



Brexit Leader to Headline CLC

BY CIVITAS STAFF

Nigel Farage, leader of the UK's Brexit movement, will give the keynote address for the 2017 Conservative Leadership Conference (CLC).

CLC takes place Friday, June 16 and Saturday, June 17 at the Marriott Crabtree Valley in Raleigh. To find out more or get tickets, go to civitasclc.com.

As leader of the movement that prompted the United Kingdom leave the European Union, Farage is considered one of the pivotal figures in global politics today. He was a founder of the UK Independence Party (UKIP), and was its leader from 2006 to 2009 and again from 2010 to 2016.

Other speakers will also provide valuable insights on today's world, including:

Brandon Darby: He is the managing director of Breitbart Texas. At his talk at last year's CLC, a standing-room-only crowd was electrified by his revelations about what is really happening on the U.S.-Mexico border.

Dale Folwell: State Treasurer Dale Folwell is already working on some of the crucial fiscal challenges facing North Carolina. Previously, he was a state representative. More recently, he oversaw the

state Division of Employment Security, where he took the most "broke and broken" unemployment system in the United States and turned it into a national leader.

Hans von Spakovsky: The manager of the Heritage Foundation's Election Law Reform Initiative, von Spakovsky is one of the most forthright, powerful defenders of election integrity.

Mark Krikorian: He has served as executive director of the Center for Immigration Studies (CIS) since 1995. CIS is an independent, non-partisan research organization in Washington, D.C. that examines and critiques the impact of immigration on the United States.

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Nigel Farage



Brandon Darby



Dale Folwell



Mark Krikorian



Hans von Spakovsky

Lawmakers Ponder Rival Tax Cut Plans

BY MATT CAULDER

As legislators worked to craft the 2017-19 biennial budget to send to the governor for signing before the new fiscal year starts July 1, two distinct tax proposals were still on the table, with the Senate's plan clearly bigger and bolder than the House's version.

The Senate passed Senate Bill 325 with roughly \$1 billion in tax cuts earlier in April, while House legislators have a bill waiting in its finance committee that would cut taxes by about \$500 million over the biennium.

The Senate bill includes changes to the state personal income tax system aimed at relieving the tax burden on the middle class that would ensure that an additional 94,000 people pay no income taxes.

The plan also includes changes for married couples and those with children as well as a cut to the corporate income tax rate. Sen. Tommy Tucker (R-Union),

who chairs the Senate Finance Committee, announced the tax plan would include tax cuts for both individual filers and businesses, continuing the Senate's pattern of tax cuts over the last few years.

He said the measure "continues the majority party's proven strategy of reducing taxes and putting more money into the pockets of North Carolina taxpayers," he said. "What we're doing today [is] we're proposing a \$1 billion middle-class tax cut, that's right, a \$1 billion middle-class tax cut. And under this plan, 99 percent of taxpayers in North Carolina will either receive a tax cut, or pay zero income tax."

The House plan, titled the Tax Reduction Act of 2017, would also make adjustments to standard deductions but would largely make targeted changes to the tax code as opposed to the broader changes the Senate

plan included.

Of the bill, Rep. John Szoka (R-Cumberland), who chairs the House Finance Committee and is running the bill in the House, said, "The House tax plan for 2017 continues the good work that has been done over the last few years. Because of responsible budgeting and spending, and job growth spurred by solid economic policies, North Carolina is projected to have a budget surplus of over a half billion dollars. The House's tax plan incentivizes good paying manufacturing jobs and continues to lower personal income taxes, setting the stage for increased economic growth."

There have been hints in the legislature that the House might come up with sweeteners to its plan, but with the session already moving along, time is short for big changes. As of press time, the Senate bill was sitting in

the House Rules Committee.

Standard deductions

Under the Senate plan all of the standard deductions would be increased, with the standard deduction for married couples filing jointly rising from \$17,500 to \$20,000, the deduction for heads of households rising by \$1,000 to \$15,000, and the deductions for single and married taxpayers filing separately going up from \$8,750 to \$10,000.

The House bill would only raise the standard deduction for married couples filing jointly by \$1,000 to \$18,500, and it would add an additional \$800 for heads of household, and a \$500 increase for both single filers and separately filing married couples, bringing it to \$9,250.

Income tax cut

The Senate plan would cut
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From the Editor

Other States Do More to Ease Licensing Burden

BY JAMES TYNEN

Politicians love to talk about how they “create” jobs. And at least two other states are taking action to cut back on occupational licensing, which puts unreasonable burdens on people who just want to work. But there’s little sign North Carolina is making similar progress.

Recently Arizona Gov. Doug Ducey, a Republican, issued an executive order meant to cut down licensing regulations in his state. Ducey ordered an array of state boards and commissions to review requirements for each type of license, and justify licensing requirements that exceed national averages, with an eye to trimming the requirements.

“Government should never stand in the way of someone’s efforts to start a new life or profession,” Ducey said.

Meanwhile, Mississippi has passed a law reforming occupational licensing, Reason.com reports. The key element of the law mandates that before instituting new licensing requirements the state must try less burdensome ways of protecting the public. Possible measures include leaving the matter to competition in the market; relying on consumer-rating systems such as those found online; or accepting private certification processes.

Those are encouraging steps. Sadly, here in the Tar Heel State licensing still seems well entrenched.

A Civitas report in 2012 found that more than 700 professions require professional licensing here. Many of the licenses are superfluous and can’t be defended on the (flimsy) grounds of “public safety.”

Getting such approval from state government is often a heavy burden for people trying to improve their lives, we noted in 2015. In North Carolina, manicurists must undergo 300 hours of training and pass an exam. Would-be auctioneers must either serve a two-year apprenticeship or receive the equivalent of 80 hours of classroom instruction. If you want to braid hair legally, you’ll need to spend 1,500 hours at a beauty school and pass an exam.

But little has been done to change the system, and one way to see that is to look at what is intended to be a step toward reform. The General

Committee.

The bill itself, while well intentioned, actually highlights the injustice of occupational licensing.

First, if an applicant can work in NC for a year with no license,

because they are so often transferred. But consider, for example, a professional whose spouse is transferred by a private corporation to NC. Shouldn’t there be a similar exemption for that professional?

this year: House Bill 451, Regulate Massage and Bodywork Therapy Establishments.

Its avowed purpose is “to ensure the protection of the health, safety, and welfare of the citizens of this State receiving

“A Civitas report in 2012 found that more than 700 professions require professional licensing here. Many of the licenses are superfluous and can’t be defended on the (flimsy) grounds of “public safety.”

why is the license needed? These professionals would have proved they are qualified and responsible; why should bureaucrats in Raleigh

Then what about someone who moves here because of the booming economy and the presence of both mountains and

massage and bodywork therapy services.” It passed the House on first reading, and went to the Committee on Regulatory Reform.

Yet there’s no obvious need for such a law. If people get a bad massage, how are they harmed? They may be less relaxed than they hoped, but that’s not a health threat.

If unhappy with the services, customers will stop patronizing that business, or even post bad reviews online. Establishments that provide subpar service will go out of business before a licensing board could even get the first form filled out.

Who likely has the most to gain from these licensing schemes? In any field, established corporations can more easily absorb the costs and burdens of licensing than smaller, newer firms. It’s not unknown for bigger businesses to covertly support occupational licensing to hobble the competition.

In any case, we’ll see what happens in North Carolina with occupational licensing. At the moment, however, it looks as if other states are far ahead of us. That’s bad news for thousands of North Carolinians who just want a chance to ply a profession and improve their lives. ■



Assembly is considering Senate Bill 8, “Easing Occupational Licensing on Military Families.”

