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Inside

Cooper thinks Charter Schools Promote Segregation, p. 4
Is North Carolina renting Honeywell?, p. 11

Will Medicaid Expansion and State Budget be Key Legislative Battles for 2019?

BY RAY NOTHSTINE

One of the biggest fears from conservatives and budget hawks across the state is the expected push for Medicaid expansion. For good reason. Gov. Roy Cooper has long made Medicaid expansion a centerpiece of his political agenda and despite ballooning costs and able-bodied working adults crowding out a sicker and needier constituency, 37 states have signed on so far.



Now that Republicans have lost their super majorities in both chambers of the General Assembly, Democrats hope to make an aggressive push for entitlement expansion and peel off enough Republican support to make it law.

"The scary part about Medicaid expansion if you are conservative is that Democrats in the General Assembly currently have 55 seats and there are about seven Republicans who have said they will vote for it," Civitas President Donald Bryson noted on a recent episode of the Civitalk podcast. "That gets you to a majority in the House and then we will have to see what the Senate does."

Bryson pointed out that Gov. Cooper is now "far more relevant in the legislative process" and said that since Republicans can no longer override vetoes and will either have to negotiate with the governor or at least a handful of Democrats in the General Assembly.

Another policy Civitas is pushing back on is the expansion of corporate incentives in North Carolina. "Are we going to continue to play this game and try to beef up our incentive programs and try to make them bigger and larger and possibly go down the road of South Carolina? That's a state that has actually taken on debt, they have bonded out debt to pay out incentives to big corporations," said Bryson.

Other issues that will receive attention not only by Civitas but lawmakers in the state are measures concerning school choice, particularly given the massive waiting lists for many charter schools. Additionally, there is growing demand amongst the citizenry that want access to the state opportunity scholarships and education savings accounts. There is cautious optimism with the rise of some urban Democrats being open to school choice that progress in the General Assembly can be made for increasing funding and eligibility for those popular programs.

One of the biggest efforts to watch will be the state budget and whether lawmakers will be willing to control spending. "We don't really have a fiscal cliff situation in North Carolina. If lawmakers don't pass a budget by June 30, which is the end of the fiscal year, then the current spending levels just continue on," Bryson noted. "At some point they actually have to pass a budget though, so how long will negotiations go on? Will it go until July, or even October? That will be the big thing to watch as we go into the session."

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FROM THE EDITOR

It seems too often that our state government is merely an extension of all the dysfunction in Washington D.C. Particularly given the endless conflict between our governor and General Assembly. Furthermore, North Carolina, at the time of writing these words, hasn't sent a lawmaker to Washington to represent the constituents of North Carolina's 9th Congressional District.

Embarrassments like this occur more and more because we've strayed from our foundations, forgetting the original purpose of government, which is to protect the rights and property of individuals so they can flourish. Pledging more power and authority to government should be an absurd thought when we read and take in all the chaos lawmakers seem so often to create.

One of the biggest battles the Civitas Institute and conservatives will face in North Carolina is the potential expansion of Medicaid. National and state progressive groups will soon be unleashed across North Carolina to secure another government program taxpayers can ill afford. For the collectivists, N.C. is too important of a state not to be entirely under the thumb of the federal government.

Civitas President Donald Bryson has penned a popular op-ed warning against Medicaid expansion in North Carolina. Bryson makes a good point that our state should continue to focus on positive economic reforms going forward and not on more government takeover of healthcare which will only expand dependency and harm our most vulnerable citizens.

Another big theme of this issue is highlighting the kind of cronyism and subsidies that create an unfair environment for taxpayers and many small businesses. Leah Byers offers an article making the case that nixing the corporate income tax is a positive policy proposal that will alleviate much of the corporate incentives that have proved to be too addictive for many lawmakers in both parties.

Expanding freedom is never easy, especially in an environment where the Left is trying to politicize every aspect of life. But with your help and support, Civitas has a plan to not only fight back but to push forward an agenda that makes North Carolina a model of freedom and not merely another state dependent on government largesse.

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CYAN MAGENTA YELLOW BLACK

Medicaid Expansion Will Only Lead to More Debt and Government Dependency

BY DONALD BRYSON

North Carolina has been a leader in enacting free-market reforms that are improving people's lives. Four tax reform packages have reduced the burden of government and simplified filing for millions of Tar Heel families. The expansion of school choice has created a new opportunity for thousands of students. And the rejection of Obamacare's Medicaid expansion has helped protect North Carolina from a critical aspect of the federal government's health care takeover.

Unfortunately, the newly bolstered Democrat legislative minorities, Gov. Roy Cooper and special interest groups are now pressuring leaders in the General Assembly to such an extent that House Speaker Tim Moore (R-Cleveland) indicated he is open to Medicaid expansion in North Carolina.

Fortunately, the U.S. Supreme Court ruled that Washington cannot force the states to expand Medicaid. Former Gov. Pat McCrory and the General Assembly have already exercised our state's rights, rejecting Medicaid expansion and the additional Obamacare empty promises that would come with it, when they passed Session Law 2013-5 in 2013.

Legislative leaders should now ignore renewed calls for Medicaid expansion — even when it comes from members of the Republican House Caucus, such as Rep. Donny Lambeth's (R-Forsyth) Carolina Cares legislation.

