Readiness levels in reading (46 percent) and science (36 percent) haven't changed much over the years.

In North Carolina, the highest percentage of students meeting a benchmark was in English at 46 percent, followed by 35 percent reaching the reading benchmark. Only 31

percent of students met the math benchmark, and 25 percent reached the science benchmark.

"This is just the most recent example of the disconnect between inputs and outcomes," said Terry Stoops, vice president for research and director of education studies at the John Locke Foundation. "Despite substantial increases in teacher compensation over the last five years, there have been no meaningful improvements in overall student performance on ACT tests."

The average composite score for North Carolina students in 2018 is 19.1, while the national average is 20.8. The score ranges from one being the lowest score; 36 the highest.

Stoops said the most alarming statistic is scores by African-American students. N.C. African-American students had an average score



**SCORES DOWN.** Only 31 percent of students met the math benchmark.

PHOTO BY KARI TRAVIS

of 16, which was significantly lower than the state average score of 19.1. It's the lowest of any racial or ethnic group in the state.

Eighteen percent of N.C. stu-

dents met all ACT benchmarks, while 47 percent failed to meet just one.

Lindsay Marchello

## Cooper cites Florence, court order; re-establishes six state agencies

**GOV. ROY COOPER** says the urgency of dealing with Hurricane Florence recovery led him to sign executive orders re-establishing six state agencies tied up in litigation with the General Assembly.

The Democratic governor's office said in a written statement his actions involve the Clean Water Management Trust Fund Board of Trustees; Parks and Recreation Authority; Private Protective Services Board; State Building Commission; Child Care Commission; and Rural Infrastructure Authority.

The boards and commissions were part of a lawsuit Cooper brought in May 2017 against Senate leader Phil Berger, R-Rockingham, and House Speaker Tim Moore, R-Cleveland. The governor contended the lawmakers violated separation of powers by radically changing the structure and composition of key boards and commissions.

The release said the State Building Commission should receive briefings on emergency repair work and the Rural Infra-

structure Authority must consider JDIG grants to economic development projects in disaster counties.

On Aug. 31, a three-judge panel in Wake County Superior Court declared the related statutes unconstitutional because they gave a majority of the appointments to legislative leaders instead of the governor, shifting control over executive branch agencies to the legislative branch.

The ruling was based on a 2016 state Supreme Court decision saying the governor must

have sufficient control over executive boards and commissions by appointing a majority of their members.

But the panel's decision left those agencies unable to operate. Legislative leaders said they would address the judges' ruling when the General Assembly returns to session Nov. 27.

Cooper used identical language in each executive order to explain the need for the agencies: "The statutes challenged in this lawsuit prevent the Governor from

performing his core function under the North Carolina Constitution to 'take care that the laws be faithfully executed.'"

The release said the six executive orders comply with state law and the August court order. The powers and duties of the boards and commissions were unchanged. The executive orders alter only the number of appointments allotted to the legislative and executive branches.

Dan Way

# UNC BOARD OF GOVERNORS

## UNC System president resigns as BOG chairman cites need for understanding among members

continued from PAGE 1

Early in 2015, former UNC President Tom Ross, a Democrat, was pushed from his job by the mostly Republican board. He served until Jan. 3, 2016. Fennebresque said the decision had nothing to do with politics, *The Charlotte Observer* reported. Fennebresque cited a need for “another leader who might bring other assets.”

Accusations of muddled dealings and a lack of transparency plagued the board for months after.

The problems soured Spellings’ welcome. She faced intense protests from faculty and students before she even settled into her Chapel Hill office. Some protests were respectful. Others were disruptive and even violent. It was a tumultuous period, but suspicion and distrust seemed to dissolve, Spellings told reporters earlier this year.

Spellings said she was “pleased, but not satisfied,” with the accomplishments of her administration. During her first year in office, Spellings, along with the UNC Board of Governors, developed a university policy to increase affordability and accessibility for students.

The president worked with former BOG Chairman Lou Bissette during her first two years. Outwardly, the two shared an amiable relationship, laughing and chatting during public meetings. Bissette stepped down earlier this year. His successor, Harry Smith, has verbally supported Spellings during meetings and press conferences, but interaction between them appeared more stilted.

“All leaders are for a time,” Spellings said in a statement released Oct. 26, when the board made the announcement of her resignation official. “When I was hired three years ago the board and I believed that I was the right leader, and I have worked hard to meet the expectations that have been set. I am proud of the people around me and of the work we have done.”

“But times change, and those changes demand new leaders and new approaches. I will leave North Carolina proud of the contributions made during my tenure that build on the work of those that came before and that lay the foundation for the work ahead.”

She said she plans to return to her home state of Texas.

Smith, who rose to board leadership a few months ago, has wasted no time establishing a new regime — one that’s more exacting than the environment fostered by Bissette.

Like any new leader, he’s faced a gauntlet of political scrutiny — mostly due to his notable involvement in campus policymaking.

Under Smith’s leadership, the board has overhauled rules for how universities’ boards of trustees pick new chancellors — a move sparked by concerns about the open chancellorship at Western Carolina University.

He says board members are still dealing with communication challenges and “high emotions,” but he didn’t offer details.

The board is “tackling some issues that have plagued the system for a long time,” Smith said during an Oct. 10 board meeting. The Greenville businessman commented on a need for compromise and understanding, vaguely referencing “robust phone calls [with board members] that were loaded.”

Smith mentioned an opinion piece, penned by 10 former BOG members, that condemned “clearly bad governance” under his leadership.

“It was difficult for me to read the piece,” he said, “but I didn’t think it was credible enough to deserve a response. I ask that if you want to be critical of the Board of Governors, make some phone calls first. Have a conversation with me.”

A few members around the table, including Bissette, appeared uncomfortable.

The comments weren’t a reference to anything specific, Smith told *Carolina Journal* during a press conference. Smith makes himself available to media, readily responding to phone calls, texts, and emails. He’s usually diplomatic and typically gives vague answers to questions about potential conflicts with board members. The chairman publicly praises board members, while also referencing their “advice and criticism.”

“One thing I’ve learned is that we’re going to deal with issues inside the UNC system on a consistent basis,” he told *CJ*. “A lot of those issues have emotions involved in them. What I want us to continue to do is to get the facts down in detail and just try to do what’s right.”

### WCU chancellor search

Two weeks into his role as chairman, Smith led a shake-up of the chancellor search at WCU, unexpectedly declining, along with other board members, to confirm Spellings’ pick. The board ordered WCU’s Board of Trustees to start the process from scratch, citing a lack of information about the candidate.



**CONFLICT.** Chairman Smith refuses to say what’s causing communications problems on board, where conflict is becoming more obvious.



**A lot of those issues have emotions involved in them. What I want us to continue to do is to get the facts down in detail and just try to do what’s right.**

- UNC Board of Governors  
Chairman Harry Smith

The board then decided to rework the search process for university chancellors.

Other factors may have rocked the decision.

BOG member Tom Fetzer disrupted the WCU search by ordering an outside consulting firm to run an independent background check on Spellings’ candidate. The meddling unnecessarily jammed the board’s decision, Bissette said in a July 26 BOG committee, a story by the *News and Observer* says.

Fetzer formerly was recommended as interim chancellor at WCU by two members of the university’s board of trustees. While Fetzer told *CJ* he was open to the job, it had no effect on his decision to investigate Spellings’ candidate.

New guidelines for chancellor selections clarify no BOG members or university trustees can be considered for a chancellorship unless they resign. BOG members can’t serve on search committees but can nominate people for those roles.

### Issues with ECU Chancellor Cecil Staton

Smith criticized East Carolina University Chancellor Cecil Staton.

In a July 15 email to two state lawmakers, Smith called out Staton for an op-ed published in the *News and Observer*. In it, Staton said his institution was “handed the largest budget cut for any of the state’s public universities: \$1.1 million, with no reasonable explanation.”

The statement was unacceptable, Smith said in the email.

“It’s been a scandalous couple of years at ECU that has and continues to embarrass our great university,” Smith wrote to Reps. Gregory Murphy, R-Pitt, and John Bell, R-Craven.

“Leaders take accountability, and they don’t point the finger. I’m happy to sit down with Cecil and explain in great detail the many issues we have had under his leadership that he was in direct control over that has greatly hurt and divided ECU,” Smith told Bell and Murphy.

“The many issues” include a \$1.26 million employment buy-out ECU’s Board of Trustees overwhelmingly approved for former university Athletic Director Jeff Compher, Smith told *CJ*.

Smith, like other BOG members, has taken issue with the ECU Foundation’s purchase of a \$1.3 million off-campus home for the chancellor and his family, though that objection was a “personal perspective,” Smith said.

Ten days after Smith emailed Bell and Murphy to apologize for Staton’s editorial, the ECU Board of Trustees sent a letter to Spellings, supporting Staton and his vision.

“The ECU Board of Trustees feel compelled to respond to recent questions that have been raised about Chancellor Cecil Staton,” members wrote July 25. “In July 2017, the board passed a resolution in support of Chancellor Staton’s priorities. ... Today, this board would like to again express its unequivocal support for the bold leadership, vision, and direction that this chancellor is providing to East Carolina University.”

Kieran Shanahan, chairman of ECU’s BOT, later told *CJ* that the letter turned out to be unnecessary.

Rumors that Staton’s job was in jeopardy were false, Smith told *CJ* in an August interview.

The UNC board never will “overrun the trustees” and wouldn’t fire Staton without direction from ECU and Spellings, though “I know that rumor was flying ... but that rumor never should’ve gotten any legs, and the world is full of rumors as you know,” Smith said.

Search committees should look at candidates from a variety of backgrounds, including those outside of academia — business, government, military, and nonprofits.

Background checks already are required, and the recommendations state educational and work history, compensation, references, criminal backgrounds, credit history, and social media use should be closely scrutinized. Search committees are encouraged to seek internal candidates and professionals from North Carolina.

The full BOG will have seven days to study trustee reviews of candidates. That job used to take 48 hours and was handled by the BOG’s personnel and tenure committee.

Confidentiality — a rule many say harms transparency — remains in place for the search process. University employees and students can participate in interviews but are legally bound to conceal information about candidates.

The confidentiality rule is merited, board member Steve Long told *CJ*. Public disclosure is demeaning to candidates and “doesn’t encourage good candidates to apply.”

“How many people want to go through job searches with the full public watching? Closed searches protect the candidates’ interests, and they also avoid this unnecessary cattle call where candidates are dragged through the mud,” Long said.

It’s great to have clearly outlined rules, but the overhaul had nothing to do with what happened at WCU, Long said.

CJ PHOTO BY KARI TRAVIS

# UNC BOARD OF GOVERNORS

**The unexpected resignation in late October of UNC President Margaret Spellings casts a brighter light on the 28-member UNC Board of Governors. The board will pick Spellings' successor.**

*Carolina Journal* publishes a lot of stories about the University of North Carolina Board of Governors. A handful of members regularly appear in our reporting, and we hope our readers have gleaned important information about the BOG from our articles.

That said, a 28-member board is tough to pan. You may know the names, backgrounds, or political affiliations of only a few members. Some are outspoken, others are not. But all are important. And all are accountable for good governance of the UNC System.

That's why we've put together a brief, but comprehensive, biography of each board member's appointment, occupation, and political registration.



**BETTYLENAH NJARAMBA**  
**Current term:** 2015 – 2019  
 President of the University of North Carolina Association of Student Governments and ex-officio student member of the board. The board's student member cannot participate in votes but serves as an emissary for all UNC students.  
**Occupation:** Student at N.C. Central University



**CHAIRMAN**  
**HARRY SMITH, JR.**  
**Current term:** 2017 – 2021  
*Appointed to the board by the N.C. House in 2013. Serving his second term.*  
**Occupation:** Former chairman and CEO of Flanders Corporation, owner of Pitt Electric  
**Residence:** Greenville



**VICE CHAIRMAN**  
**RANDY RAMSEY**  
**Current term:** 2017 – 2021  
*Appointed by the N.C. House in 2017.*  
**Occupation:** Founder and president of Jarrett Bay Boatworks  
**Residence:** Beaufort



**SECRETARY**  
**PEARL BURRIS-FLOYD**  
**Current term:** 2015 – 2019  
*Appointed by the N.C. House in 2015.*  
**Occupation:** Chief government affairs officer at Partners Behavioral Health, president and CEO of Hidden Gemstones Consulting  
**Residence:** Dallas, N.C.