The bill would allow a military-trained applicant or the spouse of a service member to work for one year in a licensed occupation while applying for that license. However, the applicant must have performed the occupation in another jurisdiction with requirements “substantially equivalent” to North Carolina’s.

SB8 passed the Senate and was sent to the House; at last report it was in the House Finance

prevent them from continuing to work?

Second, why is a North Carolina license needed if another state has already certified that professional? After all, North Carolina reciprocates concealed-weapons permit privileges from any other state. So why can’t we accept other states’ standards for cutting hair, mowing lawns, and the hundreds of other jobs that require the approval of Big Brother in Raleigh?

Third, of course military families face special problems

beaches?

Finally, what about someone born here who just wants to practice a profession?

All this just brings out the crux of the problem: The vast majority of jobs covered by state licenses never pose a threat to the safety or well-being of the public. Many of the professions are self-regulated by professional organizations or covered by existing laws. Finally, the market is a better safeguard than government regulation.

Consider another bill introduced

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The Fed’s Risky Course of Intervention

BY BOB LUDDY

The Federal Reserve Bank, also known as “The Fed,” was created in 1913 to regulate the banks and to ensure a stable dollar.

The Fed has strayed from its initial charter and is now the primary enabler of federal deficit spending and debt, now almost \$20 trillion. The Fed’s primary tool is low interest rates, which distort financial decisions and expand the money supply, which leads to risky economic choices.

The Fed has created an additional intervention — purchasing debt instruments. These purchases have expanded the Fed’s balance sheet to almost \$4 trillion. In the long run, Fed actions lead to inflation and massive federal debt, which will, if not corrected, lead to another financial crisis.

Ultra-low interest rates allow the federal government to borrow at will without having to pay market interest rates. If rates begin to rise, interest cost for the government will dramatically increase the yearly deficit.

The Fed decided some years back to create inflation of at least 2 percent. Inflation causes two major harms. The first is that wage earners lose buying power as prices inflate. The second is that the government is able to repay debt with inflated dollars, which means that bondholders also lose because of the deflated value of the dollar.

The Fed’s creation of 2 percent inflation is an outrage and grossly unfair to wage earners. It gets worse. We now have a proposal to inflate the currency to 4 percent. The Fed is considering this idea because it provides another monetary tool to manipulate the money supply and interest rates.

It should be clear that individuals and corporations that own hard assets could be rewarded by inflation. Everyone else, most of our citizenry, suffers and loses buying power.

Ludwig von Mises, very clear on this point in his 1944 book, *Bureaucracy*, stated that “economic interventionism is a self-defeating policy. The individual measures that it applies do not achieve the results sought.” The Fed is an excellent case in point.

In Mises’ view, “Interventionism is an inherently unstable policy because it creates new dislocations that would seem to cry out for further interventions, which, in turn, do not solve the problem. The end of interventionism is socialism, a fate which can be logically avoided only by a sharp turn towards free markets.”

The Fed is purportedly independent, but in fact, it is part of the federal government. The president appoints the Fed governors and the chairman. Secondly, the Congress mandates two priorities for the Fed: full employment and stable prices.

It is imperative that the Fed return to its charter, regulating banks for stability and eliminating interventions to control short-term interest rates. Long-term interest rates are market driven. If the short rate were also market driven, inflation and mal-investment would be limited, leading to a stable, sound economy and monetary system.

Free markets make corrections in real time, which can be painful in the short term, but most beneficial in the long term. The Fed would be wise to listen to the sage advice of Mises. Interventions don’t solve problems; free markets are the solution. ■

Editor’s note: The article above originally appeared at The American Spectator (spectator.org.)

Monthly Petition

Cut Income Taxes, Let NC Citizens Keep More of Their Own Money

Both the North Carolina Senate and House of Representatives are considering reductions in state taxes. Such tax reforms have proven their effectiveness.

In 2013, North Carolina passed the largest tax cut in the state’s history and one of the largest packages of reforms in the country. Personal and corporate income taxes were reduced and simplified to attract more jobs and investment. The reforms amounted to a net tax cut of \$2.4 billion over their first five years of implementation.

That put more money into citizens’ wallets and into job creators’ budgets. That’s why, coupled with other fiscal reforms, the state’s economy has surged. Since 2013, growth in jobs and the overall economy in North Carolina have exceeded the national averages.

After all, ordinary families and employers, not government bureaucrats or politicians, are the best judges of how to spend their money.

YES, I support efforts to further reduce state taxes to let me keep more of my own money, and to keep growing North Carolina’s economy.

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Cooper vetoes overridden by the General Assembly

BY MATT CAULDER

The state House and Senate overturned all three of Gov. Roy Cooper's first vetoes, with the most recent being a bill to draw together the State Board of Elections and the State Ethics Commission, and also a bill that will shrink the state Court of Appeals from 15 judges to 12. Both measures are now law.

In the last week of April, the House and Senate overrode Cooper's veto of House Bill 239. Under HB239, the seats of the next three appeals judges to leave the bench, apart from those who do not seek re-election, would not be replaced by a new judge. Over time this would bring the court to 12 members, as it was before the court was last expanded in 2000.

The Court of Appeals was originally formed in 1967 as a six-member court but was increased to nine members in

1969 and was then increased again to 12 members in 1977. It was again increased to its current size of 15 in 2000. Democrats dominated NC government throughout that span.

The court usually meets in panels of three judges, which is why the court has always been increased, and now decreased, by factors of three.

The bill's primary sponsor, Rep. Justin Burr (R-Stanly), issued a statement saying, "Governor Cooper has a history of packing the Court of Appeals for political purposes, so it's no surprise the House had to override his veto to streamline the judicial branch and ensure efficient use of taxpayer money."

Legislators say that a reduced caseload in recent years, coupled with changes to the way some cases are handled so that more are sent straight to the state

Supreme Court, justify shrinking the court to 12 members.

SB68 veto override

Senate Bill 68, now law, will pull together the State Board of Elections and the State Ethics Commission into a new board split evenly between the two largest political parties in the state. The bill was passed to address the concerns of a three-judge panel that shot down an earlier piece of legislation passed last year, and signed by former Gov. Pat McCrory before he left office, that pulled the two bodies together but gave some appointment power to the legislature.

The new law keeps all of the appointments in the governor's hands. He will choose from a list of nominees submitted by the heads of the two political parties with the highest number

of registered voters in the state.

A statement from Sen. Bill Rabon (R-Brunswick), who chairs the Senate Rules Committee, said, "It is ironic that Gov. Cooper lectured the legislature about pursuing 'partisan power grabs' when he vetoed a bill creating a bipartisan board to ensure our ethics and elections laws are enforced fairly – and for no other reason than to strengthen his own political advantage. I am confident this change – which actually answers the court's call to let the governor make all appointments to that board – is a step in the right direction for North Carolina."

Dues check-off measure

On April 26, the Senate approved Senate Bill 375, which would repeal public employee payroll deductions for employee associations and

end withholding employee wages for membership fees or dues.

The legislation, sponsored by Sen. Ralph Hise (R-Mitchell), removes state government from the business of providing free administrative services to employee associations such as the State Employees Association of North Carolina, North Carolina Association of Educators and the Teamsters.

Civitas has written extensively on the issue of dues check-off. Simply stated, there is no compelling reason why state government should be in the business of providing assistance to private organizations and aiding some organizations instead of others — and performing such functions for free, no less.

The measure was sent to the House for consideration. ■



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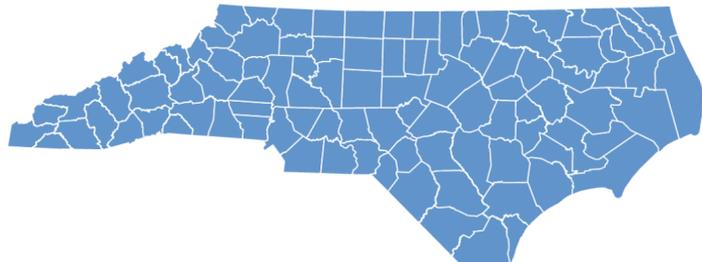
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Does ‘Nonpartisan’ Redistricting Really Work?

