

OUR GAME PLAN TO REVIVE NORTH CAROLINA'S ECONOMY



CAROLINA REBOUND



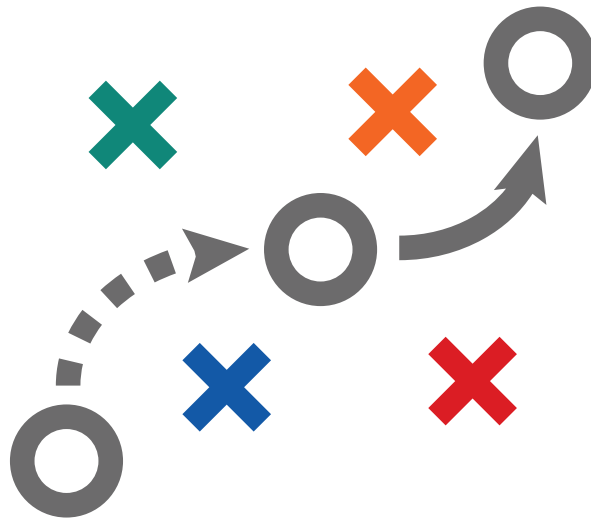
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*“Twenty-five years I have worked to build this business, and
in 25 seconds this governor has jerked it away again.”*

Jason Morgan

Owner of Musclexorx Fitness in Wilmington,
in an interview with a local news station.



Our Game Plan To Revive North Carolina's Economy

Claims for unemployment benefits in North Carolina have topped 1 million. Never have so many jobs been lost so quickly. It seems insurmountable. Legendary UNC basketball coach Dean Smith said, "There's a point in every contest when sitting on the sidelines is not an option." For the future of North Carolina's economy, that point is now.

In that spirit, the John Locke Foundation will do what it always does: provide a thoughtful, well-researched public policy guide for how North Carolina can navigate challenges ahead. On the pages of *Carolina Rebound*, we provide the game plan for winning the economic recovery.

COVID-19 has been historic and jarring. As of this writing, it has claimed 615 lives, according to the North Carolina Department of Health and Human Services. Gov. Roy Cooper's response to the virus has claimed livelihoods from 1 million North Carolinians, according to the Division of Employment Security.

Since March 12, when the John Locke Foundation posted its first COVID-19 Research Brief, we've published hundreds of pieces providing policy solutions to help North Carolina "flatten the curve," avoid stress in our health care system, reduce regulations, and use taxpayer money wisely. That was to help us through the immediate crisis.

As we look to reopen, we face a very different economic landscape. The challenges we face are historic and enormous. In a free society, with great challenges comes great innovation. We've already witnessed some of it. Ron Joyce, CEO of Joyce Farms, is a prime example. We should be doing everything we can to unleash and ignite North Carolina innovators like Joyce.

Unfortunately, the Cooper administration thwarted Vitality Fitness owner Steve Pinkerton's innovative ideas for reopening. We can't change Gov. Cooper's policy decisions that led to this economic catastrophe, but we can make sure that North Carolina rebounds and that freedom and innovation win the future. That's why we are unveiling *Carolina Rebound*.

Carolina Rebound focuses on four crucial policy areas: fiscal, health care, education, and regulatory policies. We answer this critical question: What does winning public policy look like in a post COVID-19 world?

Several things we know:

- » We must expand health care capacity
- » We must allow parents more options for educating their children
- » We must make permanent the relaxation of regulations that we now know were never needed in the first place
- » We must protect North Carolina taxpayers from an unaffordable expansion of government in both size and scope so they can invest more of their hard-earned dollars to create new jobs

JLF's Director of Regulatory studies Jon Sanders nailed it early on in the coronavirus crisis when he wrote, "This isn't a fight we expected, but know this: It's a war a free society is uniquely geared to win."

We can't stop every crisis from happening, but we can create an atmosphere of freedom that encourages creativity and innovation to lessen the impact and win the recovery. That's *Carolina Rebound*.

We've done this before following the 2007-2009 recession. Prior to COVID-19, North Carolina was a case study for the economic boom that follows the implementation of proven pro-freedom policies.

We will do it again. Follow our playbook, and North Carolina will rebound.



Amy O. Cooke

AMY O. COOKE
CEO
JOHN LOCKE FOUNDATION

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CAROLINA REBOUND

**BUDGET, TAXATION,
AND THE ECONOMY**

BUDGET, TAXATION, AND THE ECONOMY

POLICY ANALYST: JOSEPH COLETTI

INTRODUCTION

North Carolina's strong fiscal position at the start of the COVID-19 crisis was a combination of planning and providence. Since 2011, the Republican-led General Assembly has kept spending growth at or below the combined increase in population and inflation.

Slow spending growth provided room for state government to save more and tax less. The General Assembly's reforms reversed more than a decade of fiscal irresponsibility, a period when increasing taxes to spend more was standard policy. Fiscal prudence left state government and North Carolinians better able to weather the economic effects of the current crisis.

Providence stepped in with the pre-COVID-19 budget standoff over Medicaid expansion, which left \$1.75 billion available that would otherwise have been committed to capital projects, teacher raises, and Medicaid's transition to managed care. As a result, North Carolina's unreserved fund balance was projected to reach \$2.37 billion for the year ending June 30, 2020, in addition to the existing Savings Reserve of \$1.17 billion.

In contrast, the federal government continued to run trillion-dollar deficits despite the growing economy, as bipartisanship resulted in lower taxes and higher spending on nearly everything. The Federal Reserve had not found a way to seriously reduce the \$4.5 trillion in assets it acquired during repeated rounds of monetary interventions between 2008 and 2014.

Some local governments in North Carolina have also been spending beyond their means. More of them have raised property taxes or sales taxes. Others have used cash balances or other budget shenanigans to avoid cuts. Counties and municipalities get most of their revenue from the property tax, which provides a regular stream of income in good or bad times. Sales taxes fluctuate more, but have been increasing as a share of local government revenue.

Forty-four counties have increased their dependence on sales tax revenue with voter approval of local-option sales taxes. With those changes, sales taxes now make up 17 percent of revenue for the median county and 30 percent for the median municipality. Pension and infrastructure needs have been pressing on local government budgets for years, and city and county officials were just beginning to hope the General Assembly and Gov. Roy Cooper would provide new money before coronavirus hit in 2020.



Legislators and the governor had agreed on the need to provide \$4 billion for school construction, local water infrastructure, and other construction projects. They disagreed whether to borrow the money and increase spending on operations or to appropriate it through the recently created State Capital and Infrastructure Fund.

COVID-19 CONTEXT

COVID-19 affected government budgets at all levels. State and local governments face dual threats of a short-term budget crisis and a long-term federal debt crisis. While dealing with current spending and tax challenges, they should also implement structural reforms on spending, debt, taxes, and capital to improve financial resilience.

Voluntary and mandatory restrictions on social interaction, both recreational and vocational, have crushed the economy and pushed unemployment higher than endured during the Great Depression. Tax revenues from income, fuel purchases, and general sales have fallen with this economic collapse. The same forces have compelled more government spending for income supports, public health, and other social services, and changed the way much of government works and interacts with the public, from virtual public meetings to online education.