**DARRELL ALLISON**  
**Current term:** 2015 – 2019  
*Appointed by the N.C. Senate in 2017 to fill a vacancy on the board.*  
**Occupation:** National director for State Teams and Political Strategy at the American Federation for Children  
**Residence:** Morrisville



**LOU BISSETTE, JR.**  
**Current term:** 2015 – 2019  
*Appointed by the N.C. Senate in 2011. Currently serving his second term.*  
**Occupation:** Attorney with McGuire, Wood, & Bisette  
**Residence:** Asheville



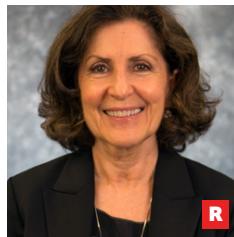
**KELLIE HUNT BLUE**  
**Current term:** 2017 – 2021  
*Appointed by the N.C. House in 2017.*  
**Occupation:** Robeson County assistant manager  
**Residence:** Pembroke



**ROB BRYAN**  
**Current term:** 2017 – 2021  
*Appointed by the N.C. House in 2017.*  
**Occupation:** Chief development officer for Cardinal Innovations Healthcare  
**Residence:** Charlotte



**PHILIP BYERS**  
**Current term:** 2015 – 2019  
*Appointed by the N.C. House in 2015.*  
**Occupation:** Retired law enforcer  
**Residence:** Forest City



**CAROLYN COWARD**  
**Current term:** 2017 – 2021  
*Appointed by the N.C. House in 2017.*  
**Occupation:** Attorney at Van Winkle Law Firm  
**Residence:** Arden



**LEO DAUGHTRY**  
**Current term:** 2017 – 2021  
*Appointed by the N.C. House in 2017.*  
**Occupation:** Attorney at Daughtry, Woodard, Lawrence, & Starling  
**Residence:** Smithfield



**WALTER DAVENPORT**  
**Current term:** 2015 – 2019  
*Appointed by the N.C. House in 2009. Currently serving his second term.*  
**Occupation:** Chief financial officer and vice president for business and finance at Saint Augustine's University  
**Residence:** Raleigh



**THOMAS FETZER**  
**Current term:** 2017 – 2021  
*Appointed by the N.C. Senate in 2017.*  
**Occupation:** Lobbyist  
**Residence:** Wilmington



**THOMAS GOOLSBY**  
**Current term:** 2015 – 2019  
*Appointed by the N.C. Senate in 2015.*  
**Occupation:** Attorney  
**Residence:** Wilmington



**FRANK GRAINGER**  
**Current term:** 2015 – 2019  
*Appointed by the N.C. Senate in 1997. Currently serving his fifth and final term.*  
**Occupation:** Founder and owner of Fair Products, Inc.  
**Residence:** Cary



**JAMES HOLMES JR.**  
**Current term:** 2015 – 2019  
*Appointed by the N.C. House in 2011. Currently serving his second term.*  
**Occupation:** Founder/managing partner, Sentinel Risk Advisors  
**Residence:** Raleigh



**JOE KNOTT**  
**Current term:** 2015 – 2019  
*Appointed by the N.C. House in 2015.*  
**Occupation:** Attorney at Knott and Boyle Law Firm  
**Residence:** Raleigh



**MARTY KOTIS III**  
**Current term:** 2017 – 2021  
*Appointed by the N.C. Senate in 2013. Currently serving his second term.*  
**Occupation:** President and CEO of Kotis Holdings  
**Residence:** Summerfield



**STEVEN LONG**  
**Current term:** 2017 – 2021  
*Appointed by the N.C. Senate in 2013. Currently serving his second term.*  
**Occupation:** Attorney at Ward and Smith  
**Residence:** Raleigh



**ANN MAXWELL**  
**Current term:** 2015 – 2019  
*Appointed by the N.C. House in 2011. Currently serving her second term.*  
**Occupation:** Business owner  
**Residence:** Goldsboro



**ALEX MITCHELL**  
**Current term:** 2015 – 2019  
*Appointed by the N.C. House in 2015.*  
**Occupation:** Real estate developer  
**Residence:** Durham



**WENDY FLOYD MURPHY**  
**Current term:** 2017 – 2021  
*Appointed by the N.C. House in 2017.*  
**Occupation:** Hospitality, local business  
**Residence:** Wallace



**ANNA SPANGLER NELSON**  
**Current term:** 2015 – 2019  
*Appointed by the N.C. Senate in 2011. Currently serving her second term.*  
**Occupation:** Chair of Spangler Companies, Inc.  
**Residence:** Charlotte



**DOYLE PARRISH**  
**Current term:** 2017 – 2021  
*Appointed by the N.C. House in 2013. Currently serving his second term.*  
**Occupation:** CEO of Summit Hospitality Group, Ltd.  
**Residence:** Raleigh



**DAVID POWERS**  
**Current term:** 2015 – 2019  
*Appointed by the N.C. House in 2011. Currently serving his second term.*  
**Occupation:** Lobbyist  
**Residence:** Raleigh



**ROBERT RUCHO**  
**Current term:** 2017 – 2021  
*Appointed by the N.C. Senate in 2017.*  
**Occupation:** Dentist  
**Residence:** Mooresville



**TEMPLE SLOAN**  
**Current term:** 2015 – 2019  
*Appointed by the N.C. Senate in 2015.*  
**Occupation:** Director of Golden Corral Corporation  
**Residence:** Raleigh



**WILLIAM WEBB**  
**Current term:** 2015 – 2019  
*Appointed by the N.C. Senate in 2015.*  
**Occupation:** Senior adviser at Shanahan McDougal law firm  
**Residence:** Raleigh



**MICHAEL WILLIFORD**  
**Current term:** 2015 – 2019  
*Appointed by the N.C. Senate in 2015.*  
**Occupation:** Attorney at Williford, Hollers, Crenshaw, Bolick, & Frangakis LLP  
**Residence:** Fayetteville

## LOCAL GOVERNMENT

# Playing with public money?

Officials in mythical Mayberry may nip problematic project in the bud

BY DON CARRINGTON

The Barter Theatre, which has operated since the Great Depression, reportedly draws 160,000 people a year to the charming mountain town of Abingdon, Virginia. Officials in Mount Airy — who already traffic on the celebrity of native Andy Griffith and the mythical town of Mayberry — think they should risk tax money to move an offshoot of the Barter Theatre into the Tar Heel State.

The city plans to redevelop an abandoned textile mill into a boutique hotel and apartment complex anchored by the southern branch of the Barter Theatre. The city secured \$1 million associated with the project from the General Assembly for water and sewer improvements.

But the plans have run into trouble.

Barter Theatre officials seem reluctant to move forward, and the process of getting the water-and-sewer grant has raised ethics concerns.

The Spencer's Redevelopment project hopes to transform the Spencer's Mill property — a century-old textile manufacturing site vacant for more than a decade — into a mixed-use project. Mount Airy has capitalized on Griffith's fame with regular festivals, along with stores and attractions based on "Mayberry," the setting of the popular 1960s television series.

Moreover, the way the city landed an earmarked appropriation in the most recent state budget may have ethical if not legal problems. Former state Rep. Bryan Holloway, the city's registered lobbyist, also lobbies for a nonprofit firm, the Resource Institute. Resource Institute was set to receive \$100,000 from the Mount Airy City Council if the city got the \$1 million water and sewer appropriation, records show. Any sort of commission for lobbyists who obtain funding from the General Assembly is illegal.

The project faces other challenges. Significant local opposition exists to using public money to fund the complex. Even though the Local Government Commission, which approves issuing debt for local projects, has set an early De-



**HEARINGS ON REDEVELOPMENT.** Mount Airy City Council listens to a presentation by Gene Clark, treasurer of the Citizens for a Transparent Mount Airy, a citizen group calling for more public information on the city council's plans for the Spencer's Redevelopment.



**PROPER ROLE OF THE CITY IN DEVELOPMENT.** Gene Clark, treasurer of the Citizens for a Transparent Mount Airy, tells the City Council that the city should not be subsidizing private businesses.

cember date to review Mount Airy's proposal, the city doesn't have a feasibility study of the project.

Along with the Barter Theatre, the Spencer's Redevelopment project would include a boutique hotel, an 80-unit apartment complex, and a dinner theater. The total project is expected to cost more than \$50 million. Proposed funding from the city and Surry County is up in the air.

In 2017, the Golden LEAF Foundation approved a \$722,500 grant for water and sewer for the project. The Golden LEAF website states: "This grant provides funding to the City of Mount Airy to improve water and sewer infrastructure necessary to support the redevelopment of the Spencer's Mill facility and to serve nearby businesses. The City

of Mount Airy is working with developers to create a multi-use center at the mill that includes lodging, dining, 80 market-rate apartments, and a business center. The total planned private investment is projected to be \$28.5 million and is expected to create more than 110 permanent jobs."

But redevelopment has lagged.

In March, city officials met with staff of the LGC, headed by State Treasurer Dale Folwell, to discuss the project. The meeting was informal. According to Folwell spokesman Frank Lester, staff indicated the LGC wasn't likely to approve borrowing for the project as presented. City officials were told to come up with another plan — which depends in part on the fea-

**Consultant Charles Anderson submitted a \$100,000 bill to the city of Mount Airy for his role in securing \$1 million for a water and sewer line extension project. State law prohibits contingency payments tied to lobbying efforts.**

as the Barter to provide customers for her lodging establishment," the newspaper said.

If the project isn't approved by Dec. 31, the historic tax credits Bryson mentioned would expire.

### A commission for lobbying?

According to City Council meeting minutes, in September consultant Charles Anderson submitted a \$100,000 bill to the city of Mount Airy for his role in securing \$1 million for a water and sewer line extension project. State law prohibits contingency payments tied to lobbying efforts. Anderson disputes his invoice was a contingency fee for obtaining a grant and says he doesn't lobby.

Anderson works for the Resource Institute, a Winston-Salem-based consulting organization operating as a nonprofit. The appropriation appears to be related to the Spencer's redevelopment, but Holloway told city officials the money could be used for any infrastructure project.

The bill came as a surprise to some council members, the *Mount Airy News* reported, because they thought the appropriation resulted from Holloway's lobbying work.

The agreement between the city and Resource Institute was signed in July 2017. It requires the city to pay Resource Institute 10 percent of any grant it helped the city obtain. Such an arrangement appears to violate state law. Charles Anderson isn't registered as a North Carolina lobbyist, even though city council minutes state he lobbied for the money.

N.C. General Statute 163A-305 states, "Contingency fees prohibited. No individual shall act as a lobbyist and receive payment for lobbying that is dependent upon the result or outcome of any legislative or executive action."

The law also states, "Any payment to a lobbyist in violation of the section is subject to forfeiture and shall be paid into the Civil Penalty and Forfeiture Fund."

Jane Pinsky is director of the N.C. Coalition for Lobbying and Government Reform, a "nonprofit organization dedicated to promoting good-government policies." Pinsky said the contingency fee claimed by Resource Institute "doesn't pass the smell test. If Mr. Anderson did lobby for this grant, he should have registered as a lobbyist. State law prevents lobbyists from working on contingency fees. Something just doesn't seem right," she said.

# LOCAL GOVERNMENT

continued from PAGE 10

Holloway told *CJ* he didn't benefit from the fee his client Resource Institute was charging his other client, the city of Mount Airy. "I don't care what the meeting minutes say. They are wrong. City Manager Barbara Jones does not understand the nature of lobbying. I don't care if the city pays this invoice," he said. He also said he hadn't seen the agreement between the city and Resource Institute.

*CJ* sent a copy of the law to Jones, who asked City Attorney Hugh Campbell to review. "Since you raised this issue, we have determined the invoice from Resource Institute is premature. Resource Institute has withdrawn it, and we are contemplating a new contract with the organization," Campbell said.

City council meeting minutes say Holloway is paid \$1,000 a month by the city. He is also a registered lobbyist for Resource Institute and told *CJ* he gets \$2,500 a month from that organization. He told the Mount Airy News in mid-September he wasn't aware that the city had an agreement with Resource Institute, and he didn't stand to receive any of the \$100,000.

The Resource Institute's website lists five staff members, including Charles Anderson, project developer and funding liaison. A report in the *Mount Airy News* said Resource Institute's efforts have secured between \$18 million and \$20 million for greenway and stream restoration work in Mount Airy.

*CJ* spoke by phone with Anderson and RI board chairman Michael Smith. "We don't go to Raleigh and lobby. We write grants and administer projects. RI submitted an invoice for administration. Once Mount Airy determines they want us to do this, we will submit an invoice for 10 percent to cover our grant administration expenses," Anderson said.

"The timing of submitting an invoice was probably in error," Smith said. "We did not expect them to pay it until we actually started administering the grant. There has been a degree of confusion in Mount Airy regarding this invoice."

Smith said he informed Mount Airy officials "to rescind the invoice until they require our administrative services once a project is determined."

## Role confusion

A city resolution passed in July 2017 authorized a memorandum of understanding between the city of Mount Airy and Resource Institute. The resolution stated, "this agreement is specific to help secure funding for the Spencer's Redevelopment Project Infrastructure."

But the MOU doesn't connect the grants to the Spencer's Redevelopment Project:



**SITE OF REDEVELOPMENT PROPOSAL.** Gene Clark, treasurer of the Citizens for a Transparent Mount Airy, says the city should not be subsidizing private businesses to make sure they don't fail.



**REMEMBER THE RANDY PARTON THEATRE.** Critics of the Mount Airy redevelopment point to similar projects, like the Randy Parton Theatre in Roanoke Rapids, where results did not meet expectations.

"Resource Institute has been asked to help secure and assist in finding funding for projects that the City of Mount Airy is wanting to implement over a period of time. Resource will aid in writing grants, research funding opportunities, and assist the city in other funding avenues as needed. Once those funds are in place and accepted by the city, Resource Institute will have completed its obligation for the grant(s).

"City of Mt. Airy will make payment to Resource Institute at the rate of ten percent (10%) of the total grant awarded to the city that Resource Institute has assisted the city in obtaining."

The agreement remains in effect until canceled by either party.

The most recent state budget, approved June 1, directed the Division of Water Infrastructure in the Department of Environmental Quality to allocate money to four specific local governments for water infrastructure projects. Mount Airy received \$1 million.