BY MATT CAULDER

At the height of a conference in early March at Duke University, more than a hundred people were packed into two rooms listening to speakers talk about computer modeling, brand messaging, and how to achieve political victory.

The topic, however, was not one of the perennial hot-button issues, but something that until recently was considered a dry subject that came up only about once a decade: political redistricting.

Now of course the fight over drawing legislative districts is one of the key political battlegrounds in North Carolina. But is there really a good way of erasing politics from drawing legislative districts? Or is it indeed an inherently political process, which should in fact be left in the hands of elected representatives of the people?

Conference highlights push

On March 1, a coalition of liberal groups – plus one closer to the Right of the spectrum – brought an engaged group of activists to the North Carolina State Legislative Building in Raleigh to protest the current model of having the legislature draw its own district lines following each census.

To outside observers, however, this “lobby day” itself looked just like similar efforts put forward by partisan groups to advance their agendas.

The following day, a crowd of lawyers, activists, and Duke University political science students packed two rooms at the Duke University Sanford School of Public Policy. They discussed ways to change how election districts are created, and how to engage people outside of the building in the process.

Common Cause, in conjunction with the Duke University Sanford School of Public Policy and the Campaign Legal Center, organized the event. Dan Vicuna, the national redistricting manager for Common Cause, said the conference was much bigger this year than in past years, possibly due to the 2016 election.

The group had to expand the conference twice, doubling up on each session.

Across the country, similar events have drawn more interest than usual. “It’s been really a pleasant surprise,” he said.

Groups represented by the speakers included representatives from the Southern Coalition for Social Justice, Blueprint NC, the NAACP Voter Fund, and many liberal organizations. Common Cause is a nonprofit organization with the stated goal of promoting open, accountable government. However, Common Cause is a member of four powerful liberal/progressive political networks in

the state: the Z. Smith Reynolds Foundation, Blueprint NC, Democracy NC, and Together NC Partner Coalition. Most of Common Cause’s national grant money comes from left-wing foundations such as George Soros’ Open Society, Proteus, Tides, and Z. Smith Reynolds.

The conference discussed other redistricting options, especially the use of independent commissions to draw legislative districts. But do other ways of drawing election maps actually provide better options?

California’s ‘independent’ commission

NC Capitol Connection decided it would be worthwhile to examine vote totals in a key state that went to great lengths to create supposedly nonpartisan redistricting commissions.

To measure the “fairness” of California’s supposedly nonpartisan maps, vote totals for Republican and Democratic congressional candidates in the states were compared with the distribution of the state’s actual congressional seats.

In 2016, Democratic congressional candidates received 5.7 million votes to Republican candidates’ 4.1 million votes. But those numbers are misleading, because the total includes uncontested races in which voters from one party had no alternatives for which to vote. In other words, in uncontested races, voters of one party “fan up the score” without other voters having a chance to register their preferences.

In California, five congressional races were uncontested. Removing them means the vote totals were 4.1 million for Republicans and 4.7 million for Democrats. In other words, in contested races, Democrats received 54 percent of the total state vote to the Republicans’ 46 percent. In theory, nonpartisan redistricting should result in a similar split in the congressional delegation. But of California’s 52 congressional seats, in fact 38 are held by Democrats and only 14 by Republicans.

If these seats were allocated based on the overall percentages of votes in contested elections, the split would be much closer. Democrats

Democrats and their allies created fake organizations – “astroturf” rather than grassroots – to push for maps favorable to Democratic legislators and candidates. Lobbyists and other politically involved people posed as ordinary citizens in providing input to the commission.

“The citizens’ commission had pledged to create districts based on testimony from the communities themselves, not from parties or statewide political players,” ProPublica reported. “To get around that, Democrats surreptitiously enlisted local voters, elected officials, labor unions and community groups to testify in support of configurations that coincided with the party’s interests. When they appeared before the commission, those groups identified themselves as ordinary Californians and did not disclose their ties to the party.”

Moreover, one of the assumptions behind “nonpartisan” redistricting backfired. The whole idea is based on the notion that if politicians want to jigger the maps for their own interests, ordinary citizens will do a better job. In

GOP’s 14.

If the Democratic Party schemed to co-opt the nonpartisan redistricting and increase its hold on California’s congressional delegation, the numbers say that effort was successful.

This, of course, is one way of looking at one state, but it’s a revealing one. Closer looks at other states also failed to show any that have found ways of drawing legislative districts that satisfy the critics.

Can redistricting really be nonpartisan?

It seems that a certain degree of politics will always be involved in redistricting, and that has been true in history. As New York Sen. William Marcy said in 1832, “To the victor belong the spoils.”

Or as North Carolina Senate Leader Phil Berger said a couple of years ago: “I have yet to see a so-called independent redistricting commission that is truly independent. ... I’m still out there looking for that nonpartisan soul that really has no opinion about politics one way or the other that has an informational background in politics.”

Redistricting certainly doesn’t quell all fears about drawing congressional districts. A telling statistic: Ballotpedia reported that 12 of the 13 states with independent redistricting commissions (at that time) were involved in lawsuits relating to the 2010 census. The drawing of legislative maps may be one of those activities in which it’s impossible to make everyone happy.

Which raises the question: Is trying to remove the influence of the parties actually fair?

Another view is that in our republic, the process of drawing legislative districts is properly part of the political process. If enough voters dislike what the majority party is doing, in drawing legislative maps or anything else, those citizens can go out every other November and vote for the opposing party.

“Call them what you will, but ‘independent,’ ‘nonpartisan’ or even ‘bipartisan’ commissions will never work for the simple fact that you can’t take politics out of politics; redistricting is an inherently partisan process,” Civitas election policy analyst Susan Myrick said. “Instead of shifting responsibility and accountability away from where it belongs, the redistricting process should be transparently implemented by the elected officials charged with that responsibility by our state’s Constitution.”

How has the process played out over the years since? In 2010, before redistricting, California Democrats held 34 seats and Republicans held 19. As mentioned above, with the redistricting process in place, Democrats have increased their edge, holding 38 seats to the



Congressional seats were chosen for this article, as that provided a clearer overall picture.

Before the most recent redistricting, Californians approved a pair of propositions that created a 14-person commission.

According to the website of the National Conference of State Legislatures, “The commission must include five Democrats, five Republicans, and five members from neither party. [State] auditors are to select 60 registered voters from an applicant pool. Legislative leaders can reduce the pool; the auditors then are to pick eight commission members by lottery, and those commissioners pick six additional members for 14 total.

For approval, district boundaries need votes from three Democratic commissioners, three Republican commissioners, and three commissioners from neither party.”

But does this process eliminate the machinations of party politics when compared with how the people of California actually vote? Here’s one way to analyze the voting.

would have 28 congressional seats and Republicans would have 24, a full 10-seat swing toward the Republicans.

This comparison suggests that California has significantly deviated from the split that should exist under a voting map that has no partisan bias.

Even under an analysis that included the uncontested races, the Republicans would have 22 seats instead of the 14 they actually control. Why didn’t the nonpartisan redistricting prevent such a wide split?

How Democrats gamed the system

The left-leaning nonprofit group ProPublica investigated the beginnings of California’s redistricting process in 2011, and it summed up its inquiry in an article headlined, “How Democrats Fooled California’s Redistricting Commission.”

Politicians met secretly and mapped out a strategy for getting districts they wanted, the article says. Special-interest groups ponied up money to help

California, ProPublica reported, “The result was a commission that included, among others, a farmer, a homemaker, a sports doctor and an architect.”