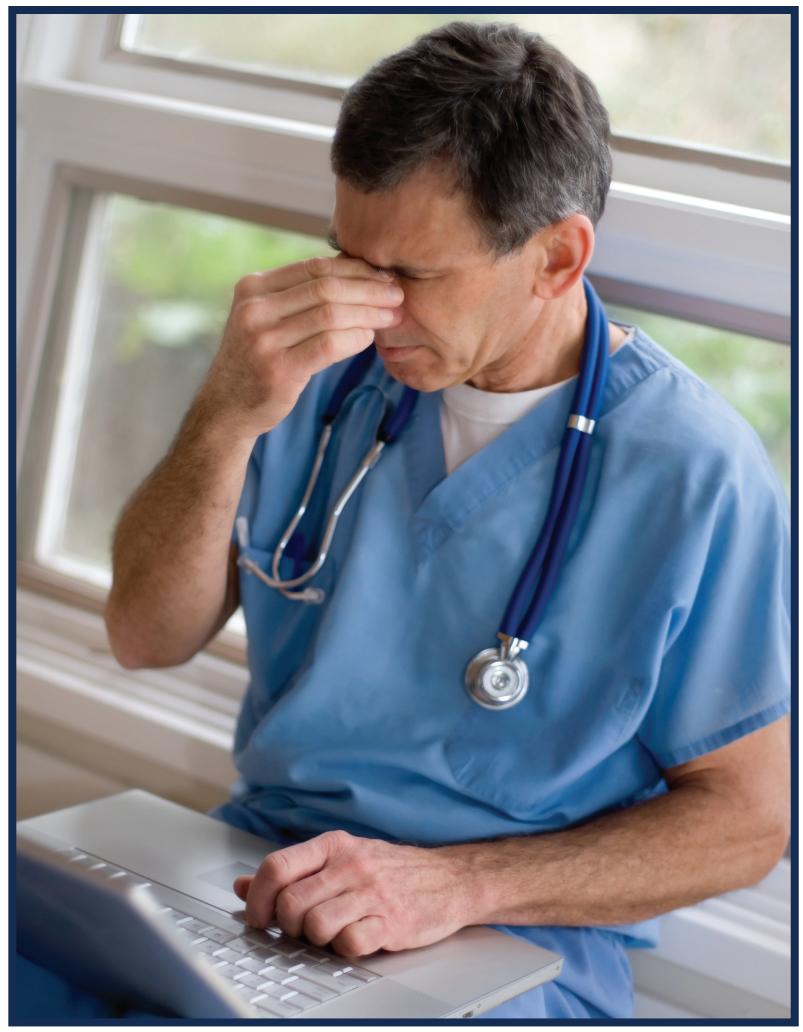
The Obama administration assured states that Washington would pick up 100 percent of the expansion costs for the first three years, and then 90 percent thereafter. But how reliable is a guarantee from a federal government more than $21 trillion in debt, much of which is due to entitlement programs like Medicaid?

The problems with Medicaid expansion can also become systemic, particularly the unforeseen costs. The non-partisan Foundation for Government Accountability published research earlier this year which found that states that expanded Obamacare through Medicaid expansion have signed up more than twice as many able-bodied adults as promised. This enrollment deluge, combined with higher than forecasted per-person costs, has led to cost overruns of 157 percent.

The renewed call for Medicaid expansion in North Carolina also comes at a time when the state's Medicaid program is switching to a managed care model and just recovered from multiple years of cost overruns which skyrocketed into the hundreds of millions of dollars.

Medicaid expansion would inevitably hurt the most vulnerable North Carolinians. Medicaid is a program meant for impoverished citizens. However, because of Medicaid's low doctor reimbursement rates, patients already have a tough time getting a doctor's appointment, which contributes to the program's shockingly poor health outcomes.

Indeed, according to state Medicaid Annual reports, from 2003 to 2016, the number of physicians enrolled as Medicaid providers in North Carolina plummeted by more than 10,000, a drop of 28 percent.



An expansion would add hundreds of thousands of non-disabled, childless, working-age adults to Medicaid, which would further exacerbate the problem of access to quality care for the neediest North Carolinians.

A job, not Medicaid, is the best anti-poverty program. North Carolina should keep moving forward with the proven job-creating policies of controlled government spending, tax cuts, and regulatory reform.

Caring for impoverished citizens and families isn't the same thing as locking more people into Medicaid. Medicaid is a safety net program. However, expanding Medicaid would dramatically change the purpose of the program and necessitate increased government spending and higher tax rates, which will likely make it more difficult for those that need a job to get one. Thus, Medicaid, instead of helping our indigent citizens, locks them into a vicious cycle of poverty and the safety net becomes a net trap.

CONTINUED ON PAGE 11

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PUBLISHER
Civitas Institute

MANAGING EDITOR
Ray Nothstine

EDITORIAL & ADVERTISING
805 Spring Forest Rd. Ste 100
Raleigh, NC 27609

phone: 919.834.2099
fax: 919.834.2350

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Cooper thinks Charter Schools Promote Segregation

BY BOB LUEBKE

On Dec. 21, Gov. Roy Cooper vetoed Senate Bill 469, a technical corrections bill which among other things, would have made municipal charter school employees eligible for state benefits.

In his veto statement Cooper said, "municipal charter schools set a dangerous precedent that could lead to taxpayer funded re-segregation."

For years Gov. Cooper has been telling us how important education is and how we need to give our students the best possible education.

Gov. Cooper's veto will make it more difficult for four municipalities in the Charlotte area to staff municipally-authorized charter schools.

Cooper said the bill would lead to "taxpayer funded re-segregation."

The governor is wrong for a variety of reasons.

Such a statement falsely assumes that the Charlotte Mecklenburg Schools are integrated and charter schools only reverse that process. Anyone familiar with charter schools knows that they are frequently located near troubled public schools, and in communities which are already – for a variety of reasons – highly segregated. If a student is moving from a racially concentrated public school to a racially concentrated charter school, it doesn't follow that charter schools lead to segregation. To say so is to not understand reality or the extensive research that says otherwise.

Gov. Cooper talks about better educational opportunities and increased parental involvement. I guess that's fine as long as long as the child is assigned to a government-funded school, with a government regulated curriculum and government approved teachers. Parents who want a better public or private education for their children, good luck. You're on your own, because the governor and most of his Democratic brethren don't trust you.

Choosing a better education for your child is now equated to a racist act – segregation. It's appalling and it's not true.

Cooper's statement reveals the depth of control that progressives seek over our lives. Parents, the people who know their children best, the ones who know what type of environment their child needs to flourish and the ones who want their children to succeed – must have their choices taken away because they allegedly produce undesirable outcomes.

Remember the governor's statement the next time he says he cares about giving kids the best possible educational opportunities.

Actions speak louder than words — much louder.

Ring in the New Year with a Tax Cut

BY LEAH BYERS

Many people take advantage of the New Year to check in with their priorities and set goals for the next 12 months. Some people want to make better decisions for their health, while others resolve to spend more time with their families.

An Offers.com survey found that North Carolina's most popular New Year's resolution was to save money, with 52 percent of respondents saying that was their top goal for 2019.