Holloway made a presentation to the City Council July 7, summarized in minutes from the meeting:

"Bryan Holloway announced that \$1 million has been appropriated in the State of N.C.'s budget for the City of Mount Airy to use for infrastructure. ... The Governor did veto the budget yesterday, but today,

the Senate overrode the veto, and that will be overridden in the House next week."

Holloway thanked several state lawmakers from the area for helping secure the money and Charles Anderson with Resource Institute.

Jones thanked Holloway "for his hard work and communications."

*CJ* asked Division of Water Infrastructure spokeswoman Cathy Akroyd about the process for delivering the \$1 million to Mount Airy. "The process used for this project is just like the process used in any of our funding applications, from a post-award standpoint. Payments are done on a reimbursement basis only," she said. "If payments request-

ed do not meet established criteria, they will not be reimbursed. Every invoice is reviewed. There is an engineering report, and plans and specs must align with it. There is a division follow-up through construction and inspection."

## Another RI appropriation

A story published in July by NC Policy Watch asked why the Resource Institute received a \$5 million appropriation, or earmark, from the state budget for a beach nourishment study and design project. The story pointed out the organization had no experience in this area, also noting that since 2016, board members, employees, and contractors have contributed \$116,000 to Republican lawmakers.

Holloway told *CJ* he lobbied members of the General Assembly for the \$5 million appropriation to his client Resource Institute.

## Local opposition, Barter balking?

Local businessman Gene Clark is treasurer for Citizens for a Transparent Mount Airy, a group opposed to public financial support for the project. He told *CJ* his organization welcomes a theater and hotel, but it doesn't want taxpayers to subsidize them. He said Mount Airy leaders should remember the failed Randy Parton Theatre in Roanoke Rapids.

Randy Parton, Dolly Parton's brother, invested none of his own money, the city borrowed \$21 million, and state agencies added about \$6 million to launch the project. City officials had bet on Parton's ability to manage the theater competently and attract enough customers to cover expenses.

Before the Randy Parton Theatre opened in July 2007, *CJ* documented questionable feasibility studies, unrealistic economic impact forecasts, conflicts of interest, lack of transparency, reckless spending, a marketing campaign that was never funded, and Parton's lack of management experience.

Ticket sales never reached expected levels, and Parton was kicked out of the theater in December 2007 when city officials said he was under the influence of alcohol. He never performed there again, and the theater largely sat vacant until July of this year, when the city sold the facility for \$3 million, even though it still owed \$15 million on the project.

Meantime, interest of the Barter Theatre — anchor of the Mount Airy redevelopment project — isn't a sure thing. Producing artistic director Richard Rose told *CJ*, "We are having active conversations with city officials and others involved with Spencer's Mill. There may be pressures on the city and pressures on us to allow this project, but those pressures may be incompatible."

CJ PHOTO BY DON CARRINGTON

CJ PHOTO BY DON CARRINGTON

# ECONOMY

## Looking to land auto plant, state pushed not-ready-for-prime-time megasite

BY DON CARRINGTON

North Carolina officials insist the state is prime territory for the next big industrial manufacturing facility — most likely an automaker.

Auto assembly plants can attract billions of dollars in investment, create hundreds of high-paying jobs, and revitalize a local economy.

But we keep losing the competition for new auto plants to nearby states. South Carolina has BMW, Mercedes-Benz, and Volvo. Tennessee has Nissan and Volkswagen. Georgia has Kia.

And Alabama has become an automaking giant, hosting assembly plants for Honda, Hyundai, and Mercedes-Benz. Most recently, state officials landed a joint-production deal involving Toyota and Mazda.

The Tar Heel State reportedly was a finalist for the Toyota/Mazda plant. N.C. Department of Commerce documents show company officials considered at least three locations here. In September 2017, they focused on the Greensboro-Randolph Megasite near the town of Liberty. State officials were

promoting the Liberty site over others, and it has received considerable financial backing — about \$26 million — from the N.C. Railroad Co., a private company owned by the state and controlled by political appointees.

State officials seem to be promoting the Liberty site over others, based on a review of Commerce Department documents, such as an Oct. 13, 2017, proposal from Commerce to a Toyota/Mazda consultant.

Megasites are large tracts with infrastructure in place to accommodate an automotive plant or other large manufacturer. Other locations may be appropriate for smaller manufacturing operations, but only a few are considered megasites.

The joint assembly plant represented a \$1.6 billion investment that would have employed 4,000 workers. The state of North Carolina ultimately offered an incentives package that was worth the same amount: \$1.6 billion.

But the favored site has a major blemish. It is bisected by a

2-mile section of a major Duke Energy transmission line. Toyota and Mazda officials said it needed to be moved. Even though the Liberty megasite seemed to have an upper hand over other, perhaps more appropriate locations, it has not undergone a state certification process. Certification is considered essential by many economic development officials to show a location has access to enough energy, water, and transportation outlets to justify a major manufacturing facility.

Duke Energy developed a plan to relocate the line to the northern boundary of the site and said the project would be completed by October 2018. Duke put the plan on hold in January when Toyota and Mazda announced they were headed to Alabama.

The state's apparent interest in pushing the Liberty location may have cost North Carolina its best opportunity to land an automaker.

Barry McClelland, a retired Honda facilities manager and now an independent plant location consultant, told *Carolina Journal* the Duke transmission line needs to be moved. "It might be a deal stopper. That site also needs to get certified by the state. In today's world, certification is a big deal," he said.

McClelland said that he is aware of three major site searches in North Carolina in the past few months, and state officials need to show a company all three sites.

The other two megasites are in Chatham County — one near Siler City and the other near Moncure.

A fourth megasite — the 1,500-acre Kingsboro site in Edgecombe County — landed a major tenant in January. The Chinese tire manufacturing company Triangle Tyre announced it will build its first manufacturing plant outside China on part of the Kingsboro site.

### Favored site

The Liberty site was the brainchild of former Piedmont Triad Partnership CEO David Powell. In 2011, he began advocating for a regional megasite south of Greensboro.

Powell resigned from the organization in January 2015 and later was investigated over allegations of



**MAJOR BLEMISH.** The Greensboro-Randolph Megasite is bisected by a 2-mile section of a major Duke Energy transmission line. The estimated cost of moving the line as proposed would be \$25 million.

### BY THE NUMBERS

#### \$1.6 billion

Value of incentives package offered by North Carolina in its failed bid for for the Toyota/Mazda plant

#### \$26 million

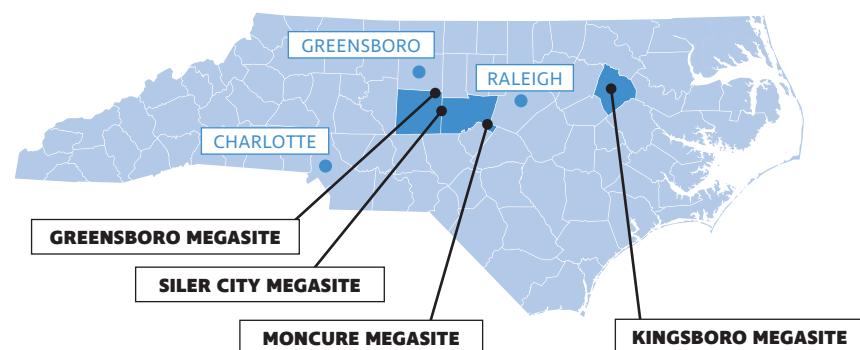
Financial backing supplied in support of the Greensboro-Randolph Megasite by the state-owned N.C. Railroad Company

#### \$25 million

Cost to move the powerline that bisects the Greensboro-Randolph Megasite

### Four North Carolina Megasites

Megasites are large tracts with infrastructure in place to accommodate an automotive plant or other large manufacturer.



embezzlement. Former Greensboro Mayor Jim Melvin set up the Greensboro-Randolph Megasite Foundation and assumed the advocacy role from Powell.

Powell was indicted in 2016. His trial was postponed several times, and he committed suicide in April 2017.

In May 2015, NCR, a quasi-state organization, decided to buy land for the megasite project.

NCR owns and manages a 317-mile rail corridor connecting Morehead City to Charlotte. NCR is unique because it's a private company, but the state of North Carolina owns all its stock. The governor and legislative leaders appoint the

13-member board of directors. Its primary income comes from leasing some of its tracks to Norfolk Southern Railway.

*CJ* hasn't been able to determine how NCR became involved in the project. The organization would not disclose meeting minutes. In 2016, Chairman Frank Rouse said NCR doesn't have to comply with the laws that apply to all state and local government agencies, such as the state's public-records law, because it's a private company, not a state agency.

*CJ* first wrote about NCR's unusual plan to buy land for the project in 2016. Since Norfolk Southern Railway owns the rail line bordering

the megasite, and the NCR track is about 15 miles away in Greensboro, NCR would not receive any direct benefit from its spending.

The stated mission of NCR is to develop its own corridor. NCR president Scott Saylor told *CJ* the megasite project is part of his organization's broader economic development mission.

County property tax records show NCR owns about 1,200 acres of the site. In October 2017, Saylor, Randolph County Commission Chairman David Allen, and Foundation President E.S. Melvin pledged to give the Greensboro-Randolph

# ECONOMY

continued from PAGE 12

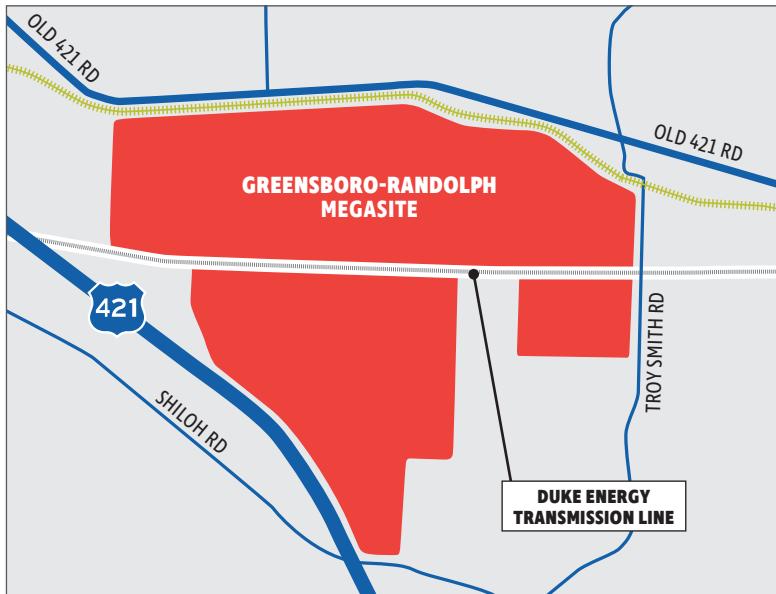
Megasite, worth \$48 million, to Toyota and Mazda if the automakers chose the location for the assembly plant.

## Power line problem

The N.C. Department of Commerce and the Economic Development Partnership of North Carolina, a private nonprofit established by the General Assembly in 2014, are responsible for recruiting industries to come to North Carolina.

On Sept. 15, 2017, EDPNC CEO Christopher Chung wrote Commerce Secretary Anthony Copeland about the Liberty site. "Discussion at the Liberty site focused heavily on the relocation of the high-voltage transmission line bisecting the north and south halves of the site. This is clearly an issue that the client team highlighted as needing to be resolved within the required time frame (18 to 24 months) and at minimum cost to the client. Duke Energy is aware of the need for this matter to be addressed and how critical it is to the Liberty site's viability; they are reviewing what can be done," said Chung.

In a Sept. 25 letter from Duke Energy N.C. President David Fountain to Greensboro Chamber of



Commerce President Brent Christensen, Duke Energy Chief Executive Officer Lynn Good agreed to move the line and said it would be done by Oct. 1, 2018.

According to Duke, a new industry couldn't tap directly to that line. "Our 525 KV transmission system is for bulk transport and voltage stability only. It is not designed for retail service and has never been used in that manner," spokeswoman Meghan Miles said.

CJ asked Miles about the sta-

tus of the relocation project. She said the project is no longer moving forward since the potential customer selected another site. She also said the estimated cost of moving the line as proposed would be \$25 million and that Duke customers wouldn't pay for the project.

She said Duke would move power lines, if needed, at other megasites. "Duke Energy supports economic development, and where our infrastructure inhibits successfully completing a project, we have pol-

icies in place that allow the company to relocate our infrastructure. These policies both protect our rate base and allow for economic development projects to use the full site," she said.

## N.C. Certified Sites program

The EDPNC runs the state's site certification program. "Since 2001, North Carolina has offered an official Certified Sites program to provide a statewide inventory of industrial sites that have undergone a rigorous prequalification process to ensure they are 'shovel ready' for immediate development and meet a consistent set of standards," EDPNC's website says. "A Certified Site reduces the risks associated with development by providing detailed information about a site, including price and availability, utilities, access, environmental concerns, and potential development costs. Sites are periodically recertified to ensure accurate, reliable data."

North Carolina has 24 certified sites, including the Siler City site and the Moncure site. The Greensboro-Randolph site isn't certified.

Brent Christensen, president of the Greensboro Chamber of Commerce, is one of the local marketing contacts for the site. He said the

state hasn't certified it. "It is our understanding that the remaining requirement for site certification is the complete right-of-way acquisition to the site for water and sewer service by the City of Greensboro. This process is well underway, and we anticipate submitting for state site certification upon its completion," he said.