But novices seldom have the experience and expertise of political pros. That left many commissioners at the mercy of those trying to manipulate the system. And the scheme seems to have worked.

“California’s Democratic representatives got much of what they wanted from the 2010 redistricting cycle, especially in the northern part of the state,” ProPublica reported. “Every member of the Northern California Democratic Caucus has a ticket back to DC,” said one enthusiastic memo written as the process was winding down.”

How has the process played out over the years since? In 2010, before redistricting, California Democrats held 34 seats and Republicans held 19. As mentioned above, with the redistricting process in place, Democrats have increased their edge, holding 38 seats to the

Lawmakers Ponder Rival Tax Cut Plans

CONTINUED FROM PAGE 1

the personal income tax rate from 5.499 percent to 5.35 percent. The House plan does not include any changes to the personal income tax.

Also included in the Senate bill is a provision that would cut the corporate income tax from 3 percent to 2.75 percent in the next fiscal year and again to 2.5 percent in the following year.

Franchise tax changes

The Senate plan would make changes to the state franchise tax that Senate leaders say would reduce the tax burden on small businesses and S-Corporations.

The House plan would cut out the two-pronged system of paying the annual franchise tax in favor of the more straightforward method of paying \$1.50 for every \$1,000 of its net worth, not to exceed \$150,000, or be less than \$200.

Senate plan changes

The Senate plan includes a variety of other changes that are not reflected in the House bill, including an increase to the cap on the itemized deductions for mortgage interest and property taxes by \$2,000, increasing from

\$20,000 to \$22,000 for a married couple filing jointly, as well as making proportionate changes to other filing classes, as well as the elimination of treating married couples and single filers the same.

Under the Senate bill, the deductions for single filers and married people filing separately will be capped at \$11,000 while the deduction for heads of household will be capped at \$16,500.

Legislators say the change will eliminate the unfairness of the marriage penalty that currently exists in the law.

Another change in the Senate bill for North Carolina families would come in the form of eliminating the state child tax credit and replacing it with a new, larger tax deduction that would range from \$2,500 to \$5,000.

House plan changes

The House bill covers some areas that the Senate bill doesn’t, including exempting mill machinery from being taxed, allowing manufacturers to purchase major machinery tax-free in the state. ■

SB325 - Tax Cut Package

4/5/17

SB325 would reduce the income tax rate from 5.499 percent to 5.35 percent and would increase the standard deduction from \$17,500 to \$20,000 for married couples who jointly file their taxes. The bill also includes increases to the other standard deduction categories, plus changes to the mortgage interest and property tax provisions as well as the child tax deduction.

BILLION DOLLAR MIDDLE CLASS TAX CUT SB325 – THIRD READING SUPPORT

Senate Republicans (34)

Alexander; Ballard; Barefoot; Barringer; Berger; Bishop; Britt; Brock; Brown; Cook; Curtis; Daniel; J. Davis; Dunn; Edwards; Gunn; Harrington; Hise; Horner; B. Jackson; Krawiec; Lee; McInnis; Meredith; Newton; Pate; Rabin; Rabon; Randleman; Sanderson; Tarte; Tillman; Tucker; Wells

Senate Democrats (0)

OPPOSE

Senate Republicans (0)

Senate Democrats (13)

Blue; Bryant; Chaudhuri; Clark; D. Davis; Ford; Foushee; J. Jackson; Lowe; McKissick; Robinson; Smith-Ingram; Van Duyn; Waddell; Woodard

EXCUSED ABSENT

Senate Republicans: Ford; Robinson

Senate Democrats: Wade

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High Taxes, Welfare State Can Waste Human Capital

BY BRIAN BALFOUR

The North Carolina Senate’s recently proposed \$1 billion tax cut plan was met with howls of protest from the Left, most of whom decried the potential “cuts” to state government programs.

According to the left-wing NC Policy Watch, such tax cuts will cause “underfunding of needed public services in communities across the state,” including school classrooms, early learning programs and job retraining programs.

Their protest of the proposed tax cuts is centered in no small part on concern that lower tax rates will not generate sufficient revenue for North Carolina to help drive future economic growth.

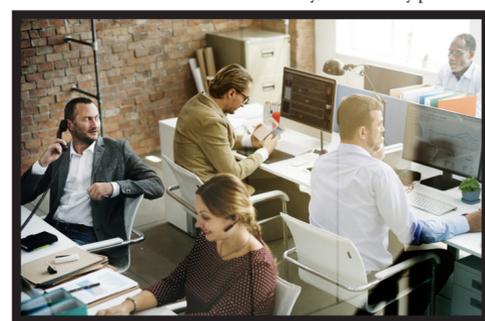
But what if it actually were the case that it is higher taxes and liberal welfare state policies advocated by the left that erode human capital?

From an economic standpoint, there is little disagreement regarding the importance of human capital in promoting gains in wealth. The level of human capital in society plays a decisive role in its level of prosperity.

But even massive investments in human capital will fail to

create the desired results if society promotes the wrong incentive structure for people to utilize that vital resource.

As noted economist Thomas Sowell wrote: “Maximum utilization and dissemination of existing human capital is achieved by incentives that reward those who have it. This



fails to observe this last point. Instead, they narrowly focus on ramping up “investments” in government-run education, oblivious to the fact that the welfare state policies they also promote work to stifle any potential gains we may reap from the increased human capital. Spending billions of taxpayer dollars on education and job-training programs becomes a relatively pointless exercise.

When human capital is unleashed, society’s ability to produce a greater abundance of wealth grows, lifting the general standard of living. But for people to expend their time and energy in acquiring and utilizing

human capital, there needs to be an expectation that benefits will outweigh the sacrifice.

“Redistributive policies, on the other hand, reduce incentives to use human capital, and especially to engage in the difficult task of acquiring it,” Sowell continued.

Sadly, far too many politicians

We’ll set aside for the sake of this article the debate over whether government-run or voluntary institutions are preferable for acquiring human capital, which takes all sorts of forms, including schooling, job training, or self-directed skill acquisition.

Why go to the effort of acquiring human capital and figuring out how to best utilize it to improve your standard of living, when the government is going to take between a third to a half of the rewards of your effort? Why sacrifice so much time and energy when it requires no human capital to collect government welfare benefits?

In short, people respond predictably to incentives. When the successful acquisition and utilization of human capital is punished, there will be less of it. Conversely, when people are rewarded without having to acquire and utilize human capital, more people will choose that path. Reducing the rewards for those successfully utilizing their human capital, while rewarding those not utilizing any, will result in less human capital being acquired and put to use. Our economy’s output suffers, our standard of living falls.

Moreover, while we may still see kids attending school, many are more likely to just go through the motions knowing there is marginally little benefit to acquiring meaningful human capital. Just look at the extremely high rates of high school graduates in North Carolina needing remedial classes when entering community college.

Recent tax cuts – along with the Senate’s latest tax cut proposal – show that at least some legislators recognize these realities, and acted to increase the rewards for those most effectively acquiring and utilizing their human capital.

The discussion on making “investments” in human capital to improve our economy only looks at half the picture. Many of the resources devoted to making human capital more widely available will be for naught if politicians fail to also look at the incentive structures facing those making decisions about acquiring and utilizing their human capital. ■

A version of this article was originally published in The Charlotte Observer.

HB2 Repeal Leaves Disappointment in its Wake in NC

BY CIVITAS STAFF

House Bill 2 is off the books, but groups on both sides of the political spectrum expressed disappointment with the deal struck in late March in the form of HB142.

That compromise bill repealed the Public Facilities and Privacy Act and gave the state General Assembly authority over regulating the use of “multiple occupancy restrooms, showers, or changing facilities.”