By April 30, unemployment claims reached 963,000, with 811,000 “related to COVID-19.” Because private sector businesses have been forced to close in response to the pandemic, they will not be charged higher premiums based on their experience laying off workers during the crisis. This is good for businesses but means the insurance trust fund has to pay more in benefits without higher premium revenue to cover part of the increase. Fired and furloughed workers face fewer restrictions on state benefit eligibility and can receive up to \$600 more per week from the federal government. All taxpayers received a grace period until July for filing income tax returns and paying income taxes. Neither penalties nor interest will be assessed.

While tax revenue has been delayed or disappeared, spending has increased in order to transition to online learning, provide tax refunds, and meet the increased demand for government assistance like Medicaid.

Congress passed three successively larger appropriations bills providing aid to states and meeting the public health and economic crises in March, culminating in the \$2 trillion CARES Act. North Carolina expected to receive more than \$5 billion in federal funds from these bills. As originally written, however, state and local governments could not use the \$150 billion from the Coronavirus Relief Fund – a provision of the CARES Act – to offset lost revenue or provide tax relief to people and businesses already struggling in the economy.

That meant North Carolina and its cities and counties could only use the \$4 billion from the Coronavirus Relief Fund for new programs, however wasteful, instead of filling gaps and preventing tax hikes. Local governments were already setting aside money to help keep businesses open and keep water flowing to homes that could not pay their bills. The CARES Act restrictions meant the local governments could use federal money for the business support (a new cost) but not the water bills (a continuing cost with lost revenue).

The long-term fiscal implications of the federal relief bills are ominous. The legislation included huge outlays for personal protection equipment, vaccine development, testing, federal matches for Medicaid, testing and treatment for uninsured, paid family leave, payroll protection, unemployment, education, and payments to individuals (but not college students or other dependents older than 16). The Center for a Responsible Federal Budget projected on April 13, “that under current law, budget deficits will total more than \$3.8 trillion (18.7 percent of GDP) this year and \$2.1 trillion (9.7 percent of GDP) in 2021. We project debt held by the public will exceed the size of the economy by the end of fiscal year 2020 and eclipse the prior record set after World War II by 2023.”

CAROLINA REBOUND

RECOMMENDATIONS

GENERAL PRINCIPLES

TIGHTEN PURSE STRINGS AND CONTINUE TO SAVE FOR FUTURE CRISES.

1. Reduce spending immediately.

When revenues fall and emergencies arise, spending priorities must shift. On March 23, Ohio Gov. Mike DeWine froze government hiring and asked his agencies to cut budgets by as much as 20 percent through July 2021. It took Gov. Cooper until April 23 to limit new purchases, travel and training, hiring, and individual pay increases. Reductions are needed as soon as possible if revenue projections prove overly optimistic. Tax revenues are sure to have slowed as a result of voluntary and government-enforced restrictions on commerce and involuntary reductions in pay and employment, even as the state has to cover new pandemic-related expenses.

2. Amend the state constitution to limit spending, debt, and taxes.

A proper amendment would 1) allow tax hikes or higher spending growth only if approved by public referendum or a legislative supermajority, 2) deposit excess revenue in the Savings Reserve (rainy day fund) or refund taxpayers, 3) prevent ratchet effects from recessionary spending cuts, and 4) limit General Fund appropriations, debt, and total spending.

3. Prepare for future storms and economic downturns.

Even as state government navigates the unique challenges of the global response to coronavirus, North Carolina has had to tap the rainy-day fund for relief and recovery from hurricanes twice in the last four years, so it cannot deplete the Savings Reserve. North Carolina should have 10.9 percent of prior-year General Fund operating budget appropriations in its Savings Reserve rainy-day fund, or \$2.6 billion.

TAXES

**PEOPLE AND BUSINESSES CANNOT AFFORD TO PAY MORE.
DON'T ASK THEM TO.**

1. Do not raise taxes.

Make every effort to reduce spending to ensure tax rates do not increase and to cut taxes if possible.

2. Suspend, reduce, or eliminate income tax on tips and gratuities and eliminate the corporate income tax.

These taxes hurt small businesses and service workers. Tax writers may also consider reducing the minimum franchise tax from \$200 to \$35, as it was before 2017, to help smaller businesses. Because corporate profits are likely to shrink, eliminating the corporate income tax would have a minimal revenue impact on the state but provide much-needed relief to businesses.

3. Treat work from home the same as work in the office for sales tax nexus and income tax.

If someone works for a company in Virginia, for example, but lives in North Carolina, neither the employee nor the company should have to learn new tax rules because the employee is now working from home as a result of COVID-19. The employee and company should continue paying income tax for the work-from-home period as normal, and the employee's work-from-home office should not be considered a location for the company that would make it prematurely subject to North Carolina sales taxes. Conversely, employees who have been remote workers paying income tax based on their physical location should not now be subject to income tax in the jurisdiction of their employer. This should not be an issue under North Carolina's tax code, but the legislature may need to remind the Department of Revenue that overzealous pursuit of revenue is not helpful.



CAPITAL PROJECTS

LEGISLATORS SHOULD RECONSIDER WHAT THE STATE GOVERNMENT ALREADY OWNS AND WHAT FACILITIES WILL BE NEEDED AFTER COVID-19.

1. Limit capital spending beyond debt service.

Paying for capital from current revenue ensures construction, repairs, and renovation happen on schedule and provides more flexibility in the future instead of tying up hundreds of millions of dollars in debt payments.

2. Consolidate state-owned facilities.

Having successfully implemented telework due to the pandemic, state agencies should be able to accommodate smaller, more flexible workspaces for many roles. More functions can also be handled online. All of this means the state needs less office space. It can sell what is not needed, improve what is left, and consider ways to maximize the return on prime real estate.

3. Make State Capital and Infrastructure Fund (SCIF) an appropriation, not a transfer.

The SCIF is designed to serve as a dedicated pool of money from which to appropriate money as it is available, with any unspent funds carrying over as a balance. Future funds are earmarked once projects are identified and have their initial appropriations. It makes the most sense for the legislature to make payments to the SCIF as an appropriation instead of as a transfer when they return to normal budgeting. This would provide more transparency and greater restraint on overall spending levels.

LOCAL GOVERNMENT

REVENUE DECREASES DUE TO CORONAVIRUS MITIGATION MEASURES WILL HIT TOWNS, CITIES, AND COUNTIES HARDEST. PLAN ACCORDINGLY.

1. Local governments should adopt spending caps.

Counties and municipalities should limit spending increases to the rate of inflation and population growth.

2. Vote on revenue before Memorial Day, vote on expenditures in June.

Separate votes on revenue and spending could provide better transparency and accountability for local governments.

3. Rely more on property tax than sales tax.

The property tax is a more reliable revenue source for local governments than the sales tax. Regular reappraisals make housing markets more liquid but risk hiding tax increases. The tax rate should be revenue neutral in the first year of a broad property revaluation to prevent hidden tax increases.

4. Limit sales tax votes to November in even-numbered years.

North Carolina has wisely limited the options for local sales taxes and when a vote can be held on a sales tax referendum. County governments have been abusing even the limited flexibility they have. To prevent governments from picking their voters, tax referenda should be held only in conjunction with statewide general elections in November of even-numbered years.

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Having successfully implemented telework due to the pandemic, state agencies should be able to accommodate smaller, more flexible workspaces for many roles.



5. Ease the financial burden on small local governments and school districts.

Allow and encourage local governments and local education agencies to share services to improve quality and reduce the cost of finance, IT, human resources, and other administrative functions.