Luckily for all North Carolinians, we are off to a good start. Both the state personal and corporate income tax rates dropped on Jan. 1 this year.

The personal income tax fell from 5.49 percent to 5.25 percent. This means that North Carolinians will keep more of their paychecks.

The corporate income tax decreased from 3 percent to 2.5 percent. This is also good news for North Carolina citizens. When corporations pay less taxes, they can pass those savings along to their workers in the form of higher wages and to their consumers through lower prices.

The state is moving in the right direction, but there is still plenty of work to do to help North Carolina families keep more of their hard-earned money – thus helping them achieve their financial goals for 2019 and into the future.

First, the state should eliminate the corporate income tax altogether. This could attract more businesses to the state, drive up wages, and curb some of the corporate cronyism that occurs when the state issues tax breaks to only a few companies.

Second, the state should be on guard against unnecessary and wasteful spending that might incentivize an increase in the personal income or sales tax rates. One such proposal is Medicaid expansion to cover non-needy populations. In 2019, state budget writers should remember that North Carolina families ultimately pay the price for expanding government spending.

Over half of North Carolinians want to save more money in the new year. Individuals – not government – know how best to manage their own financial resources. So, what can the state can do to help North Carolinians? Manage their tax revenue with fiscal responsibility on core government services and create an environment that allows the free market to work.

Wishing you all the best in freedom for 2019 – Happy New Year, from your friends at the Civitas Institute.

CYAN MAGENTA YELLOW BLACK

Real Victims of the Corporate Income Tax? North Carolinians

BY LEAH BYERS

States and municipalities courting of large corporations such as Amazon and Apple has brought the folly of economic development tax incentives into the public awareness. Left-leaning lawmakers and even a self-avowed socialist in New York City were quick to denounce the pricey incentives as infrastructure in the area remains in peril. Even if their economic views are troubling, they still retain common sense and a duty to protect their constituents. Those incentives are intended to lure hand-picked corporations to the state at taxpayers' expense.



Corporate handouts fundamentally create an uneven playing field for businesses within the state. Non-incentivized corporations must pass along the higher price of doing business to their workers (through lower wages) or customers (through higher prices). These added costs make them less competitive than businesses that receive special tax breaks. Thus, corporate incentives essentially allow government to pick winners and losers in the market.

Corporate incentives are not the way to strengthen our economy, so how can the state promote economic growth?

Instead of offering tax relief to only a few companies, North Carolina should eliminate its corporate income tax altogether and end corporate welfare programs. As the country's leading state for business according to Forbes Magazine, North Carolina is in a position to be a leader in this area as well.

A recent editorial by the Capital Broadcast Company called for movement in the exact opposite direction. They advocated a halt to the state's scheduled decrease of the corporate income tax in 2019, saying that the revenue collected by the higher tax rate is needed to fund government obligations. According to the article, one such obligation is providing "high quality of life to all its citizens."

What the article fails to mention is the impact that a thriving business environment has on quality of life.

The most recent report from the U.S. Bureau of Labor Statistics revealed that low-tax burden states had employment growth rates of 50.9 percent higher than average-tax states and 72.1 percent higher than high-tax states. That same report reinforced North Carolina as a consistent leader for unemployment decreases.

Following this pattern, the elimination of the corporate income tax would likely drive more economic growth. Businesses would want to locate in North Carolina, where they would have an advantage over businesses in other states with corporate income taxes. This would foster growth for all businesses, and not just those favored by politicians.

Cultivating an environment where people can find work and be self-sufficient is the biggest impact state government can have on quality of life.

Progressives like us to think that corporate taxes are a charge on the soulless, faceless big businesses. But the truth is that those taxes almost always get passed on to workers in the form of lower wages. Corporations are comprised of a collection of individuals; when taxes on corporations are raised, individual people ultimately bear that burden. Corporate income taxes allow government to extract more money from citizens of the state, without having to take the direct political blame for doing so.

In summation, the corporate income tax: is felt most by average North Carolinians through lower wages; incentivizes lawmakers to meddle in the free market through selectively offering tax breaks; and hinders economic growth compared to lowering taxes across the board.

North Carolina has lowered the corporate income tax in recent years, and the results are undeniable. But eliminating the corporate income tax entirely is the next logical step for our state.