It would put a nearly four-year moratorium on local governments enacting or amending ordinances regulating private employment practices or regulating public accommodations.

In response, the National Collegiate Athletic Association (NCAA) announced in a statement that it “reluctantly voted to allow consideration of championship bids in North Carolina.”

Civitas President Francis De Luca said, “This announcement confirms that everyone wanted to put the bathroom debate behind them and that the boycott was nothing more than an act to appease the Left.”

“The reality is that HB2 was never as controversial as the media and liberal activists wanted us to believe. The manufactured outrage was mainly a tool for Democrats and their liberal allies to fundraise off of.”

It was later announced that Greensboro will host the first and second rounds of the men’s basketball tourney in 2020, and Raleigh will host the first and second rounds in 2021.

In a joint release, Senate President Pro Tempore Phil Berger (R-Rockingham) and House Speaker Tim Moore (R-Cleveland) said the deal protects privacy in bathrooms and shower facilities by leaving regulation of multi-occupancy facilities to the state, and it also returns to the status quo that existed prior to Charlotte passing its bathroom ordinance last year.

“Compromise requires give and take from all sides, and we are pleased this proposal fully protects bathroom safety and privacy,” Berger and Moore said. Nine Democrats joined with 23 Republicans in support of the bill.

“I support the House Bill 2 repeal compromise It’s not a perfect deal, but it repeals House Bill 2 and begins to repair our reputation,” Cooper said in a written statement.

Lt. Gov. Dan Forest, a Republican, expressed the disappointment many on the Right felt about the repeal. On

April 4, Forest was the guest on the “What Matters in North Carolina” podcast.

Reflecting on the past year and HB2, Forest said, “I think that the only thing that was wrong with House Bill 2 was the false narrative and the negative narrative from the Left, from the media, from the leftist groups out there who were coming against North Carolina and boycotting North Carolina.”

“I think generally speaking that’s a bad precedent for our state to bow down to leftist organizations,” Forest said, adding, “I think it’s bad precedent to bow down to these organizations and say, ‘As long as you raise enough stink, and as long you craft a good enough narrative against any legislation that we write, you can come against it and we’ll change it.’”

He also cited the NCAA’s less-than-enthusiastic statement, saying, “Here you have this unaccountable, unelected, nonprofit organization who is saying, ‘Well, as long as we think you’re doing what we want you to do, we’re not going to come against you.’ That’s really a sad day for politics in America, and quite frankly, something needs to be done about the NCAA.”

As for defending HB2, “I’m proud of the stance we’ve taken,” he said. “I’m proud of the work we did to protect women and kids in bathrooms. I’m proud of the work we did to uphold the Constitution.”

Other conservatives also criticized the repeal. “The leaders of our state have let the people of North Carolina down,” Tami Fitzgerald of the NC Values Coalition said about HB142. She added that the repeal of HB2 “leaves the state without a statewide public policy on privacy and safety in bathrooms, locker rooms and showers and simply kicks this debate three years down the road.”

Liberal groups were also unhappy. The North Carolina NAACP called the repeal bill an insult to civil rights, while the American Civil Liberties Union’s national and state wings came out against the repeal, calling it no repeal at all. The Human Rights Campaign also came out against the repeal bill, calling it “HB2.0”

Chris Sgro, executive director of Equality NC, said before the vote on repeal, “This proposal is a train wreck that would double-down on anti-LGBTQ discrimination.” ■

HB142 - Law Repealed HB2

3/30/17

House Bill 142 repealed HB2, the Public Facilities and Privacy Act, and gave the General Assembly authority over regulating the use of “multiple occupancy restrooms, showers, or changing facilities.” It also put a nearly four-year moratorium on local governments’ enacting or amending ordinances regulating private employment practices or regulating public accommodations.

RESET OF S.L. 2016 - 3

HB 373 – SENATE: SECOND READING; HOUSE: CONCURRED IN S/COM SUB

SUPPORT

Senate Republicans (23)

Alexander; Barringer; Berger; Britt; Brown; Curtis; Daniel; J. Davis; Dunn; Edwards; Gunn; B. Jackson; Krawiec; Lee; McInnis; Newton; Pate; Rabon; Tarte; Tillman; Tucker; Wade; Wells

Senate Democrats (9)

Blue; Bryant; Clark; Ford; Lowe; Robinson; Smith-Ingram; Van Duyn; Waddell

House Republicans (40)

Adams; J. Bell; Blust; Bradford; Brawley; Burr; Clappitt; Corbin; Davis; Dixon; Dollar; Dulin; Faircloth; Fraley; Grange; Hardister; Hastings; Horn; Johnson; Brenden Jones; Jordan; Lambeth; Lewis; Malone; S. Martin; McGrady; T. Moore; Murphy; Riddell; Rogers; Ross; Saine; Sauls; Stevens; Stone; Szoka; Watford; Williams; Yarborough; Zachary

House Democrats (30)

Adcock; Ager; Alexander; Ball; Belk; L. Bell; Carney; Cunningham; Earle; Farmer-Butterfield; Floyd; Garrison; Gill; Goodman; C. Graham; G. Graham; Duane Hall; Hanes; Holley; Hunter; Jackson; John; Lucas; Michaux; Pierce; B. Richardson; W. Richardson; Terry; Willingham; Wray

OPPOSE

Senate Republicans (10)

Bishop; Brock; Cook; Harrington; His; Horner; Meredith; Rabin; Randleman; Sanderson

Senate Democrats (6)

Chaudhuri; D. Davis; Foushee; J. Jackson; McKissick; Woodard

House Republicans (33)

Arp; Blackwell; Boles; Boswell; Brody; Bumgardner; Cleveland; Collins; Conrad; Dobson; Elmore; Ford; Destin Hall; K. Hall; Henson; Howard; Hurley; Bert Jones; McElraft; McNeill; Millis; Pittman; Potts; Presnell; Setzer; Shepard; Special; Steinburg; Strickland; Torbett; R. Turner; Warren; White

House Democrats (15)

Autry; Beasley; Black; Brisson; Brockman; Butler; Fisher; Harrison; Insko; Lehman; G. Martin; Meyer; Quick; Reives; B. Turner

EXCUSED ABSENT

Senate Republicans: Ballard; Barefoot

House Democrats: R. Moore

House Republicans: Iler

SPONSORS Stevens ROLL CALL S- 50 H- 144

Board OKs ‘Common Core Lite’ Standards

BY BOB LUEBKE

By a vote of 8 to 4, the State Board of Education (SBE) on April 6 approved the revised English Language Arts (ELA) standards.

While many believe they are an improvement over the previous standards, when all is said and done they are still Common Core Lite Standards.

Four SBE members voted against the motion to adopt: Lt. Gov. Dan Forest, Olivia Oxendine, Todd Chasteen and Amy White.

White expressed her reservations about the rigor of the standards and referenced the disappointing percentage of students performing at grade level on state tests.

of students performing at grade level on state tests.

SBE Vice Chair Buddy Collins, who said he supported the revised standards because they represent an improvement over the previous standards, urged the board to seek an independent evaluation of the English standards to show they are rigorous, age-appropriate and aligned to North Carolina’s college and career goals.

Eric Davis, an SBE member who with Oxendine chaired the subcommittee that revised the ELA standards, said he would “be glad to participate in that process.”

That’s a good sign, as was State

Superintendent Mark Johnson’s comment that he would support the creation of a subcommittee to direct how the standards might be independently evaluated.

While it’s true conservatives failed to stop adoption, we should work hard to solicit an independent review of ELA standards.

The dirty little secret is that the Department of Public Instruction (DPI) represents a “one-stop” center for all things educational in North Carolina, and that’s not good.