FEDERAL FUNDING

**REMEMBER, IT'S NOT MANNA FROM HEAVEN.
IT'S UNPRECEDENTED DEFICIT SPENDING FROM
WASHINGTON, D.C.**

1. Use federal relief funds responsibly.

The federal government is borrowing trillions of dollars to provide billions to North Carolina for education, Medicaid, and other coronavirus-related costs. Lawmakers should avoid the temptation to spend this money too quickly or on new recurring expenses that will eventually revert to the state.

2. Demand the federal government cut spending and balance its budget quickly after the response to the COVID-19 crisis.

Trillions of dollars in deficit spending, a debt larger than the economy, and massive balances at the Federal Reserve are unsustainable. Everyone in state government should keep the pressure on our delegation in Congress to reduce federal spending and get on a path towards balance.

3. Unify the safety net for food (SNAP and WIC), health (Medicaid), housing (Section 8), cash assistance and early childhood programs (TANF), and other needs.

A single stream of funding from the federal government could provide room to better tailor assistance to the needs of North Carolinians. Making that single stream a block grant would cap federal contributions and reduce pressure on federal spending. Social Security, Medicare, defense, and interest on the national debt are beyond the ability of North Carolina to influence except through advocacy.



CAROLINA REBOUND

EDUCATION

EDUCATION

POLICY ANALYST: **DR. TERRY STOOPS**

INTRODUCTION

On Friday, March 13, 2020, North Carolina's 1.6 million public and private school students received their final day of in-person instruction. A day later, Gov. Roy Cooper issued Executive Order 117 that directed all public schools to close to students for at least two weeks.

Most school district and charter school leaders recognized that school closures would extend beyond the initial two-week period, so they began developing plans to shift to remote instruction. By the time Gov. Cooper issued his March 23 order to extend school closures through mid-May, most public schools had initiated remote learning plans, although a handful of school districts and charter schools shifted scheduled vacation days to delay the launch of their plan. On April 24, Gov. Cooper issued an executive order that closed schools for the remainder of the school year, becoming the 42nd state to do so.

Despite the best efforts of North Carolina educators, elected officials, parents, and researchers worry about the "COVID-19 slide," that is, learning loss magnified by the interruption of conventional classroom instruction due to the coronavirus mitigation measures. Obviously, the magnitude of the learning loss for individual students depends on the quality of instruction, availability of instructional tools, parental involvement, and numerous other factors. Learning loss is one of the many challenges that await educators when the 2020-21 school year begins in August.

COVID-19 CONTEXT

During the last week in March, the North Carolina Department of Public Instruction (DPI) conducted a survey to determine the scope of remote learning, that is, the use of video conference, telephone conference, print material, online material, learning management systems, and related means. DPI's Remote Learning Plan Survey captured the responses of 95 traditional school districts and 21 charters and non-traditional schools. The survey results reflected the divergent ways that districts and schools conducted remote learning since March, as well as the startling differences in student participation. While the mobilization effort has been remarkable, it also has been uneven across classrooms, schools, and districts.

Around 90 percent of the districts, charter schools, and non-traditional schools that responded to the survey had a remote learning plan in place, 10 percent had a plan in progress, and less than 1 percent did not have a remote learning plan at all. Of the districts executing their



remote learning plans, 51 percent reported that students were reviewing previously taught content, and 49 percent reported that students were learning new material.

In addition, student participation varied significantly. For the districts, charters, and non-traditional schools that were actively monitoring student participation, only 42 percent reported that between 80 and 100 percent of students participated in remote learning. Another 40 percent had participation rates below 80 percent. Alarming, approximately 18 percent of respondents did not know the percentage of students participating in remote learning opportunities.

It is difficult to capture the range of remote learning approaches utilized by educators. Most public school teachers deliver online instruction using a variety of online tools or learning management systems, such as Blackboard, Canvas, and Moodle. Students who do not have home internet access or a suitable device to access online content were given packets of assignments by their teachers or received a computer and accessed complimentary wireless hotspots. The Remote Learning Plan Survey indicated some commonalities by grade level. Elementary school educators use check-in phone calls and take-home packets most often. In middle and high schools, check-in phone calls were paired with the distribution of activities using learning management systems.



Learning loss is one of the many challenges that await educators when the 2020-21 school year begins in August.

Public schools continue to offer remote learning opportunities to keep children engaged, satisfy school minimum instructional time requirements and justify the continuation of compensation. At the same time, school leaders are faced with the possibility that schools will continue to conduct remote learning into the next school year. Elected officials are working to ensure that educators and students have the resources to be successful.

Shortly after Gov. Cooper issued the first order to close schools, state funds began to flow to North Carolina schools. On March 24, Gov. Cooper directed \$50 million in emergency and unused education funds to address COVID-19-related expenses in districts and charter schools.

President Trump signed the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27. Education funding was a substantial component of the CARES Act. According to the Congressional Research Service, North Carolina will receive an estimated \$856.5 million in Education Stabilization fund dollars. This is composed of the Governor's Emergency Education Relief Fund (\$95 million), Elementary and Secondary Schools Emergency Relief Fund (\$396.3 million), and the Higher Education Emergency Relief Fund (\$365.2 million). The North Carolina General Assembly allocated a portion of those funds during the 2020 legislative session. The initial appropriations bill included \$75 million for school nutrition services, \$70 million for a supplemental summer learning program, and \$30 million to provide computers or other electronic devices to public school students.

CAROLINA REBOUND

RECOMMENDATIONS

SCHOOL CHOICE

FAMILIES NEED EDUCATIONAL OPTIONS THAT CORRESPOND TO THEIR NEEDS AND INDIVIDUAL CIRCUMSTANCES.

1. Eliminate caps on charter schools.

The leaders of the largest teacher unions in the nation, the American Federation of Teachers and the National Education Association, have warned elected officials that they would support strikes and protests if school reopened without satisfactory health and safety measures in place. The threat of large-scale disruption to the coming school year may encourage some parents to explore educational alternatives, such as charter schools. To accommodate these families, North Carolina's charter schools should not be subject to restrictions on student growth. Rather, the school would assess the physical limitations of the campus and classrooms and make enrollment growth decisions accordingly.

2. Approve multiple charter school authorizers.

While the Charter School Advisory Board provides recommendations and information to the State Board of Education, the state board is the only entity that may approve charter schools. At minimum, the state should extend authorizing authority to other entities. Authorizers may include for-profit companies, county commissions, city councils, mayors, or boards of trustees of two- or four-year institutions of higher education. Ideally, each of these entities would be authorizers in their own right and would not have to receive final approval by the State Board of Education. All authorizers would be held to high standards and be required to follow specific protocols before approval, including public hearings and multiple transparency and accountability measures.

3. Provide a means to appeal an authorizing or renewal decision of the State Board of Education.

A binding appeals process would allow charter school applicants to request an impartial review of the circumstances, inconsistencies, violations of protocol and due process, and possible conflicts of interest related to State Board of Education decisions.

4. Fund charter school facilities.

Many existing charter schools do not have the physical capacity to keep up with demand. Lawmakers could amend state statutes to either allow school districts and county commissions to contribute capital funds to charter schools voluntarily, or create a revenue stream for charter school facilities using lottery funds or other sources of revenue.

5. Expand the number of virtual school providers, including private and for-profit online schools, as well as institutions of higher education in North Carolina and beyond.

