

Bill Faison

North Carolina House of Representatives

Representative District 50 – Caswell & Orange Counties

300 N. Salisbury Street – Room 405, Legislative Office Building

Raleigh, NC 27603-5925 Phone: (919) 715-3019 Fax: (919) 832-6362



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North Carolina's Economic Climate: Policy Response for Economic Prosperity for Working, Middle Class Families

Background

More than 64,622 people newly filed for unemployment in November of this year, up 6,212 over October. More than 451,413 North Carolinians are unemployed according to the Employment Security Commission's most current report. This is 10 percent of our State's workforce. The actual number of folks who are unemployed is much higher. The Employment Security Commission does not count people who have taken part time work or who have given up looking. The actual number of folks without any employment or full time employment, based on information provided by the Bureau of Labor Statistics, may be as many as 771,916 people, a rate of 17.1 percent.

America went into a Recession in December of 2007. It emerged with a fragile recovery in July 2009. Trillions of dollars of personal wealth (much of it in home values) have been lost in the recession. The time it takes to find a job if one is lost has gone from 16 weeks in December 2007, to 24 weeks in July 2009, to 40 weeks today, longer than any time in the last 60 years. Worse, when a new job is found, it pays 17.5 percent less. Moreover, household income has declined by almost 10 percent during the decade 2000 to 2009.

The San Francisco Federal Reserve Bank has recently published research saying that more likely than not the U.S. will enter a Double Dip Recession by early 2012. The probability for this is increased because of the European Debt Crisis which has spread from Ireland to Greece to Portugal to Italy, and continues to threaten Spain and France. Eurozone manufacturing has now declined for the fifth straight month and swaths of Europe appear to be descending into recession according to the Wall Street Journal. The 2007 Recession was preceded by a similar warning from the Federal Reserve.

A second recession will likely hurt people even more than the first. One reason is that tools available to the Federal Reserve to reverse a recession have been exhausted raising the specter of a longer and deeper recession.

What does this mean for North Carolina? It would mean even fewer jobs for even less pay. The standard of living for everyone goes down, as does personal wealth and future prospects. With households having even less to spend, recovery for our consumer driven economy becomes even more problematic.

Rising unemployment is both a cause and a symptom of a recession. We can do more. Governments set policies that promote business and job creation. Entrepreneurs and businesses create jobs.

In response the current economic climate, there are policy actions we can take now to get out of the economic crisis and downward spiral and secure the promise of a prosperous future for our working, middle class families.

Jobs

In September, I worked with the Members of the House Democrats' Business Caucus to deliver a practical, common sense solution to a jobs crisis provoked by the Republican Budget which put approximately 36,000 people out of work. The Budget let the one cent sales tax expire last summer. If we were to cut that penny by thirty percent and roll a fractional seven tenths of a cent sales tax back into the Budget we could put back to work all of the teachers, teachers aides, and other State employees fired by the Republican Budget (6,455 people), rehire the 15,415 private sector jobs lost because of cuts to Medicaid and SCHIP (State Children's Health Insurance Program), and rehire the other private sector jobs lost because of the economic effects of the other job losses.

Our plan assists our State's small businesses, those hiring less than 20 employees, those businesses that make up 86.7 percent of all employers. Big businesses have had plenty of tax breaks but not the little guy. We need to modernize our tax code to give small businesses an incentive to hire. We can pay for these incentives by closing some of the tax loopholes. A Department of Revenue Study in 2009 found \$5.8 billion in tax loopholes and that four years earlier, sixty five percent of regular C corps filed tax returns showing no tax due.

Further, we can repeal the \$39 million Tax Loophole that the Senate Republican Leadership passed in the midst of the Great Recession. With \$5.8 billion in tax loopholes already on the books, they passed a new tax loophole for multi-state businesses that allows a business to move all of the money earned in NC to another state without paying any NC income tax. Everyone has to do their part to get through these tough economic times. Additional big business tax loopholes put more of a burden on the rest of us.

By focusing on a smart tax policy, we can help small businesses invest in people and infrastructure.

Education

North Carolina has been known nationally for our commitment to education at every level. The Republican Budget took us to 49th nationally in per pupil educational spending. This is not good enough for our kids. We must promote education and stimulate job growth and economic prosperity for North Carolina's working, middle class families.

We have Small Business Technology Development Centers and technology transfer programs through our Consolidated University System. The same University System is number seven nationally in patents owned. A single patent can be the basis for a new business. We need to be smart and use common sense policies that take advantage of our Education resources to not only educate people for better jobs but also to promote business development which creates better jobs.

Our Community College System's 58 campuses support our Small Business Centers. We need to educate, support and encourage entrepreneurial development within our communities. We already have Business and Community Programs through the Rural Center. Smart use of State funds promoting rural products will also help folks build and expand operations leading to more jobs.

We need to think of our education process as an escalator to work, better jobs and higher compensation, and we need a focus on jobs as a motivator for education. *Greater opportunities for better compensation through education* is an important component of a practical "drop out" prevention program.