DPI – with input from other stakeholders around the state – developed the standards; DPI

developed the testing apparatus; and DPI will largely control the evaluation process.

This is highly unusual and not desirable for many reasons, foremost of which is there is no independent assessment or check on quality.

An outside independent review would address these concerns. It’s a step that is conspicuously missing from the current process.

If the standards are as good as supporters say they are, SBE will hear it from outside sources.

If not, SBE will know what needs to be changed. Peer review is a missing piece on this entire process. And it’s a piece that good

organizations should embrace.

For those who oppose an independent review, I’d simply ask: Why?

Although no motion was made at the April 6 meeting for an independent review, the argument was made and key people are on record for supporting such an effort. That’s progress.

SBE will vote in a couple of months to approve new math standards – which again look amazingly similar to Common Core standards. ■

Some School Districts Won’t Clarify Spending Facts

BY MARK SHIVER

State Sen. Chad Barefoot (R-Wake) has called out some local school districts for not responding to a simple request, saying, “The lack of transparency and accountability in our school system is completely unacceptable.”

Barefoot, co-chairman of the Senate Education/Higher Education Committee, discussed the issues April 24 when the panel discussed House Bill 13, “Class Size Requirement Changes.”

HB13 passed the NC House unanimously. It gives local school districts a measure of flexibility in class sizes in grades K-3. In last year’s short session, the General Assembly passed a measure reducing class sizes in those grades.

School districts have been wailing that they are going to have to fire art, music, PE and world language teachers if the Senate does not either pass HB13, or give them more money to pay for the reduced class sizes.

“Aside from teacher pay, the number one funding priority for the Senate and this legislature in many cases has been lowering class sizes in the early grades,” Barefoot said.

Barefoot then pointed out that lower class size requirements for K-3 classrooms have been on the books for years, adding, “In fact, since fiscal year 2014-15, we have sent a total of \$152 million to local school districts to lower class size. And every year school districts are guaranteed about \$70 million in recurring dollars for that purpose.”

He also said, “So imagine our surprise when we realized that in many cases these dollars have been spent on something else.”

Barefoot expressed alarm at the resistance he encountered to his efforts to obtain clarity and accountability from some

school district superintendents.

“We acknowledge that the current law will reduce some of that flexibility,” he said. “That’s why, when some superintendents began to claim that they would have to fire special subject teachers like art and PE, we began to ask them

“The lack of transparency and accountability in our school system is completely unacceptable. And it has been the number one impediment to reaching a solution quickly on this issue.”

some very simple questions. And frankly, the response we got back was disturbing.”

Apparently, some school districts either could not or would not answer where they are spending the class-size reduction money; how many art, music or PE teachers they are paying with that money; or what is the number of “enhancement” teachers they employ.

Barefoot said, “And those [school districts] that were straightforward admitted that they were not spending the extra money we gave them to reduce class sizes where it was intended.”

Continuing, Barefoot added, “The lack of transparency and accountability in our school system is completely unacceptable. And it has been the number one impediment to reaching a solution quickly on this issue.

“And it has been made far worse by the political gamesmanship and tactics of some superintendents, who – even as they can’t or won’t give us the answers to very simple questions that will lead to a solution to this problem – are sending out pink slips or the threat of it to their employees, and telling their school boards, county commissioners and newspapers that they are going to have to fire hundreds of teachers or teachers’ assistants.”

Barefoot said, “Despite these tactics, we’ve been working for months on a way to solve this problem.”

Barefoot told the committee that the amendment would aid in accountability measures to make sure that the money intended to be spent on class-

bill requires superintendents affirm that their reports are true and accurate under threat of penalties for making inaccurate statements.

The amended bill is supported by the NC Association of School Administrators, according to its executive director, Katherine

Joyce.

Joyce told the committee, “We think the proposal that is before you is a good compromise. It provides a reasonable timeline for reducing class sizes in grades K-3. And, in working on this issue, the extra funding that has been pledged to support enhancement teachers in art, music and PE and the world

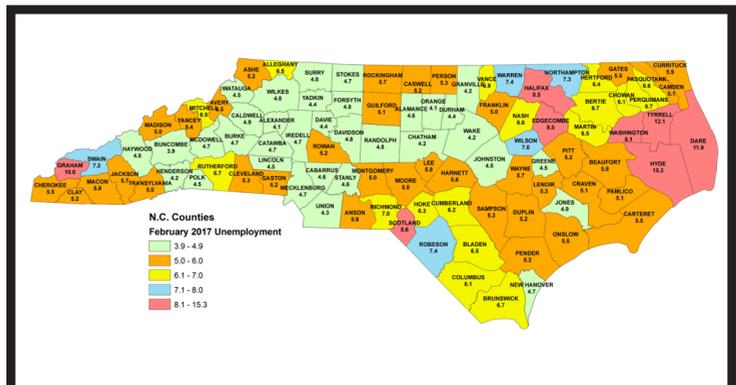
languages in year two, when we go to that further reduction in class size, will be very helpful and very much appreciated. This

is a proposal we are proud to support.”

While the bill makes no mention of a “pledge of support,” Barefoot made the pledge during the meeting.

NC Superintendent of Public Instruction Mark Johnson issued a statement about the amended bill: “I commend the NC House, NC Senate, and the superintendents across North Carolina on working for a positive compromise that has our students as their shared top priority. Now, we all must confront that this debate highlights the need for greater transparency and modern data systems that accurately count and report teachers and class size. Together, we can stop debating the facts and instead focus on solutions.”

The bill as amended passed in the committee by voice vote and was referred to the Senate Rules Committee. ■



Unemployment Figures in NC

The above map shows the February, not-seasonally adjusted unemployment rates for North Carolina counties. Statewide, the March adjusted unemployment rate was 4.9 percent, falling 0.2 of a percentage point from February’s revised rate. That rate decreased 0.2 of a percentage point from the same time last year. The number of people employed in North Carolina increased 15,331 during the month to 4,706,795 and increased 111,111 over the year.

HB3 - Eminent Domain Concept Revised

2/16/17

HB3 would amend the state Constitution to redefine the authorized use of eminent domain to "public use" from the current "public use or benefit." It also would require "just compensation" be paid to the landowner, with the compensation to be determined by a jury upon request.

EMINENT DOMAIN

HB3 – THIRD READING

SUPPORT

House Republicans (70)

Adams; Arp; J. Bell; Blust; Boswell; Bradford; Brawley; Brody; Bumgardner; Burr; Clampitt; Cleveland; Collins; Conrad; Corbin; Davis; Dixon; Dobson; Dollar; Dulin; Elmore; Faircloth; Ford; Fraley; Grange; Destin Hall; K. Hall; Hardister; Hastings; Henson; Horn; Howard; Hurley; Iler; Johnson; Bert Jones; Brenden Jones; Lambeth; Lewis; Malone; S. Martin; McElraft; McGrady; McNeill; T. Moore; Murphy; Pittman; Potts; Presnell; Riddell; Rogers; Ross; Saine; Sauls; Setzer; Shepard; Speciale; Steinburg; Stevens; Stone; Strickland; Szoka; Torbett; R. Turner; Warren; Watford; White; Williams; Yarborough; Zachary

House Democrats (34)

Adcock; Ager; Alexander; Ball; Beasley; Belk; L. Bell; Black; Brisson; Brockman; Butler; Carney; Cunningham; Earle; Farmer-Butterfield; Floyd; Garrison; Goodman; Duane Hall; Hanes; Holley; Hunter; John; Lucas; Meyer; Michaux; R. Moore; Pierce; Quick; Reives; W. Richardson; B. Turner; Willingham; Wray

OPPOSE

House Republicans (0)

House Democrats (9)

Autry; Fisher; Gill; G. Graham; Harrison; Jackson; Lehman; G. Martin; Terry

NOT VOTING

House Republicans: Jordan

EXCUSED ABSENT

House Republicans: Blackwell; Boles; Millis

House Democrats: C. Graham; Insko; B. Richardson

SPONSORS: McGrady

ROLL CALL: 9

Registration Highlights Political Transformation

BY SUSAN MYRICK

During the three-week period between March 25 and April 15, North Carolina's voter rolls grew by 5,464 voters. Democrats saw a net loss of 32 voters, Republicans gained 1,208 voters, Libertarians picked up 143 voters, and the unaffiliated ranks grew by 4,145 voters.