Meantime, Greensboro-Randolph site officials have obtained separate certification from the business consulting firm KPMG and hired the company to review the Liberty site. On June 30, 2016, KPMG consultant Hartley Powell reported to Randolph County Economic Development Corporation President Bonnie Renfro that the site had been named a "KPMG Certified Site."

CJ hasn't found any information about KPMG's certified site program. Spokeswoman Katy Reddin said, "The certification is not so much a program as a service that we provide to our clients. The certification confirms that the site has met specific requirements demanded by companies and agreed to by KPMG and the community."

It's unclear whether this outside certification holds much sway over companies looking for a place to build a major manufacturing facility.

## Crossing a line

### A short history of the Greensboro-Randolph Megasite

<p><b>2011</b> The Piedmont Triad Partnership, a regional economic development organization, begins advocating for the Greensboro-Randolph Megasite project</p>	<p><b>Jan. 2015</b> David Powell resigns from partnership</p>	<p><b>Feb. 2015</b> Former Greensboro Mayor Jim Melvin forms Greensboro-Randolph Megasite Foundation and assumes advocacy role formerly held by Powell</p>	<p><b>April 2015</b> Powell investigated for embezzling from Partnership</p>	<p><b>May 2015</b> N.C. Railroad Company board quietly approves purchase of 875 acres for project</p>	<p><b>Jan. 2016</b> NCRRC announces it will buy more than 875 acres for \$13 million</p>	<p><b>Feb. 2016</b> Powell indicted on charges of embezzlement; trial postponed several times.</p>
<p><b>March 2016</b> NCRRC, Randolph County, and G-R Megasite Foundation sign agreement creating partnership for the project</p>	<p><b>April 2017</b> Powell commits suicide</p>	<p><b>August 2017</b> Toyota and Mazda show interest in site</p>	<p><b>Sept. 2017</b> Toyota and Mazda say Duke Energy power line a problem. Duke develops plan to move.</p>	<p><b>January 2018</b> Toyota and Mazda select Huntsville, Alabama. Duke suspends line relocation plan.</p>	<p><b>April 2018</b> NCRRC buys more land to bring total holdings to more than 1,200 acres</p>	



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# COMMENTARY

## Do relocating businesses care about public school spending?



**DR. TERRY STOOPS**  
VICE PRESIDENT FOR RESEARCH  
JOHN LOCKE FOUNDATION

A common justification for more government spending on public schools is that such “investments” are a critical factor in driving businesses to a state. Presumably, the increase in spending leads to an increase in quality, and higher-quality schools produce a more capable workforce. While there is some merit to the latter claim, the relationship between spending and quality has always been tenuous, at best, as decades of empirical research have identified a host of nonpecuniary factors that affect school quality.

Research notwithstanding, elected officials, chambers of commerce, economic development officials, and public school advocates insist public school spending is a key criterion for making relocation or expansion decisions. In August, the *Charlotte Business Journal* declared North Carolina is “not making the grade” in attracting new businesses to the state. Their proof? The state had dropped from No. 5 to No. 9 on



CNBC's America's Top States for Business 2018 ranking. CNBC staff wrote, “A great workforce has businesses sticking with the Tar Heel State, but underfunded schools are infringing on success.”

Despite their grave assessment, seven of the top 10 states in this year's CNBC ranking spent less per student than the national average. The third-best state for business, Utah, has one of the lowest per-student expenditures in the nation. New York, which is second only to the District of Columbia in per-student spending, ranked 27th. As New Yorkers know, big-time spending on schools requires levels of state and local taxation

that keep new enterprises away and U-Haul dealers busy.

Starting in the 1980s, researchers began producing empirical studies that tried to examine the relationship between state-specific characteristics and business relocation and expansion decisions. Most researchers have found corporations prefer favorable tax, regulatory, and infrastructure conditions, rather than “quality of life” factors that economic development officials and others claim are instrumental in luring businesses to their respective states.

For example, a 1999 *Journal of Business Research* study assessed a survey of businesses that had relo-

cated, expanded, or been launched in Colorado. The respondents said the cost of office or plant, the availability of labor, and business operating costs were the most important considerations in their decision. The quality of primary/secondary education was, at best, a second-tier consideration, with only 10 percent of respondents saying that it was an “extremely important” factor.

An article a year later in *Policy Sciences* asked similar questions to executives from 118 internationally owned firms in North Carolina. Of the 11 location factors that respondents were asked to consider, the perceived quality of schools and universities ranked fifth. Labor force factors, such as the availability of labor and wage rates, topped the list. State marketing efforts were dead last.

Unsurprisingly, surveys of top business executives and managers agree with the research. According to a 2017 *Site Selection Magazine* survey of corporate real estate executives, workforce skills were identified as the most important location criteria, followed by transportation infrastructure, utilities, state and local taxes, and the availability and price of real estate.

Although useful, research and rankings of business development and relocation criteria are based on perceptions, generalities, and various what-ifs. Insight into the actu-

al decision-making processes that business executives undertake, as well as state responses to their deliberations, are more difficult to find. Fortunately, when Toyota and Mazda earlier this year announced that they planned to locate a new joint automobile plant in Alabama rather than North Carolina, WRAL published nearly 400 pages of N.C. Department of Commerce emails, text messages, and planning documents related to the negotiations.

It's possible the issue of public schools came up during a meeting or appeared in correspondence that was excluded from the documents obtained by WRAL. Nevertheless, the contents of the North Carolina proposal don't mention per-student spending in North Carolina, which is slightly higher than Alabama, or even the quality of the public schools in Randolph and adjacent counties that bordered the megasite identified for the proposed plant. In the end, the existing supply chain for automotive parts in Alabama was the deciding factor.

Business leaders know it's not necessary to rely on state systems of public schools to meet their skilled workforce needs. Both interstate and international labor mobility can address deficiencies in local and regional markets. Why else would the North Carolina proposal to Toyota and Mazda include funds for the Japanese Saturday school?

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# COMMENTARY

## State's fiscal health depends on more than just one politician



**MITCH KOKAI**  
SENIOR POLITICAL ANALYST  
JOHN LOCKE FOUNDATION

Voters tend to credit the governor for a state's strong economy and fiscal health. Governors tend to take the blame when the news isn't so good.

This focus on the state's most high-profile government official shouldn't surprise anyone. But two national reports issued in October should lead us to question popular assumptions about the governor's leading role. The reports' contrasting assessments of North Carolina deserve closer scrutiny.

First, the good news. The free-market Mercatus Center at George Mason University now ranks the Tar Heel State No. 9 in the country for its fiscal health. As Lindsay Marchello reported in *Carolina Journal*, that overall top-10 ranking includes ranks of No. 2 for budget solvency and No. 8 for long-

term solvency. North Carolina fares slightly worse for trust-fund (No. 14), service-level (No. 16), and cash (No. 23) solvency.

The overall ranking attracted attention from Senate leader Phil Berger, R-Rockingham, a chief architect of state government's fiscal policy since 2011. "Under Republican leadership in the legislature, North Carolina has climbed in the Mercatus rankings from 27th to the top 10," Berger's office highlighted in a news release.

"The Republican-led General Assembly has balanced the budget, rebuilt the rainy-day fund, invested record-breaking amounts in public education, and produced a pro-business environment that has created hundreds of thousands of jobs — all while cutting taxes," Berger's news release continued. "Growth in North Carolina's [gross domestic product], employment, and population all outpace the national and regional averages."

For the last two years, that General Assembly has worked with Democrat Roy Cooper in the executive mansion. One might expect that Cooper could take some credit for Mercatus' recent kudos.

Not so fast. A report card issued



### The Mercatus Center at George Mason University now ranks the Tar Heel State No. 9 in the country for its fiscal health.

on the same day as the Mercatus Center ranking offers a much different assessment of Cooper's performance as fiscal steward.

The libertarian Cato Institute assigns Cooper an F for his fiscal policies. Yep. The governor of the state with the ninth-best fiscal status earns a failing grade for his fiscal policies.

Lest you think the Cato crowd consists of particularly harsh graders, consider the following: Only one other Southern governor, John Bel Edwards of Louisiana, earns an F. Just eight governors nationwide earn that dubious distinction.

Among our neighbors, Georgia's Nathan Deal gets a B and Tennessee's Bill Haslam a D. Those who especially relish competition with the "other" Carolina might cringe when they see an A grade for Henry

McMaster of South Carolina. McMaster is one of just five governors nationwide to secure the top letter grade.

How does a governor in a state with so much recent economic success flunk Cato's test?

"Cooper scored poorly on both spending and taxes," according to Cato's report. It notes the governor's 6.5 percent proposed state government spending increase for 2019. The report also explains that the state enacted budgets with smaller spending increases only after lawmakers voted to override Cooper's vetoes.

"On taxes, Cooper has tried to block efforts by the legislature to make pro-growth reforms," Cato researchers add. They cite his opposition to legislated changes that "will cut taxes by more than \$900 million annually." The Cato report assigns Cooper a simple motive. "He wanted higher revenues to fund a spending increase."

"He's only been in office just a bit less than two years, but, so far, he's going in the wrong direction, it seems to me," report author Chris Edwards told *Carolina Journal Radio*. "He's pushed for substantial increases in the state budget, and

he's blocked tax reductions."

Contrast Cooper with his South Carolina counterpart. "McMaster is off to a fiscally conservative start as governor by offering a restrained budget this year, supporting pension reforms, vetoing tax increases, and proposing income tax reforms," according to the Cato report.

While Cooper has stamped his veto on GOP budget bills that spent money more frugally than he wished, "McMaster vetoed a transportation bill that raised gas taxes by 12 cents per gallon and jacked up vehicle fees." The S.C. legislature overrode McMaster's veto, but the Cato report credits him nonetheless for his efforts.

Cooper and McMaster. Two governors with different fiscal priorities. Two governors with polar opposite grades on Cato's report card.

One of them leads the state with the third-best fiscal health ranking in the Southeast and the ninth-best ranking among the nation's 50 states. The fact that Roy Cooper, not Henry McMaster, enjoys that honor should remind us that there's much more to a state's fiscal health than the man or woman who sits behind the governor's desk.

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# COMMENTARY

## *Caring about science: Carbon is not carbon dioxide*



**ROY CORDATO**  
SENIOR ECONOMIST  
JOHN LOCKE FOUNDATION

It should be pretty clear carbon dioxide (CO<sub>2</sub>) and carbon aren't the same things. CO<sub>2</sub> is a colorless and odorless gas emitted when all animals exhale, and it's given off when formerly living things — plants and animals — decay. Not mentioned by Merriam-Webster is that it's also generated when these formerly living things, even after millions of years — as with the case of coal and oil — are burned. Also not mentioned by the online dictionary is the fact that carbon dioxide, in addition to its role in photosynthesis, is what is called a "greenhouse gas." That is, in conjunction with other gases, water vapor being the most dominant, it acts as a blanket that keeps heat from escaping the atmosphere and prevents the planet from freezing over. Carbon dioxide is essential for sustaining life.

Carbon, on the other hand, is a solid. It's present in all living things

and things that were once living. As noted, when these once-living things that contain carbon are burned, the carbon combines with oxygen to form carbon dioxide and is emitted into the atmosphere along with the CO<sub>2</sub> that we exhale or that comes from decaying plant life. So, while it is one of the elements that goes into forming carbon dioxide, it's no more the same as carbon dioxide than hydrogen or oxygen is the same as water — water being two parts hydrogen (H<sub>2</sub>) and one part oxygen (O).

So why, in nearly all discussions of global warming, is the word "carbon" freely substituted for "carbon dioxide?"

"Carbon emissions," "carbon taxes," "carbon footprint," and "cost of carbon" all use the word "carbon," when actually what's being referred to is carbon dioxide. Carbon can't logically be a substitute expression for carbon dioxide any more than hydrogen or oxygen can be a substitute expression for water. In the latter case, everyone would realize such a substitution would be silly and just bad science. And yet, when it comes to talking about carbon dioxide and carbon, the switch in terminology is made seamlessly and really without notice. In fact, it's so common to refer to CO<sub>2</sub> as carbon that it is

### From Merriam-Webster

**CARBON DIOXIDE.** A heavy colorless gas (CO<sub>2</sub>) that does not support combustion, dissolves in water to form carbonic acid, is formed especially in animal respiration and in the decay or combustion of animal and vegetable matter, is absorbed from the air by plants in photosynthesis, and is used in the carbonation of beverages.

**CARBON.** A nonmetallic chiefly tetravalent element found native (as in diamond and graphite) or as a constituent of coal, petroleum, and asphalt, of limestone and other carbonates, and of organic compounds or obtained artificially in varying degrees of purity especially as carbon black, lampblack, activated carbon, charcoal, and coke.



done regularly by people on all sides of the global warming debate and even by government agencies, as with the expression "cost of carbon" used to describe the EPA's estimate of how much emissions of carbon dioxide in the atmosphere are estimated to cost society.

My speculation is the transformation of the legitimate and accurate "carbon dioxide" into the false and inaccurate "carbon" has been part of an effort, in this case, a quite successful one, to obfuscate what is really talked about. It is a tool of propaganda. Note that this has also been done with the substitution of "climate change"

for "global warming," despite the fact that what's referenced is the warming of the planet, not any general change in climate that occurs all the time.