We need a renewed commitment to investing in education. We need to be smart about how we invest in education. Where possible we need to make our expenditures benefit us in more than one way. We should set a goal of providing at least every high school student with a laptop/Ipad for internet access. Every school should be fully WiFi-equipped and at least every high school student should have free true high-speed internet access at home. Moreover, we should encourage family use of internet access for educational, entrepreneurial and economic purposes. Investing in our children's education is the key to their future, our economic evolution and our progress as a society. Making this investment in a way that helps our people participate in the information age economy also helps us recovery economically.

Energy

Energy policy is an integral component of our national and state economy. National dependence on oil is costly to us as individuals and as a State. As a nation, we know dependence on oil is detrimental to our national security by keeping us tied to dangerous and unstable regimes, and without doubt, burning fossil fuels is detrimental to our environment and has a cost in terms of public health.

Energy policy evokes many opinions. Gas prices have a tremendous effect on working, middle class North Carolinians as they struggle to keep jobs, get new jobs that pay less and potentially travel further for their jobs. Other countries are deep into incentives and new technologies for fuel efficiency, biofuel transformation and new sources.

What can we do as a State? **We must pursue Smart Energy Policies.** The Republican leadership seems to be driven by motivating their biggest contributors to give more money rather than serving the needs of the people. Their hydraulic fracturing "fracking" bill is an example of this effort. The bill chases oil at the expense of safe drinking water, coastal estuaries and coastal tourism jobs (67,000) that generate greater revenue (\$4:\$1). They put \$500 million in the bill for well damage and then say they will not damage a well. The Southern Environmental Law Center researched fracking and says gas formations are underneath or upstream from public water supplies for 2.4 million North Carolinians. The cost to quality of life, public health and environmental risk for our water supply has not been quantified.

This week, Ohio became the latest state to take action on fracking, due to the possible link between seismic activity and wells used to dispose of waste water from oil and gas production. State officials ordered a halt to the practice after several minor earthquakes. Injection wells have been proliferating in Ohio to accommodate growing volumes of waste water left over from hydraulic fracturing, which involves blasting water, sand and chemicals underground to break apart dense layers of rock to free up oil and gas.

The Ohio situation is but another concern for the now known detrimental effects of this process. The fracking legislation goes further to change the State's Energy Policy Council by reducing its members from 16 to 12 and slashing in half the number of public interest representatives who look out for the environment and local communities while tilting the balance to business interests. With respect to regulatory reform, the bill makes it difficult to set environmental rules and instead of addressing specific regulatory problems, there is a shotgun approach to all of it. And while it might sound desirable and business-friendly to streamline the regulatory process, in the end, the result will be a bloated and more cumbersome system requiring detailed analysis and alternatives even in cases where there is agreement on what to do. This bill handcuffs regulators to respond to challenges.

A secure, stable and predictable energy supply for future economic growth and job creation lies in a menu of options, not further dependence on one technology and one source. The fracking legislation promises jobs and relies on one technology and one source.

We must look at ways to balance environmental standards and health considerations with the need for jobs and the economy. We face difficult and critical times on both environmental and economic fronts. And, risks to public health have exponential costs and attendant economic burden associated with healthcare costs which are increasing at a rate out of all proportion to any other costs within our society.

Economic development is critical to our society and even more so following the Great Recession as we struggle with a fragile recovery while teetering on the brink of a double dip into recession. People are struggling with high unemployment, business failures and shrinking wages. We must address the critical need for jobs and business growth to promote jobs. But we must strike a balance between our important values including; protecting our environment, health, and quality of life, and promoting and creating jobs, businesses, and economic opportunity. The answer is a smart energy policy that achieves this balance

Over the past decade, States have played an increasingly important role in providing financial support to renewable energy development and projects, with funding often derived from state-established public benefit funds. States are using a range of financial tools for renewable energy projects that range from rebates, to competitive grants to loans; and, policies for tax incentives, net metering and interconnection rules, and renewable portfolio standards. The answer is a strong energy policy, one that protects individuals and the environment and public health, while advancing our way of life and current and future economic security. We need to use these tools and policies in a portfolio of effective programs and initiatives that work in North Carolina.

There are some very real means of assessing alternative energies and implementing these alternatives to promote environmental and public health, and still drive economic development and efficiency. Market Transformation of renewables entails excessive upfront costs. State policy can help drive demand, manufacturing innovation, and rate of adoption. New markets create jobs for distributors, installers and manufacturers. And the general public benefits from greater energy efficiency and eventually reduced costs. Because of aging electric grids, distributed renewable energy can reduce the stress and lower the risk of brown and black outs.

To truly pursue smart energy policy, we must look to regulations for offshore drilling/shale drilling projects to allow the safe, responsible development of offshore and inshore energy; investment via tax credits for new technology; incentives for conversion to alternative fuels; and a plethora of energy efficiency options for homes, industrial buildings, public buildings, start-up business incentives for energy efficiency; and a patent/licensing policy at our Universities related to energy technologies.

