

Developing N.C.'s economy, a state lottery top Easley's agenda

By Kerra Bolton Fisher, Staff Writer
Jan. 25, 2004 10:55 p.m.

RALEIGH - Entering the last year of his first term, Gov. Mike Easley is looking back on a busy year and preparing for his upcoming re-election campaign.

After consecutive years of budget shortfalls, this year's budget seems to be on target. He fulfilled campaign promises to lower class sizes in the early elementary grades. But getting the General Assembly to approve a statewide lottery still eludes him.

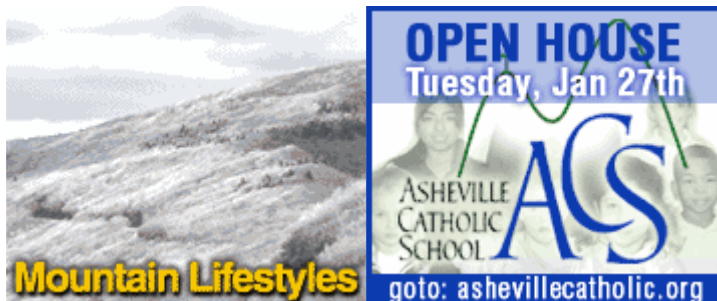
Easley sailed through national disasters such as Hurricane Isabel and survived man-made storms, such as the partisan bickering in a divided General Assembly. He crashed a racecar at Lowe's Motor Speedway and managed to only have his ego bruised.

Republican challengers are itching to take him on. They say he's not been engaged enough in the state's affairs. They also chide him for taking money from local governments and raising taxes to balance the state's books.

Easley recently took time out of his busy schedule to sit down with a Citizen-Times reporter. He talked about economic development plans, the chances for a North Carolina lottery and NASCAR.

Question: What are your plans for economic development for the entire state, particularly Western North Carolina?

ADVERTISEMENT



Governor Easley comments on:

[Jobs in North Carolina](#)

[Lottery](#)

[Death penalty](#)

Answer: The most important thing for us to realize as a state is that we have to do as much as we can to have the best business climate, not only in America, but in the world. Right now, we are recognized by Site Selection magazine and Development Councils International as having the best business climate in America three years in a row. It's the first time that any state has received that award for three years in a row.

We're trying to bring jobs in and grow our economy by making sure we have: a skilled workforce; the right infrastructure with our Moving Ahead road expansion and modernization program; investments in our community colleges, university system, K-12, and early childhood development. All of that builds a skilled workforce. It's important that we keep those investments up.

The second thing, though, is we have to recognize the backdoor problem. The backdoor problem is that manufacturing states, especially North Carolina with textiles and heavy reliance on furniture, is going to continue to lose jobs unless federal trade policy changes. That's why we keep calling on Washington to activate the special China safeguards. If they don't, then what will happen is January '05, all of the quotas will go away and we'll see a dumping (of jobs) like we've never seen before.

All we can do, since we can't control Washington, is control our state, the jobs we bring in and how we prepare ourselves for the new economy. That means more skills, more education and more infrastructure. That's what we're continuing to do while we ask Washington at the same time just to slow down this free trade agreement until we have time to transition. We can transition. We just can't do it overnight.

Q: How can we restructure economic incentives so that smaller, rural areas can benefit from these programs?

A: The Bill Lee Act gives more dollars to the lower wealth counties. We have five tiers, tier 1 through tier 5. Tier 5 would be Charlotte, Mecklenburg and Raleigh. The incentive is not quite so high to relocate there. The rural counties that you see in Western North Carolina and eastern North Carolina are your tier 1 and 2 counties. New jobs coming there automatically get a higher rate of tax credit.

Secondly, we have the One North Carolina Fund, which is cash money, which allows me to use those dollars to close the deal. They're used more in the rural counties than in the urban counties.

Then we have the Job Development Investment Grant, which we just got passed last year. With that grant, we are able to bring in jobs that will help us transition this economy out of the labor intensive and into the capital intensive, skill intensive economy of the future or really today.

Then we have the Golden Leaf Foundation, which is used for rural areas, for tobacco dependent communities, many of which are in Western North Carolina. Whether it's bright leaf, flue-cured or burley tobacco, those dollars are there to use as incentives to bring in and expand existing industries.

What we need to do now, and I'm hoping to get the Legislature to pass it this spring, is a R&D, research and development, tax credit. A lot of these new industries don't think like or act like or produce like the manufacturing bases we've seen in the past. They don't make a profit or plan to make a profit the first three, four, five, six years, because they invest everything back into the company. So they can't take advantage of a Bill Lee Tax Credit. What they have to do is have a research and development tax credit.

We're also trying to get passed a rebate. Right now there's a sales tax rebate if you're a manufacturer on equipment that you've purchased. It's been in place for a long time in North Carolina for manufacturing and agriculture (industries).

If we are moving into a more life sciences, semiconductor, and assembly plants - whether it is auto assembly or furniture assembly - we have to expand the sales tax rebate into those industries. If we do that, I think that will help us capitalize on the skilled workforce that we have and good infrastructure and business climate that we have.