The word "carbon" conjures up images, captured in Merriam-Webster's definition, completely unrelated to carbon dioxide. In most people's minds, carbon is associated with everything black and dirty — coal, charcoal, asphalt, carbon black, etc. Of course, none of these describes CO<sub>2</sub>, which is a colorless and odorless gas. If one wants the vision of black soot being emitted from power plant smokestacks and automobile tailpipes, then

CO<sub>2</sub> emissions will just not work. But, of course, that's exactly what carbon emissions would look like. And it would hardly make sense to talk about colorless, odorless, and harmless CO<sub>2</sub> emissions as contributing to "dirty air," which is done regularly. But carbon? Now that's something quite different. It's black, it's "sooty," and if it were being emitted into the air as a result of heating our homes or driving our cars, it would make the air "dirty" by any standard.

In discussions of global warming, we need to take back the language for sound science. Intentionally or not, it's deceptive and misleading to refer to carbon dioxide as carbon. As noted, this is not just because they are, in fact, not the same thing but because they bring to mind two very different notions. The use of the word "carbon" allows special-interest groups to transform simple science into a tool of propaganda. Honest protagonists on either side of the global warming debate, particularly those who actually care about scientific accuracy, should make a concerted effort to reject substituting the word "carbon" for "carbon dioxide." They should not only stop making the switch themselves but begin calling out others who continue the charade.

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# EDUCATION

## Can higher ed revive rural North Carolina?



**SHANNON WATKINS**  
COLUMNIST

Many rural counties in the U.S. are on life support. They're struggling with shrinking and aging populations, shuttered businesses, disappearing job bases, and a general sense of hopelessness. There's little consensus about how to fix things.

Some policymakers and researchers dedicate extensive efforts to halt and reverse rural decline in North Carolina. Other observers view the decline as inevitable, with little else to do but manage it as best as possible.

Higher education officials tend to be optimistic about the future of rural counties. A common belief in the University of North Carolina System — and elsewhere in government — is that the more targeted and strategic it can make its efforts, the more likely rural towns will have the needed resources.

UNC has made outreach to rural North Carolina one of its main goals in its five-year strategic plan. For one, UNC seeks to increase systemwide enrollment of students from rural counties by 11 percent



**LAGGING BEHIND.** UNC has made outreach to rural North Carolina one of its main goals in its five-year strategic plan. Yet, conditions in rural North Carolina don't appear to be changing for the better.

and increase rural students' college graduation rates 20 percent by 2022.

East Carolina University, in the state's economically depressed coastal plain, has launched its Rural Prosperity Initiative to aid rural areas further.

Yet conditions in rural North Carolina don't appear to be changing for the better. One glaring example of how many rural counties continue to lag behind the rest of the state is population loss: 33 of the 40 Tier 1 counties — the state's most distressed — lost population between 2010 and 2017.

Tier 1 counties have a higher median age than densely populated areas. Older populations indicate younger people are leaving for opportunities elsewhere, which seems particularly disheartening for those who hope higher education can contribute to the rebirth of depressed rural areas. Despite the university system's presumably good intentions, its efforts seem paradoxically to contribute to rural communities' further decline.

In most instances, young people who leave rural towns for a college education never return home to live. Consequently, many higher

education leaders may find themselves in a Catch-22. Though a number of rural students may benefit from higher education, luring students out of those counties only further contributes to so-called "brain drain." To combat this problem, some higher education and state officials have devised various plans to incentivize students either to return or to start their careers in rural North Carolina.

Furthermore, UNC Board of Governors chairman Harry Smith believes universities' mere physical presence in rural North Carolina can be a key driver of economic prosperity. In a Martin Center interview, Smith argued that higher education creates the graduates needed to "sustain the economy" in rural North Carolina.

However, although large, research-oriented UNC institutions might have the ability to help drive local economies in which they are located. Most rural counties in the state aren't near a research university. Instead, the nearest institution of higher learning is usually a community college. While community colleges have the ability to train the local workforce, they don't have the infrastructure, resources, or reputations of large universities to create thriving socioeconomic "hubs."

Researchers in North Carolina have also recognized how unhealthy cultural trends contribute

to the failure of rural counties. For example, in a Martin Center interview, Leslie Boney at N.C. State's Institute for Emerging Issues noted the decline in civic engagement in many rural areas:

"There is 58 percent decline of people who are involved in civic clubs, 43 percent decline in people talking to their neighbors, [and a] huge decline in participation in city government."

One can't help but question the long-run effectiveness of such programs. Can they offset the exodus of young and educated people from rural towns, provide enough jobs for those who live there, and resuscitate broken economies? As the data suggest, the forecast isn't positive.

Clearly, rural communities need economic, cultural, and civic renewal. The question remaining is whether higher education initiatives and other state programs can jump-start that renewal. It may take something stronger and deeper, some major unforeseen event that brings the middle class back to the small towns. Or, perhaps, some form of spiritual rebirth will lift the existential gloom and spread of social pathologies. But until events prove otherwise, hope may be best tempered with realism.

*Shannon Watkins is a policy associate at the James G. Martin Center for Academic Renewal.*

## Exposing the harms of the 'diversity delusion'



**GEORGE LEEF**  
COLUMNIST

ON NOV. 7, 2006, Michigan voters passed Proposition 2, banning the use of racial preferences throughout state government and state universities. The next day, University of Michigan president Mary Sue Coleman issued a defiant statement. In it she pledged to fight in the courts against the voters' decision to have a colorblind state: "I will not stand by while the heart and soul of this great university is threatened. We are Michigan, and we are diversity."

Really? It's the "heart and soul" of a great university to prefer some people over others on account of race? But Michigan's president stood ready to fight until the end to protect discriminatory policies be-

cause they're supposedly essential for "diversity."

In the years since the enactment of Michigan's ban on racial preferences, the University of Michigan has changed very little and certainly hasn't become a "mediocrity" as Coleman claimed to fear. Nevertheless, a quasi-religious devotion to race and gender discrimination continues to sweep through American higher education.

Manhattan Institute scholar Heather Mac Donald devotes her latest book, *The Diversity Delusion: How Race and Gender Pandering Corrupt the University and Undermine Our Culture*, to a wide-ranging examination of this obsession.

The academy, she writes, originally maintained its diversity efforts were needed for "bridge-building and broadening people's experiences," but clearly has the opposite effect by "dividing society, reducing learning, and creating an oppositional mind-set that prevents individuals from seizing the opportunities available



**Worse than the waste of resources that entails are the effects on free speech and on the quality of education.**

to them." This new kind of discrimination — for "diversity" — has spawned an antagonistic group-think that tears the social fabric and distracts our universities.

Racial preferences for diversity don't improve education or lead to a society that's more fair.

But what harm comes from the diversity delusion? Mac Donald argues it's damaging in several ways.

One of them is that having admitted some students just because of their superficial diversity, college officials find it impossible

to treat them like adults. Their feelings become of paramount importance on campus, leading to the most incredible follies.

Worse than the waste of resources that entails are the effects on free speech and on the quality of education.

Free speech is threatened because the diversity obsession has led to the creation of many "bias reporting" systems that are meant to, as Wellesley College students wrote in the school paper, "shut down rhetoric that undermines the existence and rights of others." When it comes to a choice between robust free speech and student demands that "offensive" speech be silenced, college officials choose to avoid trouble and cave into the demands.

The diversity obsession attacks educational quality in two ways. First, students are often required to take politicized courses designed to spread the diversity mind-set that some groups are privileged and others are oppressed. But "diversity" is soaking into real courses.

The mania for diversity affects faculty hiring. Across the academic landscape, hiring is subject to pressure for more women and candidates from "underrepresented" groups. Department heads who want to hire the most excellent candidate find themselves in trouble if their choice doesn't advance the diversity agenda.

When it comes to solutions, Mac Donald doesn't equivocate. She wants to see the whole diversity apparatus dismantled. All the thousands of academic sinecures devoted to pushing diversity should be eliminated, and the government should stop pandering to diversity proponents. Let individual excellence again be the coin of the realm.

*The Diversity Delusion* should set off alarms in the minds of Americans who have heard little or nothing about the damage it's doing to the nation.

*George Leef is director of editorial content for the James G. Martin Center for Academic Renewal.*

# ETHICS & PHILOSOPHY

## Expert contends our character is not as good as we might think



**Christian Miller**  
Professor  
Wake Forest University

Most of us consider ourselves to be fundamentally good people. Is that true? How can we tell? What can we do to make ourselves better? **Christian Miller**, A.C. Reid professor of philosophy at Wake Forest University, addresses those questions in the book *The Character Gap: How Good Are We?* Miller recently shared themes from his work with the John Locke Foundation's Shaftesbury Society. He offered highlights from the book during a conversation with Mitch Kokai for Carolina Journal Radio.



*The Character Gap: How Good Are We?*

**MK:** You really look at this issue from the aspect of ... the character that we have. I assume that this is something that people don't spend a whole lot of time reflecting on, just what sort of character they have.

**CM:** Well, maybe not in those terms, but I think it really matters in people's day-to-day lives. So the concept of character may be more an academic concept or a term that's more from the past. But I think when we think about examples of character and character traits, it's very real-world. It's very much part of our lived experience.

So when we think of honesty, for example, it matters to us whether our friends or our family or our leaders in society are honest or not. If they're dishonest, that could have terrible consequences. Or we think of other examples, like justice or courage or bravery, heroism. These are examples of character traits — parts of people's character, if they have them — which I think we all want to have, we aspire to having. And if we don't have them, that can have, as I said, again, really negative consequences.

Character is very much a part of our way of thinking, even if we don't use the term "character" in our day-to-day lives.

**MK:** Most of us probably look at ourselves and, if we were asked, would say, "Yeah, I have pretty good character." Your book and your research suggest that the reality might not match the perception.

**CM:** That's correct. When you survey people and you ask them to rate between one to five, with five being a really high character, one being a low character, time and again, the average is about four out of five. People think that they're above average in their character. This is not just the United States. This has been replicated across the world. Well, are they right about that? Am I right about my own beliefs? There are different ways to assess that and to probe deeper. We could look at history. We could look at religious texts.



**THE IDEA OF THE GAP:** "We can talk about Confucius. We can talk about Jesus. We can talk about Abraham Lincoln and examples like that. But those tend to be the outliers, the exceptions."

My preferred approach, though, is to look at psychological research. What happens when you actually put people in real-world situations where they have an opportunity to cheat or not cheat, steal or not steal, lie or not lie, harm or not harm. Even kill or not kill. There are studies that have been done for the last 50 years which probe people's character in these moral respects. And what do they find? That's a long conversation we could get into some other time. But the upshot of what I interpret those studies saying is this: We have a mixed character.

On the one hand, there is some good news. There are some positive aspects to our character — for example, when helping others and feeling empathy for their suffering. On the other hand, there are some really disturbing sides to our character. Most people's character is such that we will not help in a group emergency. That means when there's an emergency happening and other people aren't doing anything, we're very unlikely to do so, as well.

That's an example of a good side to our character, but also an example of a bad side to our character. The overall picture, I think, is very much one of a mixed bag.

**MK:** The example that's often mentioned is someone in a crowd cries for help and no one helps.

**CM:** That's right. So that

goes back to what psychologists call the "group effect." If you see someone in an emergency and you're by yourself, you're very likely to help that person. But if you're in a group where no one else is doing anything to help, and the same emergency is happening, you're very likely not going to help yourself. This goes back to research in the 1960s called the "bystander effect," where if you brought a participant into a room, they're part of a study, and they were told to fill out this survey, and then another random person comes in, told, "Fill out this survey," and the two of you are working on the survey. You don't know each other. And then the person who was in charge, who gave you the surveys, went into the next room. After a little time goes on, you hear a crash. Something's going on in there. Then this person started screaming in pain. "Ow! My leg, my leg! Get this thing off me! It hurts terribly." What would you do?

Naturally, I think you would say, "I would do something to help. I would call out. I would go in the next room to check on the person." It really matters what that other person is doing or not doing. It turns out that if that other person with you in the room doesn't help, it's extremely unlikely you're going to help. In fact, in that study only 7 percent of participants did anything to help the stranger in the next room. When another group

was alone, when each person was alone, 70 percent helped.

**MK:** If your [book] title is *The Character Gap*, that seems to suggest that there is some distance between the character we ought to have, or think we have, and the character we actually have.

**CM:** That's right. The title is framed exactly in those terms. There's, on the one hand, the character we actually have. We've been spending some time talking about that. I call that a "mixed character" — some good, some bad. Then there's the character we ought to have. That's a virtuous character, a character where we have virtues like honesty, courage, temperance, justice, fortitude, gratitude, and the like. And so the idea of the gap is that there's a significant difference between the two in most people's lives.

Not in everyone's life. We have examples of heroes and moral saints and the like. We can talk about Confucius. We can talk about Jesus. We can talk about Abraham Lincoln and examples like that. But those tend to be the outliers, the exceptions. For most of us, according to my interpretation of the psychological research, there's this gap between how we actually are and how we should be.

**MK:** Are there ways to help shrink the gap, either overall or for us individually?

**CM:** I hope so. I mean, it'd be rather pessimistic and kind of depressing news to find out there is this gap and, so what, you know, we're stuck with it. But the good news now is that there are strategies for overcoming the gap. They're not ones that are quick fixes, however. So there's no magic bullet or magic pill you can take, or anything that's going to give you an overnight fix from going from mixed character to virtuous character.