CYAN MAGENTA YELLOW BLACK

Changes represent the difference in voter registration between October 13, 2018 and December 15, 2018										
County	Total Voters	Total Change	Democrats	Democrat Change	Republicans	Republican Change	Libertarians	Libertarian Change	Unaffiliated Voters	Unaffiliated Change
Totals	7,134,288	84,836	2,697,271	25,160	2,125,643	22,700	38,196	1,187	2,271,344	35,174
Alamance	104,100	1,614	38,834	562	33,730	360	531	13	30,980	668
Alexander	24,639	150	6,062	-57	10,984	137	91	3	7,499	67
Alleghany	7,503	56	2,593	-2	2,667	41	34	1	2,208	16
Anson	17,481	72	11,553	-14	2,540	46	25	3	3,335	37
Ashe	19,360	223	5,286	18	8,270	102	70	1	5,731	100
Avery	12,183	158	1,472	32	7,091	75	51	1	3,568	49
Beaufort	33,770	313	13,282	101	11,033	123	88	-1	9,359	88
Bertie	14,227	17	10,053	10	1,553	3	27	0	2,593	4
Bladen	23,348	224	12,532	69	4,158	88	42	2	6,614	65
Brunswick	104,456	1,747	27,661	172	39,334	806	414	27	37,029	737
Buncombe	199,887	2,506	76,576	901	46,560	285	1,492	41	75,164	1,253
Burke	58,732	214	17,986	-48	21,107	152	282	12	19,341	92
Cabarrus	139,913	2,217	42,638	829	50,163	532	843	32	46,225	808
Caldwell	55,265	401	13,837	-53	25,050	315	365	0	15,995	134
Camden	7,971	72	2,190	-4	2,529	32	51	3	3,200	41
Carteret	53,388	635	11,936	-8	22,809	347	260	10	18,380	286
Caswell	15,879	145	7,864	19	3,412	70	36	1	4,565	55
Catawba	106,297	896	25,384	50	45,308	368	425	11	35,166	463
Chatham	54,540	734	21,111	127	13,289	184	242	2	19,875	409
Cherokee	23,480	65	5,498	-46	10,190	80	130	0	7,656	27
Chowan	10,420	100	4,814	-9	2,699	36	24	1	2,881	70
Clay	8,732	38	1,831	-18	3,690	38	49	0	3,159	18
Cleveland	65,311	548	25,547	12	21,566	297	268	12	17,919	223
Columbus	38,063	551	20,634	167	7,504	189	63	3	9,858	190
Craven	70,759	809	23,264	114	24,866	428	402	24	22,209	233
Cumberland	221,984	3,226	99,972	1,210	50,578	770	1,268	47	70,114	1,169
Currituck	20,279	241	3,961	-9	7,582	148	169	3	8,560	98
Dare	30,542	382	8,819	50	9,501	153	230	6	11,985	171
Davidson	109,647	810	25,795	42	51,243	425	470	9	32,119	331
Davie	30,092	232	5,408	15	15,266	95	116	1	9,297	118
Duplin	30,757	355	13,984	57	8,322	140	120	0	8,320	151
Durham	233,248	6,411	127,583	3,363	28,092	382	1,153	21	76,338	2,614
Edgecombe	38,556	202	26,641	17	6,318	83	92	7	5,496	91
Forsyth	264,057	3,141	107,350	1,374	76,629	486	1,337	40	78,672	1,223
Franklin	45,210	574	18,273	127	13,704	186	224	17	13,000	241
Gaston	147,086	1,645	45,250	403	55,440	542	768	35	45,601	656
Gates	8,834	49	4,564	-18	1,843	44	28	-1	2,398	23
Graham	6,437	13	1,866	-15	2,849	14	26	0	1,696	14
Granville	39,406	483	18,785	86	9,678	170	155	9	10,782	215
Greene	11,608	94	6,488	15	2,162	45	23	0	2,932	33
Guilford	378,643	3,603	170,736	1,444	95,602	467	1,919	79	110,300	1,583
Halifax	39,171	137	25,463	19	4,726	43	92	0	8,885	73
Harnett	77,353	1,295	26,798	278	26,896	517	543	21	23,096	466
Haywood	45,329	431	16,459	15	13,985	230	261	2	14,613	184
Henderson	86,522	934	18,450	229	32,261	279	481	21	35,312	402
Hertford	15,658	103	11,278	58	1,506	23	36	0	2,833	20
Hoke	33,363	442	15,541	166	6,963	113	203	-2	10,643	158
Hyde	3,429	9	1,930	-14	544	7	12	-1	943	17

Iredell	122,683	1,404	30,533	158	50,464	515	621	26	41,038	695
Jackson	29,579	684	10,340	184	7,882	190	189	7	11,158	300
Johnston	130,202	1,846	39,407	436	49,709	765	764	25	40,279	607
Jones	7,344	50	3,491	-11	1,879	34	23	-1	1,949	27
Lee	37,267	485	14,758	106	10,636	171	188	6	11,678	201
Lenoir	38,866	192	20,666	-32	9,789	127	112	-1	8,296	97
Lincoln	58,863	709	13,741	69	26,029	429	262	-1	18,819	207
Macon	26,517	210	6,533	4	10,787	132	139	7	9,055	67
Madison	17,387	202	6,545	3	4,530	80	110	1	6,197	118
Martin	17,145	52	9,979	-33	3,355	46	40	0	3,766	38
Mcdowell	29,763	198	8,175	-14	11,351	101	156	3	10,068	103
Mecklenburg	748,402	11,493	326,685	5,256	172,463	1,319	4,710	158	244,343	4,698
Mitchell	11,155	71	1,165	11	6,681	26	28	-2	3,280	35
Montgomery	16,843	245	7,143	58	5,191	90	64	2	4,442	95
Moore	69,003	752	16,642	80	28,064	373	368	17	23,915	279
Nash	67,624	671	33,375	199	19,092	227	226	12	14,920	231
New Hanover	174,294	3,236	54,248	963	54,317	823	1,225	38	64,451	1,389
Northampton	14,694	98	10,413	31	1,497	33	24	-1	2,758	35
Onslow	110,697	1,601	28,041	253	40,124	677	1,004	29	41,483	620
Orange	115,405	703	53,444	460	16,373	-10	735	0	44,820	238
Pamlico	9,800	53	3,752	-22	3,252	48	43	2	2,753	25
Pasquotank	29,521	405	13,218	132	6,355	127	175	7	9,764	138
Pender	42,083	599	12,651	66	15,855	271	254	3	13,312	254
Perquimans	10,203	67	3,995	-19	2,813	30	36	6	3,355	49
Person	27,085	256	11,946	2	6,826	134	100	3	8,210	117
Pitt	125,388	666	56,208	141	32,199	111	715	-6	36,223	410
Polk	16,211	123	4,378	-2	5,696	59	86	6	6,040	58
Randolph	92,842	648	18,654	14	46,632	426	499	10	27,034	191
Richmond	30,549	124	16,246	-62	6,132	113	78	1	8,088	71
Robeson	77,633	607	48,628	135	9,734	150	202	3	19,055	316
Rockingham	60,904	479	22,225	-80	21,298	313	246	8	17,121	234
Rowan	96,411	746	27,768	12	38,977	452	410	6	29,233	268
Rutherford	45,589	275	14,071	-109	17,441	249	224	2	13,839	129
Sampson	38,594	306	16,245	38	14,191	178	121	-1	8,029	88
Scotland	22,990	136	12,789	-6	3,829	52	67	7	6,300	81
Stanly	42,064	246	10,778	-79	18,694	194	148	3	12,435	125
Stokes	31,447	203	7,494	-64	15,305	161	163	4	8,475	99
Surry	46,310	326	13,329	-60	19,649	218	125	3	13,200	163
Swain	10,480	84	3,930	1	2,752	30	39	5	3,757	48
Transylvania	26,346	227	6,742	22	8,478	93	127	4	10,997	108
Tyrrell	2,421	-3	1,359	0	356	0	8	-1	698	-2
Union	159,140	2,653	40,377	597	65,321	1,049	755	32	52,652	963
Vance	30,370	30	19,766	27	4,430	10	69	0	6,098	-11
Wake	744,245	9,471	275,472	4,197	189,430	910	5,092	216	274,043	4,082
Warren	13,635	24	9,207	-8	1,866	26	38	1	2,522	4
Washington	8,836	54	5,871	20	1,154	7	27	2	1,784	25
Watauga	47,673	285	12,566	99	14,299	11	549	6	20,245	164
Wayne	76,057	675	32,259	107	24,263	261	331	9	19,187	291
Wilkes	43,208	231	9,691	-29	22,261	162	138	-5	11,115	103
Wilson	56,915	365	29,372	75	13,665	76	174	6	13,692	204
Yadkin	24,302	120	3,995	-23	13,438	94	83	4	6,780	43
Yancey	14,388	136	5,133	21	5,047	41	55	0	4,149	72