Even after schools reopen, parental demand for virtual or online schooling will likely increase. Some parents will choose a virtual school because they are concerned that their children will be exposed to coronavirus by classmates or school employees. Others discovered that their children thrived after school closures forced teachers to initiate online instruction. First, lawmakers should remove enrollment caps on North Carolina's two virtual charter schools and eliminate barriers to enrollment in the North Carolina Virtual Public School. Then, lawmakers should allow state, local, and federal funds to follow the student to the traditional or virtual school or online course of his or her choice.

6. Ease entry into the Opportunity Scholarship Program.

In the wake of COVID-19, families also may consider exploring private school options. Every year, low-income students remain on wait lists due to legislatively imposed eligibility restrictions. Lawmakers should ensure that all kindergarten and first-grade children whose parents apply for an Opportunity Scholarship receive one, regardless of income. Moreover, lawmakers should begin phasing out the public school attendance requirement for students in the remaining grades and raising the household income threshold. Finally, lawmakers should convert the voucher to an education savings account (ESA) and increase the value of the ESA based on inflation or other measures.



The threat of large-scale disruption to the coming school year may encourage some parents to explore educational alternatives, such as charter schools.

7. Increase the number of special needs students eligible to receive state-funded Education Savings Accounts (ESAs).

No immunocompromised child should be forced to attend a school that increases the likelihood that they contract COVID-19. To protect their health and well-being, families should be given the resources to choose an educational environment suitable to the needs of their children. Following the model that was included in the vetoed 2019 Appropriations Act, lawmakers should combine scholarship programs for students with disabilities into a single Student Accounts for Children with Disabilities Program. The value of the ESA awarded to students would vary by the type and severity of the disability. Students with the most severe disabilities would be eligible for up to \$17,000 per year, while all others would receive a maximum of \$8,000 per year. Using online platforms that maximize financial accountability and minimize bureaucracy, parents could use ESA dollars to cover one or more qualified expenses, including tuition, therapy, computers, and transportation.

8. Allow all ESA recipients to deposit unspent funds into a 529 savings account.

529 plans offer tax-free earnings growth and tax-free withdrawals if used to offset the cost of K-12 or postsecondary education costs, apprenticeship programs, or other qualified expenses.

9. Incentivize districts to adopt open enrollment plans and create magnet schools.

Neighborhood schools are desirable when the schools in the neighborhood are good. When schools in an area fall short of expectations, children who live nearby should not be compelled to attend them. Instead, they should have the opportunity to attend outstanding schools beyond their assigned attendance zone. Expanding intra-district school choice is one way for district leaders to affirm their commitment to equity and opportunity.

10. Give parents the resources to choose the online teachers that best meet the needs of their children.

As North Carolina public schools adopt various forms of full-time online education, the fastest route to creating even greater educational inequities would be to compel students to resume schooling with assigned classroom teachers who are ill-equipped to offer sound online instruction. Students currently enrolled in any North Carolina public school should have the option of taking courses from outstanding licensed educators offering a high-quality online or distance learning program. These teachers would be held to the same performance expectations as public school educators working online or in brick and mortar schools. Grades and course credit earned would be recognized at the student's base school and also by postsecondary institutions and employers. Naturally, educators taking on these additional responsibilities would receive a per-student salary supplement and be subject to state rules and regulations that govern remote learning.

11. Provide parents the option to place their children in the same grade next year.

Mandatory grade retention is a blunt instrument for addressing a few lost months of learning. Parents should decide whether their child is retained or advanced to the next grade, a decision that ideally follows from a consultation with school-based educators, administrators, and staff.

EDUCATORS

MAKE THE TEACHING PROFESSION GREAT AGAIN.

1. Eliminate the state salary schedule.

The best way to prepare for the coronavirus recession is to maximize budgetary flexibility. And that starts with the single largest expenditure for school districts: teacher salaries. Currently, the state legislature sets minimum salaries for district school employees. The two major components of teacher salaries are credentials and years of experience. Teachers who obtain certain credentials, such as National Board Certification, receive higher annual salaries than those without. Additionally, the more experienced the teacher, the higher their pay. All school districts and states use some version of the credential- and experience-based model, even though researchers agree it is not a sensible way to keep excellent teachers in the classroom. Charter and alternative public schools are allowed to customize their salary scales to meet the need of their schools and employees, and school districts should have the same flexibility.

2. Incentivize the adoption of performance pay plans that will pay a portion of teachers' salary based on the value they add to their students' learning.

The current system of teacher compensation does little to encourage our best public school teachers to stay in the classroom. For most teachers, the only route to substantially higher pay is to secure an administrative or leadership position. School districts should have the ability to reward teachers for outstanding accomplishments. In particular, teachers who help their students overcome coronavirus-related student learning losses or deficiencies should be awarded a salary supplement. One way to measure effectiveness is to use a computer program called EVAAS (Education Value Added Assessment System). Using EVAAS, school districts can compare the value-added scores of teachers regardless of the level of students they teach. This is important because it neutralizes the advantage of teaching classes of advanced students who have had the benefit of parental support during school closures. Value-added scores measure the progress of individual students, which is much different than the current method of reporting proficiency levels or scale scores by school. In this way, teachers who made significant progress with low-performing students would be paid more than a teacher who made few gains with high-performing children.



The best way to prepare for the coronavirus recession is to maximize budgetary flexibility.

3. Broaden the teacher applicant pool by loosening or eliminating certification and licensure requirements.

Although the state puts a premium on teacher licensure, there is little evidence that it improves teacher quality or raises student achievement. According to research conducted by UNC-Chapel Hill, teachers from programs that bypass education schools, such as Teach for America (TFA) and Participate (formerly Visiting International Faculty), generally outperform all others. TFA recruits top-notch college graduates, most of whom do not have an education degree or state certification, to teach in low-performing or low-income schools for two years. Participate pairs public schools in the United States with college graduates who have earned a teaching degree or license from a non-American institution. As the job opportunities diminish due to coronavirus-related restrictions imposed on businesses, failure to earn an education degree should not preclude well-qualified college graduates and professionals from the teaching profession.

4. Create a simple online portal that allows parents to evaluate the performance of educators assigned to their children.

Parents should be able to access teacher performance data, including pass rates on state assessments, growth (or value-added) scores, experience, credentials, aggregate evaluation scores, courses taught, comments and ratings from current and former students and their families, sample lessons and assignments, and a teaching philosophy statement.

INNOVATION

SCHOOL DISTRICTS NEED REGULATORY FLEXIBILITY TO ADAPT TO CORONAVIRUS SCHOOL CLOSURES AND OTHER CIRCUMSTANCES BEYOND THEIR CONTROL.

1. Expand broadband access to underserved communities.

Low-income families are less likely to have a suitable internet-accessible device at home, making it more difficult for disadvantaged populations to access online content during school closures. The problem is more acute in particular regions of the state. The Inner Banks, Sandhills, and western regions of the state lack the infrastructure needed to support high-quality broadband. Brent Skorup of the Mercatus Center at George Mason University recommends that North Carolina 1) rely on private broadband investment, 2) streamline and expedite the permitting of wireless towers and other broadband infrastructure on public property and public rights-of-way, and 3) offer a direct consumer subsidy, such as a voucher, that rural residents and older North Carolinians can use to purchase discounted broadband or devices.

2. Change the way that North Carolina funds public education by attaching funding to the student.

The state should discontinue the confusing practice of allocating funds to each school district using various funding formulas. Coupled with open enrollment for schools statewide, student-centered or weighted student funding would ensure that schools of the parents' choosing receive funds necessary to educate each child and nothing more.