But let me give you a couple of ideas of something that, over the long run, can make a difference. One is looking to moral heroes and saints as role models. So

have them be exemplars for us to follow. Look up to Abraham Lincoln with respect to his honesty. If I want to become a more honest person myself, I can use him as a basis for someone to emulate or admire.

Another example has to do with learning more about just who we are in the first place. Getting the word out to people about how they tend to be in the ways they might not even recognize. When you educate people about the impact of groups on helping, people, first of all, are surprised. "I didn't realize this before." But second, they are more aware of it and in the future can combat it, can work against it. So the next time they're in a group, they might say, "Wait. I remember this research I learned about. And it says, 'Well, really there's no good reason for me to not help this other person.' Just because someone else isn't doing anything doesn't mean I shouldn't. I should really help."

The third and final one I'll mention in our time together is this: moral reminders. So often we get sidetracked onto other things in our lives. We get caught up in our own self-interest. We get caught up in the latest sales on Black Friday. We get caught up in the new car we need to have. Our self-interest tends to sometimes push our moral considerations, push them to the side, what's right and what's wrong.

Moral reminders can be an important part of bringing back to our attention what's really important. So those could be things like wristbands. They could be notes that you leave to yourself or text messages. They could be a reading that you start your day with. And research has found that if you get your perspective back onto what's most morally salient, most morally important, that can help you steer a better course throughout your life, a more virtuous course.

Those are three suggestions: moral exemplars and role models, moral reminders, and getting the word out and learning more about how our character actually works.

## EDUCATION

## School choice critics attack private schools over curriculum

## Q &amp; A



**Matthew Ladner**  
Senior Research Fellow  
Charles Koch Institute

Opponents of school choice in North Carolina are attacking the curricula in private schools. They argue that Opportunity Scholarship vouchers steer students toward schools that prepare them inadequately for college-level coursework or certain careers. One person who has heard this argument before in other parts of the country is Matthew Ladner, senior research fellow at the Charles Koch Institute. Ladner addressed the concerns during an interview with Mitch Kokai for Carolina Journal Radio.

**MK:** This is one of the more popular arguments right now against the school voucher program in North Carolina — the Opportunity Scholarship Program. “Hey, these private schools that are taking these students, they just don’t have good curricula. We should not be sending tax dollars to these schools.” You have heard this in other attacks on private school choice.

**ML:** I have, yeah. It’s a hot topic in Florida right now, for instance. I would say that people should be more focused on not curricula, but rather outcomes, right? And there is a lot of ... I don’t see any other word to use but “prejudice.” There’s this prejudicial notion that private schools won’t teach science. I have even seen news articles from Florida newspapers where people are talking about hillbilly science and snake handling and all this stuff.

There is one source of testing data that actually allows us to compare science scores for both private and public school students. And unfortunately, we can’t get this at the state level, but we can get it at the regional level. So I have looked at the private school science scores in the American South, compared to the public school scores. And what you see, consistently, is the private school students perform at a higher level on science, display higher levels of science achievement and knowledge than the public school students.

So it’s really not a basis on which you’d want to deny families freedom and opportunity to choose the sort of school they want to send their child to.

**MK:** Why do you think we’re hearing this argument?

**ML:** I think that opponents of parents being able to direct their children to the schools that best fit their needs make a lot of different arguments. They come in different flavors. At the end of the day, there is an urge on the part of some people that think that we ought to standardize the



**SCHOOL CHOICE:** Matthew Ladner, senior research fellow at the Charles Koch Institute, addressed the concerns of opponents of school choice in an interview with Carolina Journal Radio.

education of children, ... that everyone needs to be doing the same thing. And then there are others of us who think that there should be variety and diversity in education and that we should allow families to direct students to the best-fit schools, right? That’s not necessarily “the best” school based on something like standardized test scores because people’s needs are much more varied than that.

The bottom line is that every bit of testing data that anyone could get their hands on, in terms of science, indicates that the private schools are teaching science to their kids. Or I should put it this way: If you want to use science scores as a justification to get rid of school choice, the river is going to have to flow both ways, and we’re going to have to say, “What’s going on with the public schools because their science scores are lower?”

**MK:** There was a study recently, led by the League of Women Voters, that dealt with this issue in North Carolina, and the vouchers, and talking about the curricula. It came out at about the same time as a research study from N.C. State University that showed our school vouchers were

having a positive and statistically significant impact on low-income students and their student achievement. That probably sounds a lot more in line with what you’re hearing in other states, as well?

**ML:** Yeah. There’s a tremendous amount of empirical research around the country showing that when families have the opportunity to choose schools, that it’s actually mutually beneficial — that the process by which parents exercise these choices actually has a beneficial impact on the test scores and the performance of the public schools.

I think that it’s pretty obvious, if we were starting a schooling system from scratch, that what we would not do is want to have schooling exclusively done by government entities with a monopoly and not allow anyone to go anywhere else. That is a recipe for a lot of the problems that we actually do see.

Public education is that funding is guaranteed in all state constitutions. ... I assume that if we had a poll of the public in North Carolina, we’d find overwhelming support for that notion. But the fact that the public is going to provide fund-

ing for education does not mean that it should be the exclusive provider of that education. And this is crucially important.

If you go back and read John Stuart Mill’s *On Liberty*, he has a chapter about education. He describes it as being of unspeakable importance that civil society takes a leading role in providing education. Because otherwise he describes what would happen is, is that schooling will simply become what he describes as a “mold,” that there will be a tyranny of the mind, and that we’ll simply be shaping people in the mold, whether that mold is controlled by a king, or bishops, or the majority opinion of the day.

And that impulse is ultimately illiberal. We need to be tolerant of people having differences of opinion — about science, about other things — and allowing sort of a peaceful coexistence rather than yield to this urge to try to make everything the same.

**MK:** One of the things that we’ve talked about, about North Carolina’s Opportunity Scholarship Program, is the fact that our General Assembly has built in additional funding year after year, going out for about the next eight to 10 years, until the program

There’s a tremendous amount of empirical research around the country showing that when families have the opportunity to choose schools, that it’s actually mutually beneficial.

is substantially larger than it is now. Based on what you know about how school vouchers are working across the country, are they setting us on the right path there?

**ML:** Yeah. In fact, I understand that despite the regular funding increases that there are also wait lists. There are more parents that want into these programs than the funding will allow, even with the increases. The evidence is pretty clear that providing families with opportunities is a source of K-12 improvement that you cannot get from any other source. There are other strategies that states do to try to improve K-12 outcomes. They have a mixed record, I would say. But these strategies are always top-down. Freedom and opportunity [are] bottom-up.

It gets down to the basic fact that no one knows the individual needs and aspirations and hopes of a child better than the child’s own family. And that sorting process where maybe your oldest child is a musician and would like to attend an arts-focused school, and maybe your younger child is more focused on science and technology and engineering. A lot of what we’re seeing around the country is getting away from the idea that one size fits all.

# COMMENTARY

## EDITORIAL

# North Carolinians have reason to be optimistic

**NORTH CAROLINIANS** are more upbeat about their state than they are about the nation as a whole, according to election-season polls by Meredith College, Survey USA (for Spectrum News), and Harper Polling (for the Civitas Institute).

By most measures, North Carolina has been doing better than the national average lately. Our economy is adding jobs at a rapid rate. So far this decade, North Carolina's rates of unemployment and underemployment have dropped faster than those of almost every other state. Our median household income reached \$52,752 in 2017, up more than 8 percent from 2010, after inflation. That's the second-fastest growth rate in the Southeast.

In public policy, too, there are unmistakable signs of progress. Take transportation, for example. A decade ago, North Carolina ranked an unimpressive 31st in the cost-effectiveness of its highway system, based on annual reports published by the Reason Foundation, which examined pavement conditions, congestion, deadly accidents, and other variables.

But as of 2015, the most recent year for which all data are available, North Carolina's highway system ranks 14th in the nation. We rank 14th in rural interstate condition and seventh in urban interstate condition. As recently as 2009, those rankings were 36th and 22nd, respectively. The fatality rate on North Carolina's highways has improved markedly, as well.

By no means should we be satisfied. Too many of our bridges are structurally unsound and need repair or replacement. We still have too many bumpy, jammed-up roads. Still, there's no question North Carolina as a whole is a better place to commute or travel than it was just a few years ago.

That is no accident. It reflects hard work and tough choices by policymakers of both parties. The progress actually began during the second term of former Gov. Mike Easley and extended through the administrations of

Bev Perdue and Pat McCrory. Years earlier, state legislators had decided to transfer hundreds of millions of dollars a year in gas and car taxes — money collected from motorists in rough proportion to their usage of the state road system — to nonhighway uses within the state budget.

While lawmakers had believed they were doing the right thing at the time, the practical effect constrained the N.C. Department of Transportation, its contractors, and local governments from keeping up with the transportation needs of a fast-growing state.

Those transfers are no more.

The General Assembly has ended them. North Carolina is spending hundreds of millions of dollars more a year building, expanding, resurfacing, and maintaining our highways. The results are evident not just in official government statistics but in the personal experience of nearly everyone who drives significant distances in our state.

To say there are signs of progress — in our economy, our road network, and other areas — is not to deny the unease with which many North Carolinians approached the midterm elections. People are angry. They are shouting at each other. To most of us, Washington looks like either a circus or a cesspool, depending on what day we're watching the news.

North Carolina has its own controversies, its own shouting matches, its own instances of furious activists taking the law into their own hands. But North Carolinians are more upbeat. It may be because so many were living somewhere else not too long ago. They have a direct basis for comparison.

Despite the many problems that remain unsolved or even overlooked in our state, North Carolina is headed in the right direction. We are growing. We are innovating. We are making significant progress. Many newly arrived residents know this to be true. That's why they are here and not there — wherever "there" may be.

## Weathering the storm through bold leadership



**BECKI GRAY**  
SENIOR VICE PRESIDENT  
JOHN LOCKE FOUNDATION

If we learned one thing during the devastation and recovery from Hurricanes Florence and Michael, it's that setting aside more than \$2 billion in savings for a rainy day was a very good idea. But that \$2 billion didn't just magically appear. It came from hard decisions, focused priorities, bold leadership, and fiscal discipline. Thank goodness we had it.

Beginning in 2011, the General Assembly recognized opportunity for real economic growth was possible if the right decisions were put into place as the state and nation began to recover from the Great Recession. It started with rethinking our state budget and role of government and an understanding that lower taxes and fewer regulations would encourage business growth, lead to more jobs, and allow people to realize the fruits of their labor and, in turn, provide for themselves and their families. It worked.

State government spending per person, adjusted for inflation since 2011, has been flat, with no increase in the cost of government. Every budget since 2011 has been kept at or below the growth of inflation plus inflation. Medicaid spending — which was the fastest-growing segment of state government and 16 percent of the total budget — has been brought under control and is now responsibly managed. A \$2.75 billion

debt to the federal government for unemployment insurance was paid off.

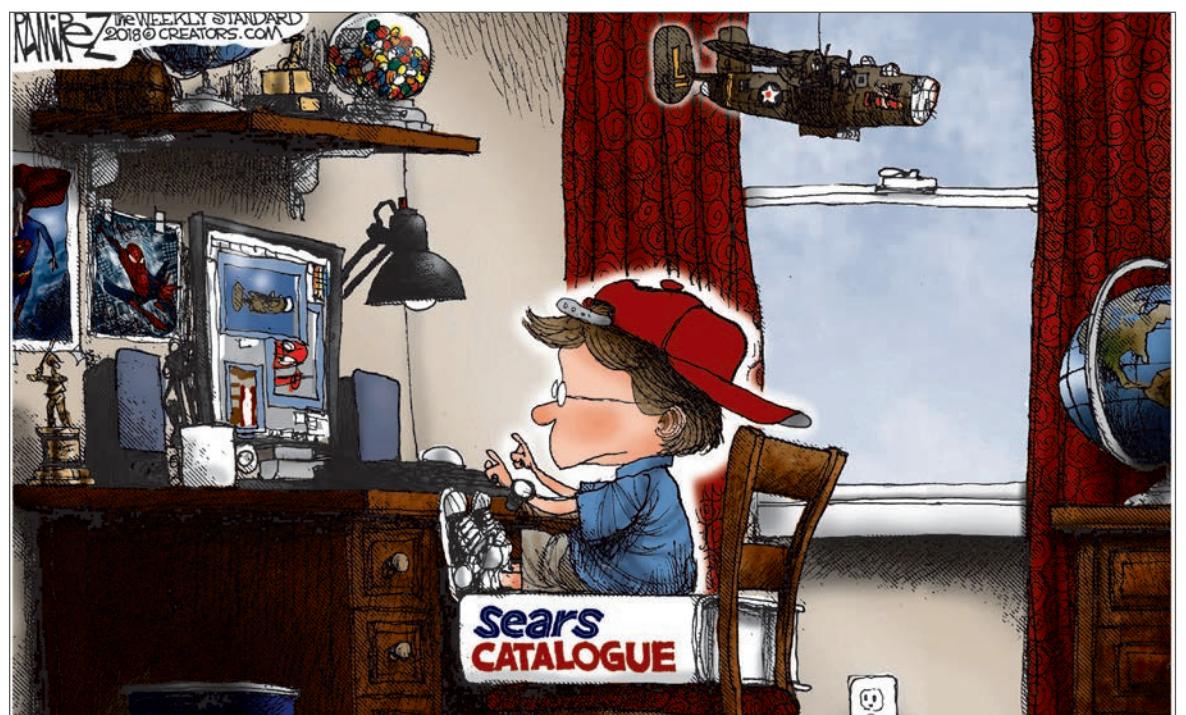
We've gone from a \$600 million budget shortfall in 2011 to budget surpluses the past four years. What have we done with that extra money? We've built the state's savings reserves to the highest level in state history — more than \$2 billion. Beginning in 2015, public school teachers have gotten five consecutive pay increases. State employees have had four consecutive pay increases. Just this year, most state employees got a 2 percent pay raise, with a mandated \$15 an hour minimum wage. The State Highway Patrol got an 8 percent pay raise, correctional officers received a 4 percent raise, and lawmakers dedicated \$15 million for prison security.