Latest Civitas Poll Shows North Carolina is the Quintessential Swing State

BY RAY NOTHSTINE

When it comes to presidential elections, the media predictably showers attention on Florida and Ohio as the two swing states that determine the election. But the recent midterms offered some evidence that unlike North Carolina, Florida and Ohio might be trending red. In an off year for Republicans, Florida and Ohio again elected Republicans as governor and current Florida Gov. Rick Scott unseated longtime Democrat incumbent Bill Nelson in the U.S. Senate.

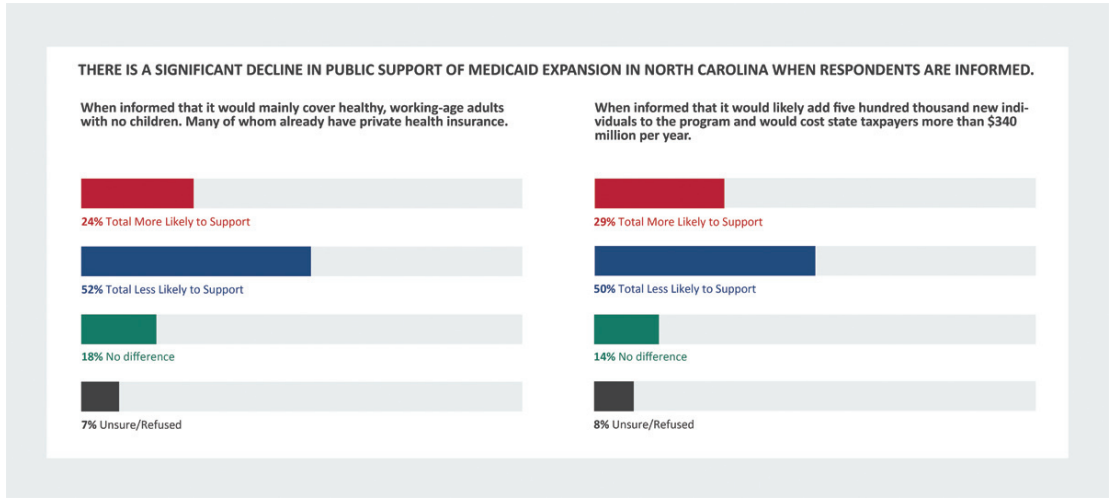
Despite President Donald Trump winning North Carolina by almost 3.7 percent, polling so far shapes up to show the 2020 race even more competitive.

In the latest Civitas Poll, 35 percent of North Carolinians have vowed to vote for Trump regardless of his opponent. In comparison, 36 percent of those polled said they would vote against the president no matter who is nominated by the Democrats. Just over a fifth (21 percent) of respondents said they will wait and see who Democrats nominate before deciding on who to vote for in 2020.

"With a statistical tie, these results indicate what should be no surprise – North Carolina will be a key battleground state in 2020," said Civitas Institute President Donald Bryson. "There are very few scenarios in which a 2020 presidential candidate does not need North Carolina's 15 electoral votes to win, and this poll indicates that we are in play. However, these results should not be construed as good or bad news for anyone."

Other news from the poll highlights the popularity of Medicaid expansion with one important distinction. Of those surveyed, 61 percent said they favored expanding the government program in North Carolina and 26 opposed the measure. That number is dramatically altered, however, when respondents were asked if they support expanding the program to healthy working-aged adults with no children, often times the biggest benefactors of state expansion programs. Given that information, 52 percent were less likely to support expansion while 24 percent were more likely to support it.

"While it appears that state House Democrats and a few Republican allies are going to make a push for Medicaid expansion in next year's legislative session, expansion is not a foregone conclusion," said Civitas President Donald Bryson. "The devil is in the details and this poll finds that registered Republicans, unaffiliated voters, seniors, and women begin to have serious reservations about the cost of expansion and the newly covered population."