The Republican Leadership is promising jobs based on their fracking bill which focuses on one energy source, fraught with problems, and limited technology. ***A Smart Energy Policy should present financing and policy options and an evaluation of various energy sources while providing programs that are sufficiently targeted, funded and supported by the market with appropriate financing, investment and participation opportunities through rebates, incentives, grants, loans and loan guarantees, leases, contracts, tax credits, sales and property tax exemptions and public projects.***

Governing

Don't Waste Our Money On Divisive Constitutional Amendments That Do Nothing. The Legislature adjourned in June after passing one of the worst Budgets ever. Since then the Republican Leadership has brought us back into Session repeatedly to do one meaningless thing after another at a cost of \$50,000 a day. Before they are done they will waste \$1.1 million of our money on unnecessary Sessions that do nothing meaningful. Among the meaningless activities is a constitutional amendment that does nothing more than confirm a law that has gone unchallenged for more than a decade. That law says marriage is only between a man and a woman. The Republican Leadership is playing divisive partisan politics. They want to put this well-settled law into our Constitution, not to change the law, but to bring out their radical base. This is a bad strategy that only serves to drive them further and further into radical, inflexible and intolerant social positions.

In addition, the Republican Legislative leadership passed legislation telling women what they must do to get medical care in support of their right to choose. These are very personal matters where women are guided by their faith, their family and the independent counsel of their physician. The Legislation intentionally makes very difficult personal decisions even more difficult by trying to embarrass, intimidate, and place guilt on women. The Legislation went on to interfere with the relationship between women and their doctors by telling doctors what must be said to women, shown to the women and enacting criminal penalties to enforce it.

And, there is still an effort underway to take the vote away from people. Our right to vote is critical to our democracy. The Republican Leadership seems to believe that many folks living in inner cities, using public transportation and foregoing drivers' licenses vote Democratic or Unaffiliated. Moreover, they believe that older folks who have given up driving also make up a meaningful part of the Democratic and Unaffiliated vote. In a blatant effort to take the vote away from these folks, they passed legislation requiring specific IDs as a condition for voting. Their strategy to 'end run' a veto of this Act is to pass local legislation doing the same thing ("local legislation" affects no more than 50 counties and is thus not subject to veto). After all, the bulk of the Democratic and Unaffiliated vote is concentrated in less than 50 counties.

And, today, we are here to sustain a veto of the very partisan effort to repeal the Racial Justice Act. The Democratic Legislature passed the Racial Justice Act almost three years ago. The

Act says that if someone can show that a death penalty was imposed because of race, then the sentence is changed to life in prison without the possibility of parole. The issue is presented to the very same judges who impose the death penalty and allows testimony from prosecutors, court personal and others along with statistical information. Sometimes the truth is in the numbers. The standard is difficult to meet but a very important question to ask. Prior to this last Session few votes were taken on party line votes. This bill was one of those few. All Republicans voted against it when the Act was before the Legislature and all Democrats but one voted for it on final reading. Now the Republicans have repealed the Act in another party line vote. I helped get the Act through the Legislature and fought against its repeal. No one should be put to death because of the color of their skin.

Smart effective government spends our money meaningfully, wisely, frugally and effectively. It respects all of our people and our various views, and does not turn control over to social radicals. Divisive constitutional amendments, oppressive legislation taking personal rights and invading personal freedoms, and repealing laws intended to assure that even the harshest of our laws are fairly administered is just wrong.

We Need to Make Government Work for People. Everyone knows that Republicans do not make Government work for people. This Legislative Session they have demonstrated over and over again that they will not effectively govern. They have shown this by sacrificing our kids' education (NC is now 49th Nationally in Educational Spending) and healthcare (big cuts to SCHIP), firing people (this Budget) while increasing big corporate loopholes (Senate \$39 million additional tax loophole for multi-state corps), and chasing corporate-based political contributions while taking away individual rights. The role of government is to serve the interests of the people. Effective governing is about pooling resources to educate, provide services and infrastructure, and improve the quality of life for everyone. Democrats have a proven track record of getting the job done. The Republicans have proven, yet again, that they cannot get it done.

WE CAN FIX THIS. We can put people back to work. We can have a smart tax policy. We can make education work for our kids. We can have an energy policy that meets our needs and protects our water and air. We can have a government that respects the rights and freedoms of all of our citizens. We can have a government that works. Working together, using good common sense and practical solutions, WE CAN FIX THIS.

As a single Dad, I am focused on the future -- quality jobs and the education that leads to those jobs, and energy sources that protect our States' resources while allowing us to grow our economy. The safety, security and promise of a prosperous future in all North Carolina communities depend on the policies we enact now, and these policies will provide the foundation all working, middle class North Carolina families need as we weather the economic challenges.

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