There are two sides to the state's finances: spending and revenue. Budget reforms controlled spending. Tax reforms allowed people to keep more of their money to spend how they chose. Since 2011, North Carolinians have gotten more than \$15.8 billion in tax relief. The personal income tax has been reduced from a high of 7.75 percent to 5.25 percent, effective in 2019. Legislators allowed a one-cent temporary sales tax to expire in 2011, cutting the rate from 5.75 percent to 4.75 percent, a \$1 billion annual tax break. The corporate tax has been slashed from 6.9 percent to 2.5 percent, the lowest rate of any state that charges a corporate tax. Many credits and carveouts have been eliminated, broadening the base and lowering the rate. The number of North Carolinians who pay no tax was increased when the standard deduction was increased. For a family of four filing jointly, the deduction went from \$6,000 to \$20,000.

Reining in the growth of government and reforming an oppressive tax system, along with regulatory reform to get government off residents' backs, education investments focused on kids — not unions — and a strategic transportation investment program to get politics out of infrastructure have worked. They have created an economy with unemployment at a 17-year low, record personal income and GDP growth, and more than 600,000 net new jobs.

Economists agree. North Carolina's economy is on track to continue strong growth through 2018 and into 2019. Job growth is expected to be the strongest since 2006. The latest revenue reports indicate yet another revenue surplus. A strong economy allows core functions of government to be funded, enables people to work and keep more of their money, and provides for extra revenue to be set aside in savings.

The General Assembly held two special sessions to appropriate money from the rainy-day fund to help hurricane victims. As recovery continues, more of that money will be needed and spent. All or most of it will be gone, and North Carolina will have another rainy day. Will we be ready? Imagine if, instead of a reserve account to count on, lawmakers increased taxes as folks struggle to recovery from the devastating storm damage. The time to plan for the next storm is now. What kind of leadership is in place? Will they replenish that savings reserve, as the General Assembly has done, or will they spend the surplus, as the governor advocated? That \$2 billion did not magically appear, and magic won't get us through the next storm. Or the next. Disciplined fiscal management and bold leadership will.





## COMMENTARY BY JOHN HOOD

### Tell the truth about our schools

North Carolina's elementary and secondary schools are among the best in the country at delivering academic value for the tax dollars spent on them. If you haven't heard that before, it's not your fault. You have been repeatedly misinformed.

I'm not saying our students are getting everything they need to thrive and prosper. I'm not saying there aren't significant performance gaps. I'm not saying the task of education reform is complete. We've barely started it.

But to chart an accurate course, we must know our current position. We have to take the right measurements. Ranking our schools low based on politically motivated criteria won't get us there.

For years, critics have argued the state's current letter-grade system, which relies mostly on raw test scores, yields false negatives and false positives. Because there's a strong relationship between student performance and family background, they observe, high-poverty schools get low grades even though their students might be making impressive gains. Just as problematic, schools with few disadvantaged students get high grades even when those schools aren't really delivering the educational value they should.

This criticism is deserved. North Carolina absolutely should change its letter-grading system. But the argument proves more than its adherents may realize or admit.

Here's another widely understood truth: Organizations that judge themselves by resources or effort expended rather than by results are fooling both themselves and those who invest in them. In my role as the president of a grant-making foundation, I recognize and apply this truth every day. In the business sector, assuming how much you spend and how many people you hire are equivalent to how much value you create is a one-way ticket to bankruptcy. It's about the rate of return — not budgets, promises, or good intentions.

So if we know that what happens in schools is only partially responsible for how students perform, and that measuring inputs isn't the same as measuring outcomes, then why in the world would we rank education systems without taking these fundamental realities into account?

Stan Liebowitz and Matthew Kelly, researchers at the University of Texas at Dallas, have done rankings the right way, by using independent measures of student achievement from the National Assessment of Educational Progress and adjusting them for student background. North Carolina ranked 12th in school quality by this measure. Liebowitz and Kelly adjusted for educational expenditure. By that measure, we ranked sixth in the nation in cost-effectiveness.

Parents, educators, and taxpayers deserve better than what they're getting. They deserve the truth.

### State should continue conservative reforms

Do political movements ever really accomplish anything? The English writer G.K. Chesterton had his doubts. "The whole modern world has divided itself into Conservatives and Progressives," he wrote in 1924. "The business of Progressives is to go on making mistakes. The business of the Conservatives is to prevent the mistakes from being corrected."

I have always appreciated Chesterton's wit and insight. But he was unduly pessimistic, as North Carolina's experience over the past eight years can attest.

To most conservatives, that experience feels like one of tremendous successes. Many public policies we advocated for decades — government reorganization, sound budgeting, tax relief, regulatory reform, choice and competition in education — are no longer just aspirations.

What's next? The think tank I co-founded, the John Locke Foundation, set our own goal some years ago. We want North Carolina to be "First in Freedom," as some license plates now read. We don't just want to move up the list of freedom-loving states. We want to top it.

Despite recent progress, North



Carolina continues to overtax, overregulate, overcentralize, and rely too heavily on outdated monopolies and cartels rather than competitive markets to deliver critical services to the public. In their new briefing book, "North Carolina Policy Solutions 2018," my JLF colleagues have laid out an ambitious reform agenda.

One common theme is removing barriers. North Carolina makes it too hard for innovators to start new businesses, for residents to begin new careers, for health providers and insurers to give patients more choices, for nurses to deliver high-quality

**N.C. POLICY SOLUTIONS:** See the John Locke Foundation's ambitious reform agenda at [johnlocke.org/policy-guide](http://johnlocke.org/policy-guide)

care at reasonable prices, for educators to offer parents more options, and for brewers and distillers to sell their products to willing consumers.

Another common theme is protecting rights. Unlike many states, North Carolina has yet to amend its constitution to deter eminent-domain abuse — to keep governments from taking private property not for public

use but instead to transfer to other private parties. We also need to do more to reform our systems of civil and criminal justice.

Another theme is economy in government. We should extend North Carolina's recent practice of keeping a lid on spending growth, building up budget reserves, and rooting out waste and special-interest subsidies. We should get the state out of enterprises it shouldn't be in, such as selling alcohol and encouraging people to gamble, while improving the cost-effectiveness and quality of longtime state enterprises such as roads.

Modern conservatism — really a fusion of traditionalism and classical liberalism — isn't about resisting reform. It champions reform. It assumes the future can be better than the present or the past, but only if, as Chesterton observed, we accept timeless truths about human nature. Progressive reformers, he wrote, "destroy conventions by appealing to fads." Conservatives seek to reform by "appealing to facts that are older than conventions."

One of those facts is freedom is both a birthright and a practical solution. It works. North Carolina needs still more of it.

#### ENERGY & ENVIRONMENT

## Power grid cost deserves attention

**DURING THE 2018** campaign season, voters heard a great deal about hot-button issues that candidates believed might either swing votes or motivate voters to cast them. But few issues will be as consequential as an issue voters didn't hear much about in 2018 but will matter a lot in 2019: upgrading the grid delivering electricity to your home.

Duke Energy proposed a \$13 billion plan last year to transform the grid. Of that, \$4.9 billion will be used to bury existing power lines, \$3.5 billion will go to hardening distribution equipment, \$2.2 billion will modernize the power lines themselves, and \$1.2 billion will modernize the system's capacity to react quickly to outages and inefficiencies.

The remaining \$1.2 billion will improve Duke's data analytics, communications, and metering technologies, including the installation of "smart meters" to provide Duke and its customers real-time information about power usage.

### Duke Energy's Proposed Upgrades

Duke Energy proposed a \$13 billion plan last year to transform the grid. Here's how it splits up:

**\$4.9 billion**  
Bury existing power lines

**\$3.5 billion**  
Harden distribution equipment

**\$2.2 billion**  
Modernize power lines

**\$1.2 billion**  
Modernize system capacity

**\$1.2 billion**  
Data analytics, metering tech

With so many North Carolinians having lost their electricity during Florence and Michael, you would think the idea of burying lines, hardening substations, and increasing the resiliency of the power grid would be popular ideas. And you would be right — in theory.

But in practice, all goods are "good" at some price and not-so-good at some (higher) price. "I know Duke takes it on the chin when a storm comes through," Preston Howard, president of the North Carolina Manufacturers Association, recently told the *Charlotte Business Journal*. "But customers have already paid for that infrastructure one time, and now Duke wants them to pay for it again."

The line-burial component is probably its most controversial. But a broad coalition of skeptics, extending from business groups to environmental activists, has other concerns. The N.C. Utilities Commission already has ruled that it lacks the authority to approve the series of rate hikes Duke requested to finance the modernization of the grid — rate hikes that over the course of the next decade would have raised the average electric bill for residential customers by 25 percent, or roughly \$26 a month per household.

That wasn't an explicit rejection of the plan, mind you. It was a recognition that the General Assembly will have to be involved.

I think state lawmakers will, indeed, take some action on this issue during the 2019 session. I suspect the original plan will be scaled down significantly. At the same time, it will be hard to argue against the concept of making the system more efficient, more resilient, and more accommodating to consumers with differing preferences about either production or usage.

The distribution of electricity, at least, is not a competitive market. Private, municipal, and cooperative utilities enjoy exclusive franchises in their respective territories. At present, there's no alternative to a regulatory system that requires government to make complex decisions with the best information available.

North Carolinians have billions of dollars at stake in the outcome.

# COMMENTARY

## Riders ultimately responsible for keeping scooters in Raleigh



**JOHN TRUMP**  
MANAGING EDITOR

I'm a huge fan of free markets, limited government, and the promotion of individual liberty. Except when one's perceived individual liberty infringes on mine because he or she fails to follow rules set by a participant in the free market.

I refer to electric scooters, which have popped up around downtown Raleigh like pumpkin spice in the fall.

They've become ubiquitous, and the onslaught surprised city leaders, who are scrambling to control the proliferation. Durham is working on an ordinance before that city, too, is overrun by the silly things.

Before you discount this piece as humorless ramblings from a grumpy old man, I must say that



I also was a grumpy young man. I've spent my life, as a colleague pointed out, training for my current state.

I do applaud the scooter entrepreneurs, who saw an opportunity and seized it. The things are popular, regardless of how ridiculous people look while riding them.

Thing is, people aren't following the rules, which, to be fair, are printed low on the steering arm and easy to miss. But the app, which is needed to rent the scooters, helps clear things up. The companies clearly explain safety measures, which, sadly, most riders I've seen summarily ignore.

Allow me to enlighten you, dear riders.

Rules, under the headline "Ride Safely" printed on the scooters, are as follows:

*Helmet required.*

I have seen hundreds of riders and nary a helmet.

*License required.*

Who knows? But the *News & Observer* in a recent story reported there have been 16 scooter-related accidents since the scooters arrived, and Wake EMS has been called about 20 times.

"Raleigh Police Chief Cassandra Deck-Brown said the department has issued two citations including for driving while impaired. Scooters have also been used in at least one robbery and drug deal, she said," writes the Raleigh newspaper.

*No riding on sidewalks.*

This is big. Raleigh has bike lanes, which is where these things belong. Yet riders show no shame as they scoot down the sidewalks in every direction. The companies even reinforce this rule on their websites. To no avail. The scooters are hard to see, so motorists must be extra vigilant of yet another

hazard on the downtown streets. We paid — to our chagrin — for these bike lanes, so use them.

*No double riding.*

OK, most people are following this one, as far as I can tell.

*Riders must be 18.*

Again, who knows? But I'm pretty sure minors are grabbing illegal rides.

Don't get me wrong, because I do support these companies and their capitalistic spirit.

It's wonderful that people now have alternate ways of getting around, but personal responsibility is key here. Just the other day I saw a pair of scooters run a red light at the busy intersection of Morgan and McDowell streets.

The city will make rules, but enforcing them is another story. It's our hope, though, that government uses some common sense and refrains from outright bans, which will disrupt the market.

The burden here is on the riders. They'll ultimately decide whether these things stay or go.

From what I've seen so far, riders aren't exactly making a case to keep them.

# Walden: Why do we take risks?



**MICHAEL WALDEN**  
COLUMNIST

**IN THE AFTERMATH** of Hurricanes Florence and Michael, I've been thinking a lot about risk. Indeed, many people are. I have friends who are second-guessing their decisions to move to the coast after retiring. Others question why development is allowed in storm-prone beaches and barrier islands. To help think about these questions, it's useful to step back and consider the concept of risk. Risk indicates an inability to predict the future perfectly, especially bad outcomes. For example, people who move to the North Carolina coast know hurricanes periodically happen. But they don't know exactly when, where, or the storms' intensities.