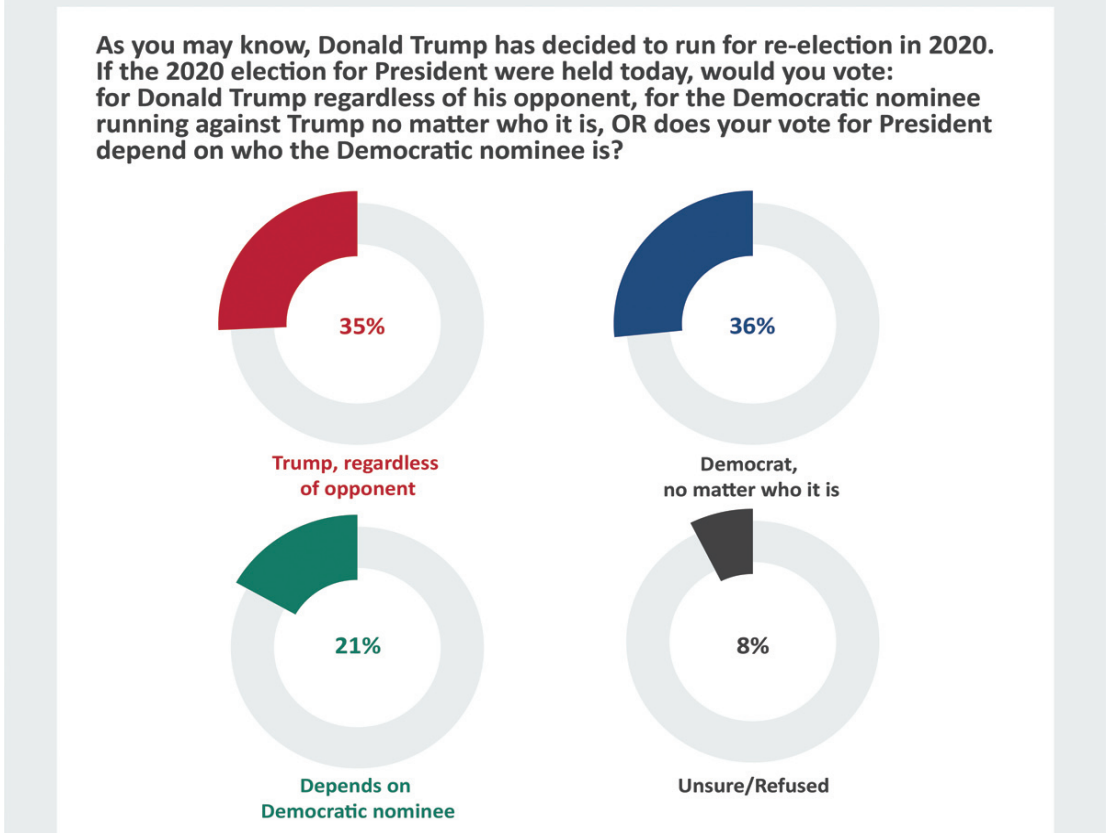


North Carolinians are evenly split at 37 percent in their favorable and unfavorable view on the new federal tax law passed by Congress and President Trump, despite larger deductions overall and lower brackets for many taxpayers.

Half of those polled approve of the Affordable Care Act while 45 percent disapprove of the once unpopular healthcare law widely known as "Obamacare."

Civitas will continue to track statewide polling trends throughout the year and beyond.

Readers can find the full November poll results including crosstabs at www.nccivitas.org.



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Aging Population and Growing Liabilities to Cause Fiscal Tsunami

BY BRIAN BALFOUR

There is a significant demographic change occurring in North Carolina that virtually no one is talking about. A change that will have major implications for the state's fiscal health for decades to come.

With the ageing of the baby boom generation (born 1946-1964), North Carolina is witnessing a meaningful shift in the income source of its residents, as retirement income replaces wage income for more and more seniors in the Tar Heel State.

State budget writers need to pay attention to this shift, as it has serious implications for budget and tax policy in the coming years.

Research provided in a legislative memo from the Fiscal Research Division's chief economist finds that in North Carolina "retirement income has nearly doubled as a share of total Federal Adjusted Gross Income from 5.7 percent in 1991 to 10.3 percent in 2013."

Moreover, the research showed that our state's population of residents over 65 as a share of total population grew from 12.2 percent in 2006 to 15 percent in 2015. The memo added "The State Data Center projects that by 2030 over 20 percent of North Carolina's population will be 65 or older."

In short, in just a dozen years, one in five North Carolinians will be age 65 or over. A significant share of which will be fully or partially retired.



What impact will this have on North Carolina's economy?

According to the memo, "The aging of the population will be a drag on the economy. Simply, an aging population is expected to generate less economic output per capita, all else equal. This will directly impact State revenues because retirees earn and spend less."

Fewer people in the labor force means lower income, as retirement income typically does not fully replace prior wages. Making matters worse, the memo goes on to say, is "(w)eak savings and insufficient asset portfolios such as 401(k)s coupled with high debt obligations" that will "significantly constrain this aging population in retirement."

The result is a smaller tax base for the state's largest revenue source: the personal income tax.

The memo suggests that other factors such as population growth and overall economic conditions can offset the declining tax base, but concludes the likeliest scenario will be tax revenue growing at a "slower pace."

For state budget writers, this is especially troubling news in light of the rapid growth of unfunded state pension and retiree health care benefits.

For instance, annual minimum required payments for state pension and retiree health benefits total nearly $2.5 billion. That figure is up roughly 87 percent from just five years ago.

The pension fund's total unfunded liability of $7.9 billion is up a whopping $11 billion over 13 years ago (there used to be a surplus), while the retiree health benefit liability totals nearly $33 billion – up $9 billion over its 2005 amount.

These trends indicate severe upward pressure on budgetary obligations for years to come, at a time when our changing demographics tell us there will be a smaller tax base from which to finance these obligations.

How will legislators continue to balance a state budget with growing spending obligations funded from a shrinking tax base?

Some will no doubt resort to their solution to every fiscal problem: tax the rich. But this is problematic for several reasons, including 1) the "rich" are not significant enough in numbers, especially retirees, to generate adequate revenue, and 2) wealthy people, especially retirees, are not stationary targets. Wealthy individuals are highly mobile and will move to more financially hospitable states, shrinking our tax base even further as they take their income and consumption spending elsewhere.