3. Grant calendar flexibility.

Lawmakers should dispense with the unnecessarily prescriptive start and end date requirements and allow school districts to formulate calendars that better meet the needs of students, families, and communities.

4. Increase instructional time to address learning loss due to COVID-19 school closures.

State law requires schools to provide a minimum of 185 days or 1,025 hours of instruction covering at least nine calendar months. Yet, outstanding charter schools, such as KIPP and



Success Academy Charter Schools, typically exceed state minimum attendance requirements and extend the school day for the disadvantaged populations they serve. School districts already have the flexibility to determine the “number of instructional hours in an instructional day.” Moreover, the number of instructional hours in the instructional day “does not have to be uniform among the schools in the administrative unit.” As such, school districts should use their existing regulatory flexibility to extend the school day for schools with high concentrations of disadvantaged students.

5. Incentivize the adoption of “Opportunity Culture” plans.

Opportunity Culture is an innovative, research-based model that includes additional compensation for high-performing teachers in low-income schools, protected school-day planning and collaboration time, teacher leadership and advanced teaching roles, and strong accountability measures. Currently, eight North Carolina school districts have Opportunity Culture schools.

6. Maximize flexibility by granting “renewal” status to additional school districts.

Lawmakers need not implement reforms in the piecemeal manner described previously. In 2018, the North Carolina General Assembly approved legislation that granted charter school-like flexibility to the 34 schools in the Rowan-Salisbury School System. The “Renewal School System” model granted by lawmakers waives curriculum, budget, personnel, and school calendar regulations that often encumber conventional school districts. What is good for Rowan-Salisbury is good for every school district.

7. Modify state standards to account for missed grade and course content.

North Carolina Department of Public Instruction (DPI) staff should create “recovery standards” that are designed to cover one and a half years of content. This would ensure that teachers have one document to guide them through the coming school year. In subsequent years, legislators should create two permanent commissions charged with discarding the current Common Core-based standards, and developing or adopting more rigorous English language arts and mathematics standards.

8. Waive state testing for the 2020-21 school year.

State law requires all annual assessments of student achievement adopted by the State Board of Education and all final exams for courses to be administered within the last 10 instructional days of the school year for year-long courses, and within the final five instructional days of the semester for semester courses. But the time set aside to prepare for these tests during the school year and administer these tests at the end of the year would be better spent covering grade and course content. The cancellation of state testing would necessitate another waiver from the federal government.

9. Authorize temporary access to state end-of-grade and end-of-course tests.

The North Carolina Department of Public Instruction should allow educators to administer all state standardized tests at the beginning of the school year for diagnostic purposes. This would enable teachers to pinpoint the academic strengths and weaknesses of students using a common assessment at no additional cost to the district. Data from these assessments may be used by state education officials to determine the schools that need additional state-level support.

10. Allow schools and districts to select from a menu of independent, field-tested, and credible national tests of student performance.

The North Carolina Department of Public Instruction authors, field-tests, administers, scores, and reports results from end-of-grade and end-of-course tests. Because the tests are unique to North Carolina, test scores cannot be compared with those from other states. Fortunately, there are a number of reputable, nationally norm-referenced tests available for students in grades K-12, including the Basic Achievement Skills Individual Screener (BASIS), Metropolitan Achievement Tests (MAT 8), and the Stanford Achievement Test Series, 10th Edition (Stanford 10). Adopting one or more of these testing programs would have the dual benefit of getting the state out of the testing business and allowing families to have a superior measure of the performance of their children. The process of adopting a new testing program could occur during the 2020-21 school year. If the state receives approval from the federal government to suspend testing for the year, the Department of Public Instruction testing and accountability staff could be tasked with evaluating assessment options and offering recommendations to the State Board of Education.



CAROLINA REBOUND

HEALTH CARE

HEALTH CARE

POLICY ANALYST: JORDAN ROBERTS

INTRODUCTION

Punctuated equilibrium theory attempts to explain changes in social systems. More specifically, in political science, this theory characterizes the policymaking process as slow and gradual. But at any time, a major event could happen, which causes drastic and radical change. The September 11, 2001 terrorist attack is an example of this. Beefing up homeland security before 9/11 wasn't a priority for the U.S. Congress. After the terrorist attack, there were rapid and major policy changes adopted by federal, state, and local policymakers. The novel coronavirus that has taken the lives of too many Americans and led to a bludgeoned American economy is surely an equilibrium punctuating event for American public policy.

Perhaps no sector of the economy has undergone as much change during the coronavirus outbreak as the U.S. health care system. Hospitals and providers all around the country stopped most elective procedures and instead directed most resources to preparing for and treating patients with COVID-19. In addition to this, several regulations that have governed the practice of medicine for so long were unilaterally waived by governors and the federal government.

Most of the waived regulations were laws that restricted the supply of health care, such as certificate-of-need laws that limit hospital bed capacity or medical facilities in the state. Others, such as medical licensing laws and telehealth regulations, were waived to increase patient access to medical providers. Scope-of-practice restrictions have been waived to allow for medical providers to practice at the maximum degree allowed by their license, that is, providing all the care for which they have been trained.

The irony lies in the fact that, in North Carolina, the John Locke Foundation has been working to unwind some of these health care regulations for years. We believe the further the government intrudes into the health care market, the more complex and expensive the system ultimately becomes. For nearly a century, special interest groups and lawmakers have pushed for more extensive regulation and greater control of the health care industry. However, the coronavirus has exposed just how far these regulations have gone. The health care system has been regulated into dysfunction.

As we look to the future of health care in North Carolina, we need to ask ourselves several questions. How do we better prepare ourselves for something like this again? How do we ensure that health care is accessible to everyone regardless of location or income? How do we restore the doctor-patient relationship? How can we create a more functional health care system in our state?



Unfortunately, federal law dictates a lot of health policy. Given the disagreement in Congress about the future of the health care system, it's a safe bet that no major reform will happen soon. However, this means the states are ripe for major health care reform. Providers are maldistributed within the state, which subjects many residents to provider shortages. The supply of health care has been restricted for decades, which has protected incumbent providers at the expense of patients and new prospective providers. Burdensome occupational licensing laws have limited the professionals that North Carolina patients can turn to for expertise and care. Benefit mandates have raised the price of insurance.

To better protect against a future pandemic, deal with the current one, and drastically change the functionality of the health care system, major reform needs to take place. Fortunately, North Carolina lawmakers have tools at their disposal to begin accomplishing this. Enacting the set of policies recommended here would increase the supply of health care in the state in multiple ways: by increasing competition between providers, by expanding freedom of providers, and by breaking the protectionist status quo that has dogged American health care for so long.



We believe the further the government intrudes into the health care market, the more complex and expensive the system ultimately becomes.

COVID-19 CONTEXT

The health care sector in North Carolina isn't immune to the widespread effects of the coronavirus. On the one hand, hospitals and medical professionals no longer have to operate under old restrictive policies such as certificate-of-need laws and telehealth restrictions. On the other hand, hospital finances and health insurance coverage levels have changed dramatically.

Hospitals faced a unique challenge as they prepared to respond to the spread of coronavirus throughout the state. They were urged by Gov. Roy Cooper and public health officials to suspend procedures that are not emergencies. The suspension of surgeries was meant to free up critical space for COVID-19 patients while decreasing the number of patients exposed to the disease in hospitals. But canceling elective surgeries decimated most hospitals' short-term cash flow. Reductions in short-term cash flows have resulted in hospital furloughs and difficulty in keeping basic operations running.