Risk doesn't just apply to dramatic weather events like hurricanes, tornadoes, and earthquakes. We face a multitude of risks every day — in driving, crossing streets, being exposed to germs, and many others.

One approach to risk is to avoid

it. Yet for many risks, this isn't practical. Most of us use some form of transportation daily and are therefore exposed to the possibility of accidents. We also pass through public areas where many germs reside.

Still, we can take common-sense precautions for some of the risks we can't avoid. For example, in driving — pay attention, don't text, and watch other vehicles.

For big risks — like living in a region where hurricanes could hit, or investing in the stock market — why do we expose ourselves to them at all? The answer is simple. There's a potential upside to taking the risk. Owning a beach home provides pleasure, fun, and financial awards if storms don't strike. Likewise, money invested in the stock market usually beats all other investment earnings over long periods of time.

So, there's a trade-off between risk and reward. To get a chance at a higher reward, like investment returns or ocean views, we often have to take more risk.

Each person doesn't evaluate the risk-reward trade-off in the same way. Some people are "risk-averse" — meaning no matter the potential reward, they don't want to take the risk. My late mother was like this. Having grown up

during the Great Depression of the 1930s, she was always fearful and suspicious of the stock market and never invested a penny in it.

On the other side of the spectrum are "risk-taking" people, who take chances and expect to be rewarded. Although they don't always win, these folks are vital to our economy. They're often the inventors, innovators, and creative people who push our economy to higher levels, even with many shortfalls along the way.

There are two common ways for people to manage risk. One is through diversification. This strategy — most often observed in investing — involves balancing risky assets with safe assets. The notion is that if the risky assets drop, gains in the safe assets will offset some — or maybe even all — of the losses.

A second risk management technique is insurance. This strategy works best when many people face the same risk, but none know exactly who will be safe and who won't. In this situation, it makes sense for each person to contribute a relatively small amount of money into a common fund. The money in the common fund is then paid to whomever suffers from the risk.

Insurance is commonly used

for protecting property — such as structures and vehicles. But beware. The amount people pay into the common fund — called the premium — is based on the chance of the risky event occurring. When a risky event — such as a hurricane — does happen, those probabilities for the risky event are re-evaluated, and they are often increased. This process then results in higher premiums paid by those with the insurance.

Risk is part of life. Life would not

be as interesting unless at least some people accepted taking risk. Each of us has to evaluate how much risk we're willing to take and how to manage that risk. With Hurricanes Florence and Michael fresh in our minds, this may be the perfect time to think about these questions.

*Michael Walden is a Reynolds Distinguished Professor at N.C. State University. He does not speak for the university.*



## COMMENTARY

*We can't go back, and that's the problem*

**ANDY TAYLOR**  
COLUMNIST

During the “dog days” of summer, in what was likely an opening salvo of the 2020 presidential campaign, Sen. Elizabeth Warren of Massachusetts introduced a proposal to alter American capitalism radically. If enacted, large firms would have to incorporate at the federal level and live by a charter that forces them to consider the interests of all stakeholders equally, not regard those of shareholders paramount. Workers must take 40 percent of the seats on the company’s board. The support of 75 percent of both shareholders and board members would be necessary for the corporation to engage in politics.

This is a big deal — not least because many believe Warren has a good chance of being the Democrats’ next presidential nominee. As you can imagine, I have strong views on the plan. Here’s one about the senator’s understanding of the economy: It is already the case that shareholders get paid only after governments, vendors, employees, and creditors have taken their cut.

And one on her plan to hinder corporate political activity and level the playing field: Even with the recent *Janus* decision that prohibited public-sector unions from taking dues out of the



paychecks of workers who were not members, labor’s leadership is today as free to distribute money from their organizations’ political coffers as are corporate boards and managers.

But I really want to talk about the broader significance of Warren’s Accountable Capitalism Act. By offering this proposal, the senator joins a number of politicians of the current era, including President Trump, eager to display a lack of understanding of the modern world and confidence in the American way.

These leaders’ solutions to their perceived problems rest on a fantastical desire to turn back the clock. Both Trump and Warren seem to pine for the rapid growth, greater economic equality, somewhat paradoxical social inequality, and American hegemony of the immediate postwar period.

They want to go back to a time when the world bent readily to American will. American liberal values — free markets, free minds, free movement, and free worship — provided inspiration, a path forward for many countries as they recovered from the devastation of World War II or shrugged off the bonds of colonialism. Others bowed to American economic and military might — strength augmented by international institutions like NATO, the IMF, and World Bank.

Neither Trump nor Warren has a time machine, of course. We cannot go back. And that’s the problem. The crop of leading politicians today, especially on the left but notably Trump as well, offers solutions that try to obstruct the movement of political, economic, and social tectonic plates. No amount of American power, model



**Both Trump and Warren seem to pine for the rapid growth, greater economic equality, somewhat paradoxical social inequality, and American hegemony of the immediate postwar period.**

behavior, or ingenuity can change their course these days.

These leaders misread our circumstances. The advantages in human capital we have enjoyed for around a century are no longer so great. The world has caught up, in its educational systems, its technical training, and increasingly its technological knowhow. Globalization and the internet revolution have ensured this. The key is to change America at the margins to ride these forces. American economic, political, and social institutions maintain our edge. They permit robust economic growth, attract talented and productive people, and provide crucial freedoms. Trump and the Warren crowd want to revive the 1950s and 1960s, when our foreign-born population was small, trade much less, unions strong, families always nuclear, and workers without college degrees highly paid. No amount of government policy can do that.

Their efforts also betray a lack of confidence. Trump speaks a good game, but he becomes more energized when talking about the past than the future. Leftists argue

the “arc” of history is in their favor — they want to be called “progressives” after all — but they largely offer up industrial-era economic policies, repackaged with a heavy coating of identity politics.

America has never been a revolutionary country. Our “Revolution” was an assertion of independence and the ideas of John Locke that were at the heart of British political culture. The Civil War was an internal squabble over an American anomaly: slavery. The Progressive Era and New Deal did not lead to the kind of pervasive welfare state and broad nationalization of business that emerged in Western Europe following World War II.

The last time we lacked this confidence was in the 1970s. Ronald Reagan provided the remedy. He did not have all the answers. But it’s interesting that much of the successful world followed his lead by emphasizing the core ideas of political and economic freedom. Since then, presidential and congressional majorities of both parties have largely embraced this reinvigorated American model, making adjustments at the margins to accommodate developments.

Desperate times often call for big changes. But regardless of whether these times are bad, our experience tells us not to abandon the values that made America great.

*Andy Taylor is a professor of political science at the School of International and Public Affairs at N.C. State University. He does not speak for the university.*

## Senate Majority Leader McConnell is on a roll, reshaping the judiciary



**MARC ROTTERMAN**  
COLUMNIST

**WATCHING SENATE** Majority Leader Mitch McConnell operate during now-Justice Brett Kavanaugh’s Supreme Court confirmation hearings offers a lesson for students of politics on both sides of the aisle.

During all the noise, turmoil, accusations, attacks, and demonstrations, the Kentucky Republican stood firm.

He was calm in his demeanor and firm in his resolve. He never wa-

vered in his belief that Kavanaugh would become the 114th justice of the Supreme Court.

McConnell’s quiet confidence resonated with the Republican Caucus. For those who were on the fence, he practiced the art of persuasion, giving the few who were undecided time and political cover to make up their minds.

This is the second time McConnell has delivered a conservative Supreme Court justice for President Trump, and it likely will enhance the president’s legacy and the philosophical direction of the federal judiciary for decades.

This impact goes far beyond the Supreme Court. To date, the majority leader has shepherded through 69 judicial confirmations, including Kavanaugh and fellow Justice Neil Gorsuch.

McConnell’s impact on the judicial branch cannot be understated.

Left-wing activists will find it harder to cherry-pick courts to get a result they were unable to gain from their respective legislatures or from Congress.

Simply stated, it will be much more difficult in federal courts for the Left to legislate from the bench. And it will be less likely that the Left will be able to stifle the Trump agenda on myriad issues.

Which brings me to the lame-duck session of Congress in November.

Recently, McConnell set the stage for another monumental fight with the Democrats over immigration policy by stating, “We are committed to helping the president get wall funding.” And House Majority Leader Kevin McCarthy of Califor-

nia has signaled he intends to introduce legislation to fully fund the border wall and enact several of the president’s other security priorities.

Because the federal government is set to hit its debt ceiling Dec. 7, McConnell has a great deal on his plate. Jockeying for dollars by federal agencies, special interests, and lobbyists will be intense.

To be clear, the president is threatening to shut down the government if funding for the wall isn’t included in the upcoming continuing budget resolution.

To achieve his budget priorities, President Trump continues to urge McConnell to end the legislative filibuster, which requires 60 Senate votes for a spending bill to pass.

Trump wants a simple majority of senators to pass legislation. To me, that seems reasonable — espe-

cially after the hyperpartisanship of the Kavanaugh hearings, including the harassment of Republican senators in the halls of the Senate and the rowdy demonstrations at the Supreme Court.

The Left and their congressional proxies, Sen. Chuck Schumer and Rep. Nancy Pelosi, clearly have one goal — to “resist” any and all of the president’s agenda. By any means necessary.

We can’t say if McConnell will deliver on the president’s signature issue: building the wall.

But it’s clear that this may be the last best chance to ensure sovereign American borders.

*Marc Rotterman is the host of “Front Row with Marc Rotterman,” a weekly public affairs program on UNC-TV.*

# POLLS

## Opinions on post-Florence policy ideas

### Restricting real estate development along flood-prone areas:



The Elon University Poll surveyed 848 North Carolina voters between Oct. 1 and Oct. 4. Instead of a margin of error, the poll has a credibility interval of plus or minus 3.6 percent.

### Incorporating findings from climate change scientists into local government plans



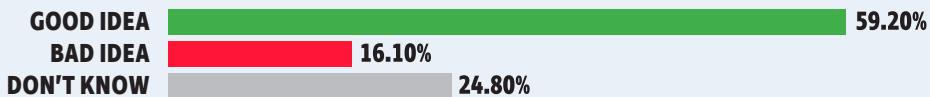
The Elon University Poll surveyed 848 North Carolina voters between Oct. 1 and Oct. 4. Instead of a margin of error, the poll has a credibility interval of plus or minus 3.6 percent.

### Increasing environmental regulations for coal ash ponds

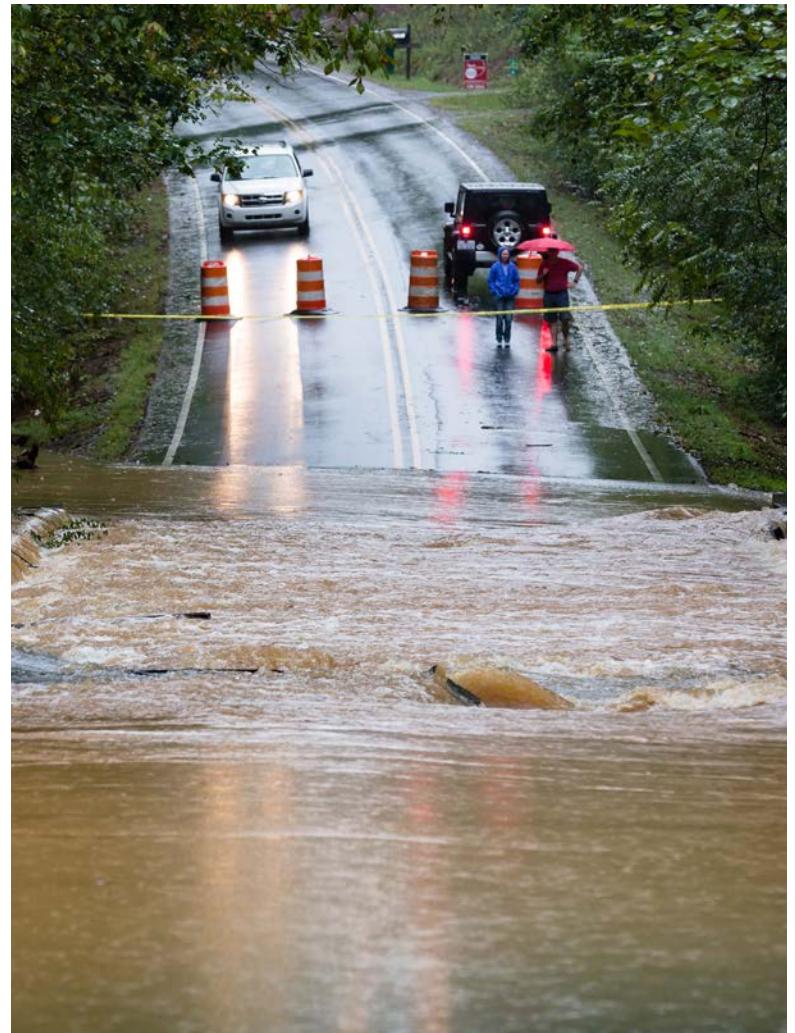


The Elon University Poll surveyed 848 North Carolina voters between Oct. 1 and Oct. 4. Instead of a margin of error, the poll has a credibility interval of plus or minus 3.6 percent.

### Increasing environmental regulations for hog farms



The Elon University Poll surveyed 848 North Carolina voters between Oct. 1 and Oct. 4. Instead of a margin of error, the poll has a credibility interval of plus or minus 3.6 percent.



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