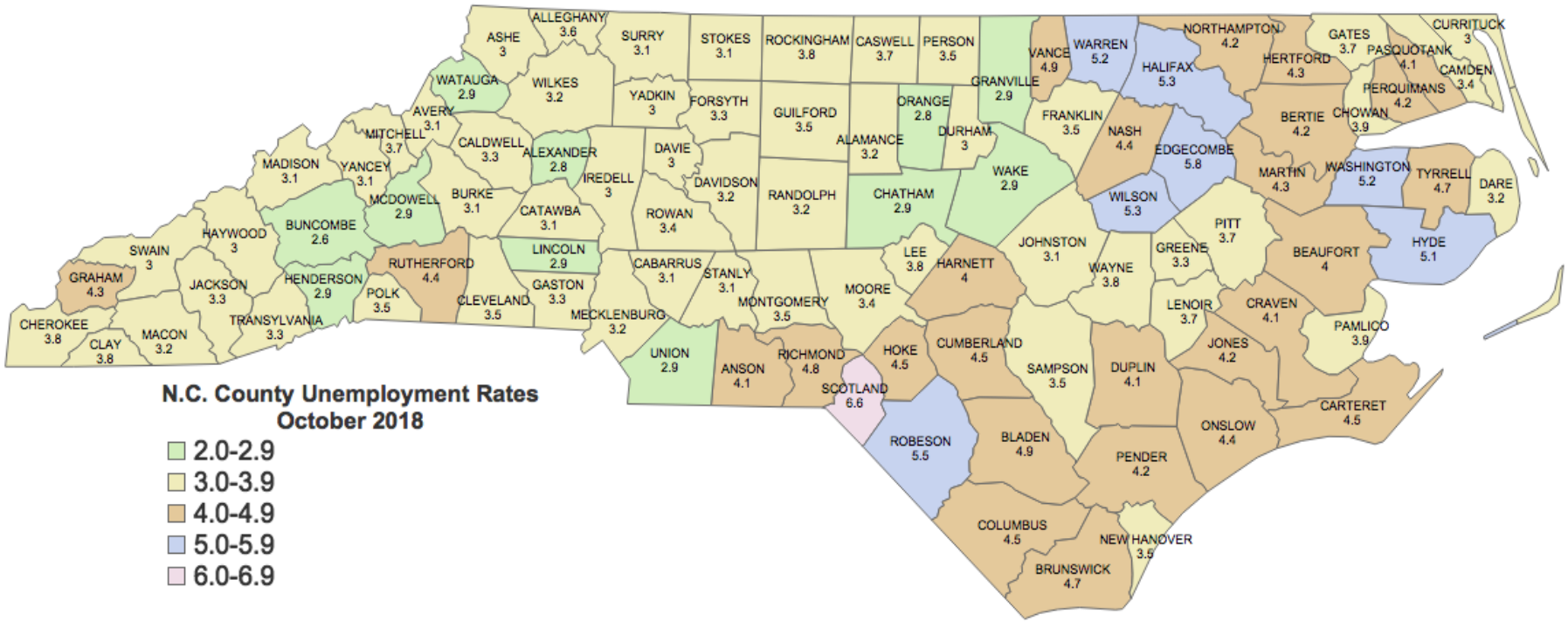
This leaves legislators with the choice of pension and retiree health benefit reform. On the pension side, transitioning current and new employees from the current defined benefit program to a 401(k)-style defined contribution plan makes the most sense. Employees will have ownership of their retirement funds and taxpayers will be off the hook for any liabilities.

Regarding retiree health benefits, reforms could include asking retirees to pay a small percentage of the premiums, amounting to perhaps $65 to $130 per month depending on the plan in which they are enrolled. More than 30 states require retirees to contribute a significant share towards their health insurance premiums, while 14 states require retirees to fully fund enrollment in their state health plan.

Offering high-deductible plans coupled with a Health Savings Account (HSA) to retirees can also yield noticeable savings.

North Carolina's aging population, combined with dramatically rising state retiree liabilities, presents state budget writers with a significant challenge. There is no more time to kick the can down the road. The longer we wait to address these concerns, the more painful the solutions will be.

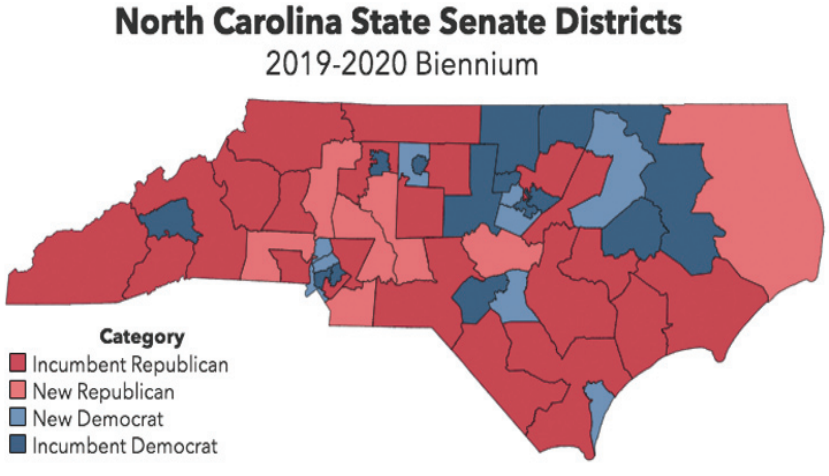
This article originally appeared in The Fayetteville Observer.

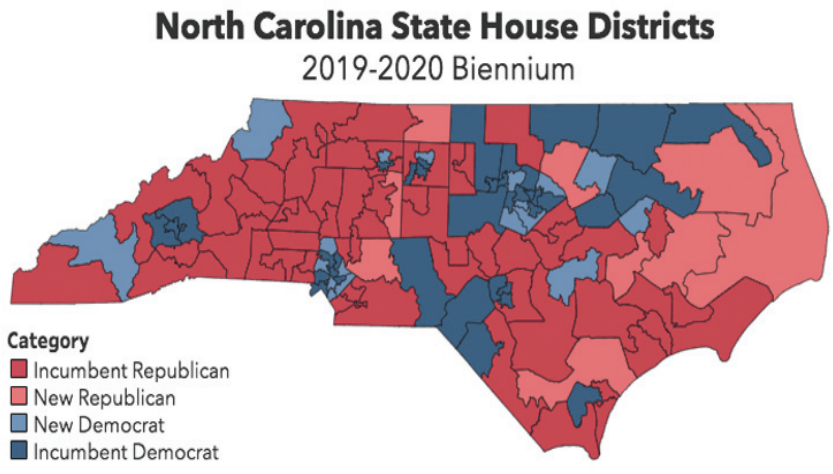


The above map shows the October 2018, (not seasonally adjusted) unemployment rates for all 100 North Carolina counties. (data from N.C. Department of Commerce) The October statewide unemployment rate was 3.4 percent. The estimated national unemployment rate for October was 3.7 percent

Scotland County reported the highest unemployment rate at 6.6 percent, while Buncombe County had the lowest at 2.6 percent. All of the state's metro areas saw increases from last month, but all metro areas decreased their unemployment rate from this time last year. Asheville had the lowest at 2.8 percent and Rocky Mount the highest with 4.8 percent.

When compared to the same month last year, not seasonally adjusted unemployment rates decreased in 99 counties and increased in one. Ninety-two of the state's 100 counties had an unemployment rate below 5 percent.





After the November election, Republicans lost their super majorities in both chambers of the General Assembly. These two maps offer an overview of the changes in our bicameral legislature.