Congress passed several relief packages that contained funding specifically for hospitals to mitigate the impact of coronavirus. Congress earmarked \$100 billion in the CARES Act and an additional \$75 billion in a supplement to the CARES Act for provider assistance. These funds will help hospitals respond to the influx of patients needing intensive care, reimburse hospitals for providing care to the uninsured, bolster rural hospitals that have felt the brunt of the state-ordered shutdown, and target coronavirus hotspots.



The truth is that Medicaid expansion was bad policy before the coronavirus, and it would be an even costlier mistake as we deal with the virus.

Unsurprisingly, advocates and lawmakers have used the coronavirus pandemic to push for more government control of health care in the form of expanded Medicaid coverage. Proposals were introduced to temporarily expand Medicaid coverage up to 200 percent of the federal poverty level. This was considerably higher than Obamacare's Medicaid expansion provision, which expands eligibility to everyone under 138 percent of the federal poverty level. The truth is that Medicaid expansion was bad policy before the coronavirus, and it would be an even costlier mistake as we deal with the virus. What's more, there is no new need. The federal government borrowed trillions of dollars to pay for COVID-19 relief packages, part of which covers the uninsured and expenses related to coronavirus treatment.

There is a critical role for state lawmakers to play, however. They should work with hospitals and other health care providers to ensure these front-line responders get the relief they need to keep the doors open. Furthermore, lawmakers should unwind restrictive regulations that dictate how medical professionals do their jobs and how health facilities can operate. The goal is two-fold: 1) give our health care sector as much flexibility as possible for immediate response to the virus, and 2) create a better functioning health care system for both patients and providers.

CAROLINA REBOUND

RECOMMENDATIONS

1. Create a system for recognizing out-of-state health care licenses.

North Carolina should follow the lead of Arizona and implement a system that allows health care professionals licensed in another state to quickly obtain a North Carolina license without having to maintain multiple state licenses or complete redundant training. The Arizona law directs state occupational licensing boards to make it easier for people who are licensed in another state to get that same level of certification if they wish to work in the state. The law streamlines the process of obtaining a state license if the applicant has 1) held the license for a year, 2) is in good standing in all states in which they are licensed, 3) has paid applicable fees, and 4) meets background checks and other prerequisite requirements. Physicians do not subject patients to unsafe conditions or provide inferior treatment simply because they are practicing in a state where they do not hold a license. Lawmakers can, and should, make it easier for medical professionals to practice in North Carolina. Easy transfer of licenses will bring new providers into the state and increase competition among existing providers.

2. Codify an inclusive definition of telehealth practices and who can use telehealth.

During the coronavirus response, telehealth practices were widely adopted by patients and providers. As the demand for health care delivered via telehealth increases, lawmakers should create a framework in which the practice can thrive free from restrictive regulations. The General Assembly should pass legislation that allows all providers to conduct telehealth visits, encompasses all current technology, and does not exclude any future technology.

3. Allow for telehealth across state lines.

Geographic barriers to care disappear when telehealth is used. Connecting patients to providers over great distances is one of the

most beneficial aspects of telehealth. However, as North Carolina law currently stands, licensed health care providers from another state who are in good standing with their medical boards would first need to obtain a North Carolina license to treat North Carolina patients. The General Assembly should pass legislation that recognizes out-of-state licenses of these qualified health care professionals in other states so they can treat North Carolina patients without having to maintain multiple state licenses.

4. Reject mandates on telehealth coverage or payment.

During the pandemic, many insurers covered and paid for telehealth visits at parity with in-person visits. This is reasonable during a time when patient volume is artificially suppressed, and providers aren't receiving income they otherwise would. The General Assembly should avoid mandating future coverage or payment parity requirements as costly mandates run counter to telehealth's cost-effectiveness. As demand for telehealth grows, market forces will determine what telehealth is used for and the associated reimbursement, free of government mandates.

5. Grant full practice authority to highly trained nursing professionals.

As the state considers how to mitigate provider shortages in rural communities, removing restrictive collaborative practice agreements on nurses could be a solution. As the law stands now, nurse practitioners' (NPs) ability to practice is conditioned on having a collaborating physician. But if the collaborating physician retires, moves states, or accepts a new position, the NP must find a new physician before practicing again. Giving NPs and other advanced practice nurses more independence would increase the supply of primary care around the state. Policymakers should change how nurse practitioners and other advanced-practice nurse professions, i.e., certified nurse midwives, nurse anesthetists, and clinical nurse specialists, are governed.

6. Expand pharmacists' scope of practice to include testing and treating of non-chronic diseases.

When considering how to expand the supply of health care providers in the state, lawmakers could update the North Carolina Pharmacy Practice Act. Current law allows immunizing pharmacists to administer vaccines for things like the flu, Hepatitis B, Tetanus, HPV, and others. Some states allow pharmacists, usually in collaboration with a physician, to test for and treat more non-chronic diseases such as flu, strep, and urinary tract infections. Increasing the utility of pharmacists increases patients' access to care.

7. Repeal Certificate of Need (CON).

CON laws restrict access to care, put government control ahead of patients and doctors, handcuff health providers from offering care in their communities, increase health care costs by preventing competition, undermine the doctor-patient relationship, and add anxiety about the quality of care when we are most vulnerable. The elderly, the poor, people under time constraints, and people with emergency medical needs would be better served by having medical services nearby, rather than having no choice but to travel to a far-away hospital or clinic that has received a coveted government “permission slip.”

8. Resist imposing any new benefit mandates.

North Carolina already has over 50 health benefit mandates in the law. These are benefits an insurer must provide to offer an insurance product in the state. These laws raise the price of insurance in two ways. First, every patient pays for these benefits through premiums, even if they never need to use the services. While each mandate costs very little, a large number can add up to raise the price of insurance for minimal benefit to the enrollee. Second, when the state mandates insurers must cover an extensive list of benefits, there ceases to be any competition among insurers. Lawmakers should allow market competition to dictate which benefits are covered by private insurance.

9. Review and evaluate existing health benefit mandates.

North Carolina’s list of health benefit mandates should be periodically reviewed and assessed for total costs and benefits. One way to make insurance more affordable is to minimize the number of benefits insurers have to cover. Instead, lawmakers should allow insurers to compete for customers, who should have the freedom to choose coverage based on their individual health needs and the networks they want to access.

10. Apply for a Section 1332 Waiver.

Health insurance coverage and the cost of that coverage will be a critical issue in a post-COVID world. One way that North Carolina could lower the price of health insurance in the individual market is to apply for a Section 1332 waiver from the federal government. Section 1332 waivers allow a state to waive Affordable Care Act (Obamacare) regulations if it proves it can offer similar levels of coverage. These waivers also allow states to tailor their health insurance markets to meet the individual needs of its residents. Several states have used this option to set up a state-based reinsurance pool, which resulted in premium decreases ranging from 6 percent to 40 percent.



CAROLINA REBOUND

**RED TAPE,
OVERREGULATION,
AND LAW**

RED TAPE, OVERREGULATION, AND LAW

POLICY ANALYST: **JON SANDERS**

INTRODUCTION

From mid-March into the beginning of May, there have been over a million new unemployment claims filed, a loss of about 20 percent of North Carolina's workforce, and no sign of an end to the economic carnage as of this writing. As states began wrangling with their COVID-19 responses, they quickly discovered that red tape, regulatory restrictions, and policy carve-outs across the economy were getting in the way of people responding quickly and properly to the crisis.