Democrats saw net losses in 60 counties, net gains in 34 counties and no change in six counties. Republicans had net losses in 25 counties, net gains in 71 counties and in four counties Republican voter registration remained unchanged. Unaffiliated numbers grew in 88 counties, fell in 11 counties and were unchanged in one county.

The latest numbers continue the voter registration trend North Carolina has experienced since January 2009. Since then, Democrats have experienced a net loss of 230,736 voters, Republicans a net gain of 42,319 voters, Libertarians a net gain of 28,230 voters and the unaffiliated ranks have gained a total of 616,061 voters.

Another trend that shows no sign of ending is the numbers of unaffiliated voters beginning to equal or outnumber Republicans

and Democrats. On April 15, 2017, Democrats made up 39.2 percent (2,639,102) of voters, down from 44.8 percent in March 2009; Republicans made up 30.4 percent (2,047,468), down from 34.1 percent; and unaffiliated voters are at 30.0 percent, up from 21.1 percent (2,018,786) in March 2009.

There are now eight counties where unaffiliated voters outnumber Democrats and Republican. Those counties are: Camden, Dare, Currituck, Henderson, New Hanover, Polk, Transylvania and Watauga.

In 22 counties where Republicans hold the overall lead in voter registration, unaffiliated voters out-number Democrats. Similarly, in 39 counties where Democrats lead, unaffiliated voters out-number Republicans.

You can see North Carolina's voter registration numbers change in your county and statewide each week and see all these historical statistics and more by visiting Civitas' Carolina Transparency website. www.carolinatransparency.com/voterregistration.

See the chart on p.11 for details.

Join us for the next
Civitas Poll Lunch:

11:45 AM to 1:00 PM
Wednesday, May 24

Holiday Inn Raleigh Downtown

Learn more at nccivitas.org

Changes represent the difference in voter registration between March 25, 2017 and April 15, 2017										
County	Total Voters	Total Change	Democrats	Democrat Change	Republicans	Republican Change	Libertarians	Libertarian Change	Unaffiliated Voters	Unaffiliated Change
STATE TOTAL	6,737,731	5,464	2,639,102	-32	2,047,468	1,208	32,375	143	2,018,786	4,145
ALAMANCE	97,899	52	37,894	-22	32,420	21	437	1	27,148	52
ALEXANDER	23,985	-4	6,292	-14	10,637	-1	71	0	6,985	11
ALLEGHANY	7,328	-16	2,708	-18	2,542	-1	36	0	2,042	3
ANSON	17,148	1	11,702	-11	2,423	1	21	0	3,002	11
ASHE	18,569	21	5,450	2	7,893	10	65	0	5,161	9
AVERY	11,517	5	1,393	0	6,815	3	46	0	3,263	2
BEAUFORT	32,608	27	13,408	6	10,618	-2	96	0	8,486	23
BERTIE	13,968	-40	10,080	-39	1,533	-4	20	0	2,335	3
BLADEN	22,548	-4	13,254	-17	3,448	6	35	2	5,811	5
BRUNSWICK	93,761	209	26,262	33	35,161	87	336	0	32,002	89
BUNCOMBE	188,598	311	74,125	78	45,766	56	1,242	7	67,465	170
BURKE	57,085	-32	18,520	-51	20,335	-7	253	0	17,977	26
CABARRUS	129,935	193	40,315	36	48,383	26	683	5	40,554	126
CALDWELL	53,986	30	14,318	-5	24,433	3	341	-2	14,894	34
CAMDEN	7,466	11	2,387	-4	2,293	6	43	0	2,743	9
CARTERET	50,997	12	12,229	-22	21,606	16	231	1	16,931	17
CASWELL	15,391	22	7,968	7	3,656	7	33	1	3,734	7
CATAWBA	101,467	42	26,027	-15	43,902	-14	391	2	31,147	69
CHATHAM	50,535	87	20,281	27	12,888	13	206	0	17,160	47
CHEROKEE	22,423	-15	5,930	-24	9,518	8	110	2	6,865	-1
CHOWAN	10,166	6	4,948	-4	2,597	3	22	0	2,599	7
CLAY	8,391	-43	2,005	-17	3,434	-13	37	0	2,915	-13
CLEVELAND	63,100	0	26,147	-39	20,525	28	214	0	16,214	11
COLUMBUS	36,593	25	21,255	-6	6,804	2	57	1	8,477	28
CRAVEN	66,229	43	23,075	-11	23,243	17	318	-1	19,593	38
CUMBERLAND	208,141	124	96,979	-26	48,162	18	992	5	62,008	127
CURRITUCK	18,438	18	3,951	-6	6,677	9	141	0	7,669	15
DARE	28,550	51	8,810	7	8,730	23	192	0	10,818	21
DAVIDSON	104,886	23	27,004	-42	49,273	16	427	1	28,182	48
DAVIE	28,827	13	5,442	-3	14,828	-5	96	1	8,461	20
DUPLIN	29,565	17	14,055	-5	8,113	3	101	0	7,296	19
DURHAM	217,252	-410	121,217	-303	28,076	-64	1,024	1	66,935	-44
EDGECOMBE	38,079	-3	27,019	-15	6,205	2	74	2	4,781	8
FORSYTH	250,809	639	103,721	170	75,806	142	1,165	14	70,117	313
FRANKLIN	42,728	33	18,143	11	13,016	10	183	0	11,386	12
GASTON	139,122	78	44,276	-7	53,381	37	618	1	40,847	47
GATES	8,370	19	4,584	2	1,690	6	23	0	2,073	11
GRAHAM	6,256	2	1,924	1	2,756	-2	17	0	1,559	3
GRANVILLE	37,898	33	18,843	1	9,260	15	141	0	9,654	17
GREENE	11,229	10	6,559	0	2,044	3	23	0	2,603	7
GUILFORD	359,379	182	165,503	28	94,670	-18	1,645	7	97,561	165
HALIFAX	37,574	-1	25,182	-5	4,550	-1	83	0	7,759	5
HARNETT	71,749	163	26,254	31	19,064	50	466	-1	19,965	83
HAYWOOD	43,051	49	16,640	-12	13,018	12	208	0	13,185	49
HENDERSON	81,448	184	17,873	26	31,124	46	405	2	32,046	110
HERTFORD	15,121	5	11,147	2	1,439	2	37	0	2,498	1
HOKE	31,038	55	15,004	9	6,548	14	185	1	9,301	31
HYDE	3,399	-5	2,015	-1	522	-3	10	0	852	-1
IREDELL	114,557	133	29,845	1	47,932	38	508	4	36,272	90
JACKSON	27,592	37	10,127	15	7,325	10	158	1	9,982	11
JOHNSTON	119,626	211	37,701	45	46,239	58	612	1	35,074	107
JONES	7,211	-7	3,609	-11	1,785	-1	20	0	1,797	5
LEE	35,429	22	14,761	-26	10,158	-2	153	4	10,357	46
LENOIR	38,313	-65	21,071	-34	9,497	-21	104	1	7,641	-11
LINCOLN	54,963	124	13,988	9	24,098	61	223	2	16,654	52
MACON	24,818	18	6,546	-12	10,033	18	108	0	8,131	12
MADISON	16,533	-7	6,597	0	4,314	4	92	0	5,530	-11
MARTIN	16,878	-5	10,237	-17	3,307	7	40	0	3,294	5
MCDOWELL	28,690	22	8,452	-5	10,853	10	129	0	9,256	17
MECKLENBURG	694,406	596	307,658	160	168,884	-12	3,944	21	213,920	427
MITCHELL	10,980	-8	1,126	2	6,702	-7	29	0	3,123	-3
MONTGOMERY	16,153	18	7,231	5	4,891	9	49	-1	3,982	5
MOORE	65,093	54	16,499	-4	26,666	13	329	5	21,599	40
NASH	65,450	-39	33,308	-54	18,653	-5	183	2	13,306	18
NEW HANOVER	162,249	236	51,967	51	52,112	51	1,093	5	57,077	129
NORTHAMPTON	14,361	2	10,467	3	1,416	-1	18	1	2,460	-1
ONSLOW	100,617	209	27,370	10	36,493	57	787	13	35,967	129
ORANGE	110,742	83	51,577	19	16,562	10	686	0	41,917	54
PAMLICO	9,493	-13	3,873	-7	3,034	0	35	0	2,551	-6
PASQUOTANK	27,641	10	13,033	-7	5,855	5	151	1	8,602	11
PENDER	39,309	39	12,675	-18	14,749	20	226	1	11,659	36
PERQUIMANS	9,787	7	4,065	-3	2,617	1	28	0	3,077	9
PERSON	26,417	3	12,140	-2	6,572	0	95	0	7,610	5
PITT	118,663	71	55,185	-10	30,924	24	657	1	31,897	56
POLK	15,506	-8	4,387	-10	5,452	2	71	0	5,596	0
RANDOLPH	89,431	53	18,968	1	45,179	25	388	-1	24,896	28
RICHMOND	29,797	18	16,722	-9	5,684	13	67	1	7,324	13
ROBESON	73,353	38	48,572	-21	9,572	18	183	2	15,026	39
ROCKINGHAM	59,173	16	23,008	-9	20,446	0	199	0	15,520	25
ROWAN	92,634	11	27,786	-7	37,905	-26	342	1	26,601	43
RUTHERFORD	43,757	2	15,058	-24	16,207	6	193	-1	12,299	21
SAMPSON	37,615	50	16,505	5	13,767	22	103	3	7,240	20
SCOTLAND	22,149	-4	12,824	-7	3,638	4	41	-2	5,646	1
STANLY	40,457	29	11,311	-6	17,784	9	125	1	11,237	25
STOKES	30,801	14	7,895	-11	14,920	6	151	2	7,835	17
SURRY	44,921	-10	14,080	-26	18,913	6	115	0	11,813	10
SWAIN	10,011	7	3,957	0	2,539	6	32	0	3,483	1
TRANSYLVANIA	24,845	28	6,699	3	8,088	5	114	-1	9,944	21
TYRRELL	2,427	-2	1,418	-2	347	1	7	0	655	-1
UNION	147,648	207	38,677	41	62,170	66	618	2	46,183	98
VANCE	29,568	-4	19,669	-22	4,343	6	66	0	5,490	12
WAKE	698,969	943	262,690	248	187,298	117	4,321	14	244,660	564
WARREN	13,393	-9	9,349	-4	1,715	-2	31	-1	2,298	-2
WASHINGTON	8,609	0	5,843	-7	1,105	3	25	0	1,636	4
WATAUGA	44,020	4	11,846	-5	13,753	4	466	1	17,955	4
WAYNE	73,487	6	32,226	-3	23,648	-13	280	3	17,333	19
WILKES	42,368	63	10,009	3	21,862	18	125	1	10,372	41
WILSON	54,802	37	29,114	0	13,609	-5	144	1	11,935	41
YADKIN	23,664	-7	4,110	-3	13,184	-16	69	0	6,301	12
YANCEY	13,753	9	5,153	0	4,844					