Republicans now hold 65 of the 120 seats in the House. Democrats currently hold 55 seats. In the Senate, Republicans now have 29 seats and Democrats 21. Overall, Republicans suffered heavy defeats in urban areas, particularly Wake and Mecklenburg Counties.

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Is North Carolina Renting Honeywell?

BY DONALD BRYSON

There was a good deal of fanfare last month as the North Carolina General Assembly passed Senate Bill 820 – High-Pay JDIG Job Cap Modification – which was quickly followed by the announcement that Honeywell will be moving its headquarters from New Jersey to the Charlotte area.

But should we be celebrating? The evidence seems to be lacking for a ticker tape parade.

First, let's figure out what Senate Bill 820 does. According to the bill summary, "Senate Bill 820 would increase the per job grant maximum for the Job Development Investment Grant Program (JDIG) from $6,500 per job to $16,000 per job."

In other words, the state Department of Commerce will be able to offer more substantial per-employee incentive payments to companies to lure them to North Carolina or entice them to expand here.

What does that have to do with Honeywell?

State legislators from both parties, arguing in favor of Senate Bill 820, said that the bill was critical to bringing "high-paying job creators" to North Carolina and that our state needed to be able to play "in the headquarters game."

Never mind the fact that North Carolina is already home to 12 Fortune 500 and 26 Fortune 1000 headquarters. Six of the Fortune 500 company headquarters are in Charlotte.

On the same day that Gov. Cooper signed Senate Bill 820 into law, the state Department of Commerce announced that Honeywell – a Fortune 100 tech company based in New Jersey – will be relocating its headquarters to Mecklenburg County. However, Honeywell isn't moving to Charlotte because of its proximity to western North Carolina barbecue.

According to the Department of Commerce:

Honeywell's headquarters location in Mecklenburg County will be facilitated, in part, by a Job Development Investment Grant (JDIG) approved by the state's Economic Investment Committee Monday evening. Over the course of the 12-year term of this grant, the project will grow the state's economy by an estimated $7.9 billion. Using a formula that accounts for the new tax revenues generated by the new jobs, the JDIG agreement authorizes the potential reimbursement to the company of up to $42,450,000 spread over 12 years.



A tax reduction of $42.45 million is no small thing, but the move and amount left people in New Jersey perplexed.

According to NJ.com:

The planned relocation comes just three years after the company received a $40 million tax credit to keep its headquarters in New Jersey, in a deal brokered and heralded by then-Gov. Chris Christie.

It seems that Honeywell's New Jersey tax credit ran out, and they found another tax credit in North Carolina for around the same amount.

So, did Honeywell move to North Carolina for good, or is our state government renting Honeywell for the next 12 years to the tune of $42 million?

Unfortunately, taxpayers likely won't find out for another 12 years, but this situation points to one of the many problems with cronyist subsidies.

Corporate tax giveaways (which Gov. Roy Cooper has railed against, but has accelerated instead of stopped) are bribes to corporations under the guise of tax cuts. While tax cuts aid in job creation, these incentives are an unfair use of the tax code by letting the government pick winners and losers, while the rest of us must pay artificially higher tax rates.

If a corporation comes to North Carolina for the money, they'll leave for the money as well. It's time for North Carolina to get out of the corrupt game of unfair job incentives and lower taxes for all businesses. Eventually, taxpayers are going to get tired of being fleeced so that politicians can have a photo-op at a ribbon cutting.

Let's hope when it comes to unfair tax policies that North Carolinians wake up sooner rather than later to the bipartisan racket going on in Raleigh.

Medicaid Expansion Will Only Leads to More Debt and Government Dependency

CONTINUED FROM PAGE 3

Expanding Medicaid is a bad deal for everyone, except special interest profiteers. The General Assembly should not cave to political winds by trying to control healthcare through a law that was sold on deceit and has delivered countless broken promises. North Carolina should reject Obamacare's Medicaid expansion once and for all.

This piece was previously published by the Raleigh News and Observer and the Greenville Daily Reflector.

The Wright Brothers and why Government Shouldn't Pick Winners and Losers

BY RAY NOTHSTINE



Lt. Gov. Forest and others sent out reminders last month that December 17 was the 115th anniversary of the Wright Flyer's historic flight at Kitty Hawk, North Carolina. The occasion has long been a boon for tourism and recognition for North Carolina, clearly evident by our "First in Flight" license plate.

One of the most fascinating aspects of the entire saga was the race to be first. This is chronicled in books like "To Conquer the Air" by James Tobin and David McCullough's "The Wright Brothers."

Tobin notes that the Wrights, in large part because of their more humble background, were certainly viewed as the underdogs in the race if they were even thought of much at all. Their origins and dogged determination certainly helped catapult them into American icons once they achieved their feat in 1903.

The entrepreneurial side to that story serves as a great reminder of getting government out of the way when it comes to picking winners and losers and ending corporate subsidies and welfare.

The Wright Brothers built a workable aircraft for under $1,000 in three years, which included years of transportation costs from Ohio to North Carolina's Outer Banks. One of the reasons the Outer Banks won out to test the infamous flyer was not just because of ideal winds and topography, but the kindness and receptiveness of Kitty Hawk's weather station chief in responding to Wilbur Wright's correspondence.

The Wright Brother's largest American competitor, Samuel Pierpont Langley, had $50,000 in government funding and exceeded $20,000 in private investment but his aircraft and media hyped testing efforts ended up being a notorious flop. In the end, given the number of dignitaries and scientists attached to his race to be first, the media piled on and mocked his failed initiative.

Langley saw the elusive nature of flight as a problem of harnessing enough power, while the Wright Brothers correctly diagnosed the missing piece as one of balance. The Wright Brothers were inspired most by studying the bird in flight, whereas Langley's model was more akin to an arrow rapidly flying through the air. Many of the Wright's supplies came from their Dayton bicycle shop, not the high powered and expensive machinery being built by Langley's crew.

The Wright Brothers offer up quite the lesson in the importance of entrepreneurial innovation, deregulation, and getting government out of subsidizing what quite possibly could be an epic failure.

One congressman at the turn of the century summed it up well: "You can tell Langley for me, the only thing he ever made fly was government money."

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