But you have to have those things in place before incentives make any difference. If you don't have a workforce, there's not an incentive that can bring anybody here. That's why there's been so much emphasis on workforce development.

Q: A lot of the things you're talking about involve the future. Many folks out there don't have a job right now. How do you help the people who don't have jobs right now and are trying to feed their families?

A: Actually, the things I'm talking about sound futuristic, but they are the jobs of today.

If you look back on the past six months, some of the jobs we've been bringing in are: General Electric, and that's their entire nuclear division from Silicon Valley, to North Carolina; Merck, a biopharmaceutical; General Dynamics; Goodrich; Infineon. What you're seeing is we're building a real cluster of biotechnology in North Carolina. We're going to start our biotechnology center network pretty soon.

As a result of that, the Mercks of the world, Glaxo Smith Kline, they're going to need biomanufacturing that they haven't needed in the past. Right now we have 18,500 biotech jobs in North Carolina at 150 companies. Well, those businesses tell us that they are going to expand by quadruple rates over the next couple of years. If we just maintain the status quo, that's 78,000 (jobs) we would pick up.

But if we get aggressive and go after them, like we're doing with this biotech training center . then we can train biomanufacturing workers right out of the textile mills through the community college system. We'll be the only state in America, indeed the only place in the world that has this training facility.

We are now in the top five of biotech and biomanufacturing and biopharmaceuticals. It's us, San Diego, San Francisco, Baltimore and Boston. We can do everything they do and more with worker training, except we can do it 20 to 25 percent cheaper in cost - cost of labor, cost of land, cost for capital development, building the buildings and that sort of thing. We have a lot of those type (jobs) in the pipeline. A lot of the research and development might have to be done in the Research Triangle Park area.

But the biomanufacturing can be done and will most likely be done in areas with more plentiful labor and cheaper costs like surrounding counties . up in Swain, Cherokee, Clay, Buncombe counties. That's the reason we're investing \$65 million in the biotech training center network, as well as trying to get our workforce more skills through the community college system.

I was talking to a man the other day who sold his shrimp boat because the imported shrimp from China was cheaper than he could harvest them here. He sold his shrimp boat and went back to community college to be a nurse, which I thought was an interesting switch. You'll see those type jobs in health care and financial services continue to grow.

Most other states have lost jobs and not replaced them. We've been fortunate enough to replace them and most of them have been service sector jobs, financial, health care, education and information technology.

Q: Will you push for a lottery this year?

A: The lottery is not going to go away. The Legislature sooner or later is going to have to let people vote on it. They want it. The Legislature keeps blocking it. I'm going to keep fighting for it and keep bringing it up and twisting arms to get it.

Obviously, we know now with Tennessee opening up we're losing dollars, not to just South Carolina and Georgia like we used to and Virginia, but now to Tennessee. The question is not whether we're playing the lottery. Everybody in North Carolina knows that a lot of people in this state are playing the lottery. The question is are we going to keep the money in North Carolina or are we going to send it other states?

Right now, we're sending hundreds of millions of dollars a year to other states to build new schools while we're packing our kids in trailers in this state. Not only are we going to fight for it, I think we can get it passed.

But I think it's important to say what we want to use it for. There are three items that are particularly important. One is the (pre-kindergarten program) for at risk 4-year-olds, the More at Four program that has now gotten 10,000 in it. We can accommodate about 40,000 at risk kids, which eliminates the achievement gap.

Second is to lower the class size to 18 in grades K through 3. We've done that in kindergarten, first and second grade now. We need to do third.

The last is we have to help local governments with school construction. The school age population is growing in this state.

In so many states they would take the lottery money and put it toward education and then take that much out of education and put it someplace else. That's supplanting. We're not going to do that. We're going to have a separate fund that those dollars go into for those specific purposes. That way we can measure it and help local governments and our schools at the same time. We're making great progress in our schools, but those dollars would help.

Georgia has \$750 million last year from their educational lottery that we don't have in North Carolina. That means when times get better, they'll be able to reduce their tax burden and we will not be in that same position in this state.

You recall before we ever asked for any taxes, back in 2001, I pushed for six months to get the lottery. The Legislature said no, no, no and no again. It was only after that, in July, that in order to not make deep, drastic cuts in education, we had to go to that half-cent (sales tax) increase. That's something we wouldn't have done if we had a Legislature that was willing to give us a lottery.

Q: You have a bipartisan coalition in the House that tends not to take up controversial issues. Do you think it will be tougher to pass a lottery through this House?

A: I think giving people the right to vote on a lottery referendum I can get through the Senate pretty easily.

The House is where the problems are. I think what it is going to take is this - I think we're going to have to start keeping up with who is voting for it and who is voting against it and letting the people out in the communities know that. All we're asking the representatives in the House to do at this point is to give the people a right to vote on it. Whether they vote yes or no, we just want to give people the right to vote on it.