Red tape and cronyism have always been problems, but when times were good, public-choice problems and politics-as-usual placed strong pressures in favor of making people eat the associated costs. In the post-COVID economy, those costs will be intolerable impediments to getting people back to work and back to providing for their families as quickly as possible and as best they can.

To help people recapture their lives and renew their livelihoods, North Carolina policymakers must take a zero-tolerance approach to red tape, overregulation, cronyism, and special-interest carve-outs. Treat these with the concern given to matters of life or death. For some of us, it might well be.

COVID-19 CONTEXT

Caught flat-footed by their occupational licensing restrictions, the states' first responses to the virus included waiving licensing requirements for many health professionals. But in North Carolina, licensing affects over 181 official job titles and untold numbers of occupational practices. We're the 17th most restrictive state for jobs held by lower-income workers. That's untenable given the economic crisis now facing us. Simply put, policymakers can't let North Carolina's economic recovery be stymied by unnecessary occupational licensing.

The General Assembly's Program Evaluation Division (PED) acknowledges that occupational licensing is the state's "most restrictive" occupational regulation, for use only when the risk to public welfare is highest. Both PED and the John Locke Foundation show that there are plenty of less-restrictive policy options to choose from, depending on the job and the regulatory challenge it presents, nearly all of which are best resolved with occupational freedom.

Occupational licensing isn't the only form of regulation holding back expansion and job growth in North Carolina. North Carolina has one of



the nation's toughest array of Certificate-of-Need (CON) laws, covering 25 different health services. Fifteen states have gotten rid of their CON laws since the federal government repealed the CON mandate as an abject failure in 1987, making health care more expensive by restricting supplies and competition.

Red tape and weighty bureaucratic rules prevent the state's economy from growing as fast as it could and especially harm small businesses. Regulatory costs have been estimated to cost North Carolina's private sector over \$25 billion a year. It will be harder to withstand such costs in an economy struggling to revive after months of being shut down.

Meanwhile, many more of us are going to face energy poverty. It's serious. Research shows that higher energy prices cost lives. The U.S. Energy Information Agency showed in 2018 that one in three families struggled to pay energy bills, and one in five had to forgo food or medicine to do so. That will be worse now. Electricity is a basic human need. That's why state law required least-cost, reliable electricity, but North Carolina policymakers have been making expensive decisions in energy policy for years. It's time to rethink them, because their costs cut deep and affect people's lives.



Red tape, regulatory restrictions, and policy carve-outs across the economy were getting in the way of people responding quickly and properly to the crisis.

The following recommendations give policymakers a comprehensive path away from restrictive occupational licensing. They provide several ways to get back to least-cost, reliable electricity for people. And they list many different ways to cull the unneeded restrictions that will hinder our economic recovery. They range from structural reforms on down to removing roadblocks affecting particular industries, emerging marketplaces, ways of providing service, and individual freedoms.

The economic challenges before us are steep, but we can't claw our way back fast enough if we're entangled in red tape and bearing the weight of old special-interest favoritism. Wise policymakers after COVID-19 understand how vital it is to clear the way of unneeded government obstacles and not add any new ones.

CAROLINA REBOUND

RECOMMENDATIONS

EMPLOYMENT

MAKE IT EASIER AND FASTER TO FIND A JOB.

1. Free workers from unnecessary licensing requirements and reserve occupational licensing for only the most high-risk jobs.

Licensing slows job growth, limits the supply of licensed workers, and drives up consumer costs for the work. None of those outcomes is good for a post-COVID recovery.

- » Adopt the Right to Earn a Living Act with tests for whether an occupational license is demonstrably necessary, carefully tailored, and designed for legitimate health, safety, and welfare objectives.
- » Adopt the Occupational License Consumer Choice Act with fully informed consumers and non-license disclosure agreements and otherwise encourage workers to seek and display any professional certification or credentialing (and prosecute fraudulent claims of certification).
- » Subject all licensing boards and their licenses to periodic review, eliminating questionable ones.
- » Adopt a standard of least-burdensome-state. If any other state allows people to do the work without the extreme of licensing, we should too. If other states' licensing requirements don't require as many education/experience hours, as many exams, as much in licensing fees, etc., North Carolina shouldn't either.
- » Adopt universal license recognition (the Arizona model) for remaining licenses.

RULES AND RED TAPE

REDUCE REGULATIONS AND REPEAL LAWS THAT IMPEDE ECONOMIC GROWTH AND RECOVERY.

1. Enact a “rules throttle” for legislative ratification of high-cost rules.

State agencies craft rules under authority delegated by the legislature to interpret and implement laws, but sometimes the rules they impose cost the state’s private sector dearly. Are those costs necessary or overreach? Having legislative rules ratification (a “rules throttle”) would ensure legislative scrutiny of any rule whose costs exceed a defined high-cost amount. A bureaucrat’s costly rule couldn’t take effect if it weren’t debated and approved by legislators accountable to the people.

2. Shorten the sunset period for rules absent periodic review, from 10 years to five.

Sunset with periodic review has removed about one out of every 10 state rules examined, but there are 10 years between reviews, while state agencies keep adding more rules.

3. Adopt regulatory budgeting and institute a Red Tape Reduction Commission to find and get rid of costly, unneeded old rules.

States have reduced their total stock of rules using regulatory budgeting (to adopt a new rule, you must retire x amount of old rules) and dedicated efforts such as Red Tape Reduction Commissions.

4. Enact a small business regulatory flexibility statute.

Over 99 percent of employers in North Carolina are small businesses. Regulatory costs are worse for small businesses than big firms, which is why most states and the federal government have small-business regulatory flexibility. It lets agencies make common-sense adjustments to small businesses’ regulatory burdens, such as compliance and reporting requirements. Only six states don’t have some form of small business regulatory flexibility statute, and North Carolina is one of them.



Relax existing regulatory obstacles such as entry regulations and public service restrictions, zoning that restricts home-based businesses, and protectionist restrictions on mobile businesses like food trucks, pet-grooming trucks, and others.

5. Adopt the Federal Trade Commission (FTC) standards for rules affecting the new economy.

Relax local entry regulations, public service restrictions, zoning regulations against home-based businesses, and any rules affecting new or existing local businesses according to FTC-endorsed standards. The post-COVID economy will see rapid growth in what are being called the sharing economy, the gig economy, and the platform revolution. A 2015 Federal Trade Commission workshop recommended not regulating in these emerging marketplaces except “when there is evidence regulation is needed,” and then to make sure the regulations are “narrowly tailored” and “no more restrictive than necessary.” Local policymakers would be wise to avoid knee-jerk rulemaking and instead relax existing regulatory obstacles such as entry regulations and public service restrictions, zoning that restricts home-based businesses, and protectionist restrictions on mobile businesses like food trucks, pet-grooming trucks, and others.



The post-COVID economy will see rapid growth in what are being called the sharing economy, the gig economy, and the platform revolution.

6. Relax local zoning laws, rent controls, and other regulations limiting the supply of housing.

Restrictive zoning, rent controls, and other regulations limit housing supplies, restrict housing options such as converting garages and adding accessory dwelling units, and make housing more expensive. They also stifle innovative thinking in the private sector on living spaces and even transportation choices.