Scandal

Money Meant for Pre-K Went to Group's Coffers Auditor's Report Slams Organization for Misusing Funds

BY BOB LUEBKE

Franklin Vance Warren Opportunity Inc. (FVWO) misused \$361,000 in Pre-K funds, provided a former CEO an unauthorized salary increase of \$18,000, and spent more than \$59,000 on legal services without approval from its board, according to recent report from the Office of State Auditor.

FVWO, located in Henderson, is a not-for-profit organization whose mission is to aid low-income individuals in Franklin, Nash, Vance and Warren counties. Some of the services FVWO provides include Head Start classes, Section 8 housing, Community Services Block Grants, and weatherization assistance. FVWO receives about 77 percent of its funding from federal and state governmental agencies, including the North Carolina Department of Health and Human Services.

The auditor's report, released on April 17, focused on three main findings. First, FVWO misused \$361,284 of NC Pre-K funds by putting those funds in its general operating

its Pre-K students.

Prior to becoming CEO of FVWO, Sara Rudolph was the agency's Head Start director for three years. The state audit report asserted that Rudolph should have known allowable uses for NC Pre-K funds. Individuals associated with

report also stated that the then-board chair of FVWO entered into an agreement for legal services without the approval of the full board of directors. Specifically, the board chair (who was not named in the auditor's report) did not notify the full board of the legal agreement

investigation.

According to the prepared statement, FVWO "took appropriate actions over a year ago to address the findings contained in the Office of the State Auditor's Investigative Report ... FVWO disagrees with the findings contained

our response is 'disingenuous and misleading.' On the contrary, the Report, with respect to Pre-K findings is without basis in fact, law or contract and dismisses the responses provided by FVWO and the North Carolina Department of Health and Human Services. We invite those interested in the issue to carefully read FVWO's DHSS's responses attached to the report and to draw conclusions based on the actual controlling documents rather than the report."

The State Auditor decided to investigate after receiving a report that the nonprofit was potentially misusing funds. News reports said a Henderson pastor, John Miles, filed a complaint with the State Auditor's Office after several former employees came to him with concerns.

The state auditor said that findings will be forwarded to the State Inspector General's Office and Department of Education for review. There has been no word on whether another investigation will be launched. ■



"Over a four-year period, the Agency had \$361,284 less to serve the children in its NC Pre-K program as a result of the misuse of funds."

account. So instead of helping to teach children, "the agency used the funds for items such as computer equipment, audit fees, and legal services," the report said. "Over a four-year period, the Agency had \$361,284 less to serve the children in its NC Pre-K program as a result of the misuse of funds. This reduction in resources limited the Agency's ability to provide high-quality educational experiences to enhance school readiness for

resigned her position.

Second, the auditor's report also found that in July 2012 Rudolph increased her annual CEO salary from \$75,000 to \$80,000 – without approval from the Board of Directors. Members of the FVWO Board of Directors later reported that they were not aware of the salary increase until a citizen brought it to their attention during a July 2015 meeting.

Thirdly and lastly, the auditor's

until after the agreement for legal services – for \$250 per hour – was signed. After it became aware of the agreement, the full FVWO board issued a request for a proposal for legal services and hired a new attorney.

A number of recommendations were also included in the auditor's report. These included that FVWO reimburse NC Pre-K for the money it used for its general fund. It also recommended that the board should monitor monthly financial reports for variances and establish procedures for reviewing and all staff salaries. Finally, the report also suggested that FVMO board members be made aware of the limits of their own authority regarding contracts.

When the report was released on April 17, an attorney for the FVWO Board of Directors took the unusual position of releasing a statement that takes issue with the state auditor's

in the report with respect to North Carolina Pre-Kindergarten Funds (NC Pre-K Funds) ... We stand by our position as stated in our response included in the investigative report. The investigative report states that

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