If they're not willing to do that then we need to let their constituents know and they can hear from their constituents, which will mean a lot more than hearing from me. But we're planning on making a real effort to make that an issue this time until we get the people's right to vote out there and done. This issue is not going to go away until they get a vote.

Q: How does the 2004-05 budget forecast look? How do we know when it's time to make further cuts or if we can let our belts out a little bit?

A: Right now, we're on target. But we will know by the end of January what came in for the Jan. 15th quarterlies. That's where we really get a feel for it. Then I'll know if we've got to batten down the hatches or whether we can be in a position to make greater investments in education and infrastructure.

At this point, we don't know a lot. We know there is a very slow recovery that hasn't translated into new revenues. New revenues generally lag behind the economy turning. But whether we see new

revenues coming in or not I think we still need to tighten our belts and make sure that we bring our agencies back to the core missions.

What we saw happening during the '90s is that everything was being funded and there wasn't a lot of accountability for these agencies to go through and find programs that duplicated one another. We've cut over \$1.5 billion out of the budget. The budget that was given to me after I was elected was more than the 03'-04' budget.

So, over a three-year period of time, our budget is lower and we've had to fund enrollment increases in community college, university and K through 12 and Medicaid increases every year, which comes up to \$450-500 million.

So you're really talking about these automatic increases each year for education or Medicaid that hit you for \$500 million and cutting \$1.5 billion at the same time. So, the more we are able to tighten our belts and get back to our core mission, the more we'll have to invest in our business climate and the workforce in the state, which will make the revenues grow and improve the quality of life for everybody in North Carolina.

Q: What's next for us on clean air legislation? How can we make sure that the Clean Smokestacks Act will be preserved, that we will clean up the state's dirty air?

A: Well, we are making progress on Clean Smokestacks legislation. That's probably the most important environmental legislation that we've had in decades. I believe that the next step is not just to clean North Carolina's air, but to make those around us participate. We are already negotiating some with other states. We're making some progress, both from the threat that we might take (legal) action, as well as their continued appreciation for the fact that one state can't control the air.

We're asking our (congressional) delegation in Washington and the EPA to recognize they are limiting what we can do on the state level. We want to do more than what the Clear Skies Initiative does. That actually restricts the state's ability to eliminate a lot of the pollutants and multi-pollutants. So, there's been more rhetoric than good substance out of the Clear Skies Initiative.

The people, especially in the west, can see it everyday. In Raleigh or Charlotte, you might get a little bit of a sinus headache from these orange ozone days. But when I'm up in the west at the Western Residence (in Asheville), I look across those mountains and I can see the haze. There is a way to reduce that. We don't have to get much help from Washington. We just got to have them stop fighting us on this.

Q: Many small business owners say they are having problems with providing health insurance for their employees while trying to remain competitive. How does North Carolina help small businesses grow?

A: The first thing to recognize is that 96 percent of all businesses in North Carolina have 100 employees or fewer. Seventy-seven percent have 10 and fewer. Small business is really important to this state.

I'm looking at lowering the corporate tax rate, which would help some of them. What I'd like to see us do is have a \$25,000 to \$55,000 exclusion of the first dollars that are made by a small business. Just like you get an exclusion on the first \$5,000 or \$6,000 made. Businesses don't get that. That would encourage and give an incentive to small businesses to expand and grow.

Other than that, we can continue doing what we're doing at the Department of Commerce now with the small business development grants and what we're doing in conjunction with the Rural Center and Golden Leaf Foundation in order to help small businesses grow in the rural areas of North Carolina.

But that is where most of the jobs will come from in the future. And that is why we have to be very, very smart about the research and development tax credit, that sales tax rebate for the purchase of equipment and the exclusion of the first few dollars made.

Q: How do we make sure that NASCAR stays in North Carolina?

A: NASCAR is pretty much going nationally and internationally now. The takeover by Nextel, where RJR had the Winston Cup, won't affect that much how many races stay in North Carolina. That won't be decided by the sponsor, Nextel, but it would be decided by NASCAR, the leadership there, along with the drivers and the owners.

They like having the All Star race in North Carolina and I'm working with NASCAR to try and keep Nextel's All Star Race in North Carolina at Lowe's Motor Speedway.

We're currently doing a study on building a cluster of innovation in that area, along that I-85 corridor. Everybody who thinks these are just a bunch of good ol' boys with long-neck Buds figuring all of this out are sadly mistaken.

All of these people that you see in these outfits in the pit crews, most of these people are engineers. They look like kids. They've just graduated from N.C. State in engineering, Purdue, MIT. They're smart and they know an awful lot that I think can be transformed into more jobs and building a cluster of innovation on motor sports right here in North Carolina. We're working toward that. Pretty much all of the teams are here.

And what we ought to be looking to NASCAR for is their part of motor sports in general. We're running a program out of UNC-Charlotte now where anybody can attend and learn how to work on the aerodynamics and the skill that goes along with that. I think it's a fantastic place to make money. What you do when you're building an economy is find something you do well and you build on it.