7. Allow small-scale, short-term, and payday loans – with known industry best practices.

Research from the Federal Reserve Bank found that the end of payday lending in North Carolina in 2005 left consumers worse off, leading to more bounced checks, more complaints about lenders and debt collectors, and more filings for Chapter 7 (“no asset”) bankruptcy than otherwise. While the loans carry high fees, about 95 percent are repaid, and their costs are effectively less than bounced-check fees, utility disconnect or reconnect fees, credit card late fees, online payday lender fees, not to mention penalties exacted by illegal loan sharks. Adopting known industry best practices would protect against abuses.

8. Repeal the anti-“price gouging” law.

Letting prices change according to market realities in an emergency helps call in more supplies while ensuring these necessities are still available to people who need them, not just to the well-off people

who can get to retailers first. Furthermore, most complaints to the Attorney General's office of "price gouging" tend to be questionable and duplicative.

9. Repeal North Carolina's Certificate-of-Need (CON) laws.

CON laws make health care cost more, make health services harder to obtain (especially for poor and elderly patients in rural areas, not to mention people with emergency needs), and make improvements in community health options take longer and cost more to bring about. Because of our CON laws, a pandemic found North Carolina lagging in hospital beds, rural hospitals, and other health services as well.

10. Pressure federal policymakers to make critical reforms.

Several reforms at the federal level would help North Carolinians with the post-COVID economic recovery as well as prevent some of the regulatory tangles that hamstrung the COVID-19 response. State policymakers should urge Congress and federal policymakers to make those reforms, which include:

- » Speed up the approval process of new medicines by the Food and Drug Administration (FDA)
- » Refocus the Centers for Disease Control (CDC) more into key, mission-related efforts of researching infectious diseases and away from ancillary topics like gun violence and electronic cigarettes
- » Enable the Federal Communications Commission (FCC) to allow more spectrum bands to be used by private broadband providers
- » Have Congress repeal the Jones Act, which forbids foreign (or foreign-crewed) ships from transport between U.S. ports, effectively leading to expensive shipping over land and higher retail prices for consumers
- » Have Congress repeal the Davis-Bacon Act, which effectively imposes higher wage costs on contractors and subcontractors on federally funded construction projects and makes them more expensive
- » Have Congress curtail the length of time lawsuits can be filed over infrastructure projects and tie them up in courts
- » Have Congress and President Trump eliminate trade tariffs, which effectively raise the price of goods on consumers



BROADBAND AND CONNECTIVITY

**CLEAR THE WAY FOR THE PRIVATE SECTOR TO ENSURE THAT
ALL AREAS OF THE STATE HAVE ACCESS TO BROADBAND
FOR SCHOOL AND WORK.**

- 1. Streamline permitting and remove regulatory roadblocks to wireless infrastructure to encourage the building of private broadband networks in rural areas.**

Governments that have tried to provide broadband services have produced costly failures, but government can enable the private sector by streamlining permitting and lowering state and local regulatory obstacles to building wireless infrastructure on public property and public rights-of-way.

ENERGY

ENSURE THAT ALL NORTH CAROLINA RESIDENTS AND BUSINESSES HAVE ACCESS TO RELIABLE, INEXPENSIVE ELECTRICITY.

1. Let PURPA rates awarded to qualifying renewable energy facilities vary according to market conditions and be revisited every one to two years, rather than be fixed for 10 years.

Because of how North Carolina interprets the Public Utility Regulatory Policies Act of 1978 (PURPA), the state requires the highest rates and the longest contracts (10 years at fixed rates) in the Southeast for solar energy. Research in 2019 estimated that Americans are having to pay \$2.7 billion more for solar power because of PURPA contracts forcing above-market rates – and North Carolina is home to 60 percent of all PURPA-qualifying solar facilities in the nation.

2. Place a moratorium on new solar and wind facilities and incentives until further study.

New solar facilities (which aren't efficient or dispatchable) create costly grid interconnection problems and are well over twice as expensive as existing natural gas plants and nearly three times more expensive than existing nuclear power plants, both of which are efficient and dispatchable.

3. Promote retention of existing nuclear plants.

Market forces have shifted our utilities mostly to natural gas and nuclear, and as a result, North Carolina's emissions from energy generation have fallen dramatically all century. Meanwhile, of the 164 "stakeholder" organizations used to develop Gov. Roy Cooper's "Clean Energy Plan," only 7 percent considered "affordability" a value to prioritize. Existing nuclear plants are least-cost, zero-emission sources of energy.

4. Repeal the Renewable Portfolio Standards (RPS) mandate.

Give utilities, especially electric membership corporations and municipal systems, more freedom to meet the state standard of least-cost, reliable electricity. The RPS mandate is moot for the big investor-owned utilities, but it is still problematic for consumers who get electricity from electric membership corporations and municipal utilities.

ALCOHOL

CREATE A SYSTEM OF ALCOHOL DISTRIBUTION AND SALES THAT MEETS THE NEEDS OF PRODUCERS, CUSTOMERS, AND THE BELEAGUERED RESTAURANT INDUSTRY.

1. Modernize and adopt a license system for liquor sales in North Carolina, as is done with beer and wine sales.

Beer and wine can be sold in grocery stores, convenience stores, drug stores, specialty shops, etc., and even (important during the shutdown) by takeout restaurants. But consumers can purchase liquor only by the bottle in local government-run ABC stores or drinks in ABC-sanctioned establishments.

2. Allow to-go sales of mixed drinks as well as beer and wine in sealed containers.

Takeouts can sell beer and wine to go in growlers or manufacturer-sealed containers, but they are not allowed to sell mixed drinks to go.

3. Let distilleries provide more tastings, hold for-profit events, sell bottles at fairs and farmers markets, sell drinks and bottles off-site, and self-distribute.

The state's distilleries labor under tighter restrictions than breweries and wineries. Breweries and wineries have grown faster as a result. Especially in the post-COVID economy, these stricter rules ought not to be, and policymakers should look for rules to relax. Distilleries are no less essential than any other legal enterprise, and their success contributes to their communities and the state's success.

4. Define and tax ciders like beer instead of like wine.

North Carolina defines and taxes ciders like wine instead of like beer, which gives them a 62 percent higher tax rate. North Carolina is the nation's seventh-largest apple producer, and Henderson County is the nation's seventh-most productive county for apple production. Defining ciders as wine places alcohol content and carbonation restrictions that, owing to the nature of ciders, are hard for cideries to achieve. There are about 30 cideries in North Carolina, but a more certain definitional and tax environment would help them, as well as encourage growth in a natural industry.

CRIMINAL JUSTICE AND PROPERTY RIGHTS

**CONSIDER THE LEGAL RAMIFICATIONS OF CORONAVIRUS
MITIGATION MEASURES.**

- 1. Reserve prison for violent, sexual, or habitual offenders – reduce overcriminalization and keep low-level offenders who pose no danger to society from getting needlessly entangled in the criminal justice system.**

Bipartisan efforts against overcriminalization should continue. North Carolina's criminal code should be streamlined, offenses that shouldn't be crimes should be changed to infractions, and penalties should be proportionate to the offense given so that people aren't needlessly entangled in the criminal justice system.

- 2. Provide clear and fair guidelines for compensating business and property owners victimized by regulatory takings such as executive shutdown orders.**

State policymakers have been seeking to reform eminent domain in North Carolina to ensure takings are for true public uses and are fully compensated. Due to COVID-19, it has become clear that policymakers should also provide clear and fair guidelines for compensating property owners victimized by regulatory takings.



CAROLINA REBOUND

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