North Carolina no longer resists tax incentives for industrial growth

From Associated Press reports

RALEIGH — With more states bidding for a dwindling pool of new businesses, North Carolina has had to abandon its long-standing "take it or leave it" attitude about industrial recruitment.

In 1987, the General Assembly enacted a law offering state income tax deductions to companies that create jobs in North Carolina's 20 counties with the highest unemployment rates. The measure passed over the protests of Gov. Jim Martin, who opposed tax breaks for new arrivals at the expense of competitors already here.

But this year, Martin, a Republican, joined Democratic legislative leaders in support of a change in the formula through which North Carolina determines the income tax liability of multi-state companies that do business in this state.

"I don't like it," said Democratic Lt. Gov. Bob Jordan. "Fifteen years ago, when industry came to North Carolina and said 'We want to locate there . . . and we want some kind of special treatment,' we would say, 'You're not going to get it in North Carolina. Your special treatment is to be able to come to a state with a good business atmosphere, good labor, a good record, low taxes. Come if you want to.'

"But over the last five, six years, it's gotten more competitive. So if you're going to get those buffaloes . . . this is the name of the game."

The latest tax revision will give a tax break to companies with large payrolls and property holdings in North Carolina. Legislative leaders bluntly acknowledge the primary reason for the change was a request from RJR-Nabisco Inc., which announced plans to construct a $600 million cookie and cracker plant in Wake County earlier this year.

"The reason R.J. Reynolds-Nabisco is going to be in Garner is because some of the North Carolina leadership agreed to ask for this legislation," Jordan told reporters last week. "They were not going to come here, according to what we heard" before the agreement was reached.

At least three pending bills seek state appropriations for projects designed as bait for industrial prospects, Jordan said. Such expenditures are "nothing new . . . we do it every year," he said.

College administrators seek greater efficiency

From Associated Press reports

RALEIGH — North Carolina's community colleges would be far more effective if their presidents were given more money and greater control over the budgets, presidents and trustees said.

"State funding is woefully low," said Raymond Stone, president of Sandhills Community College. "There is little wrong with the system that greatly increased funding couldn't cure."

Presidents and trustees appearing Monday before a panel studying ways to improve the 58-campus system repeatedly denounced what they described as efforts at the state level to undercut their control over campus affairs.

The sharpest attack came from Charlotte attorney William Claytor, chairman of the board of trustees at Central Piedmont Community College, who said he had detected "increasing efforts to undermine local governance in an effort to centralize control in the State Board (of Community Colleges.)"

"This is folly," Claytor said, "and if permitted will serve to destroy the strength of the North Carolina community college system."

Others called for a wholesale revision of the way state officials award money to each campus. Since 1965, lawmakers have funded the two-year schools according to a full-time equivalency (FTE) formula, which rewards schools for the number of students they enroll, The News and Observer of Raleigh reported.

But according to presidents and trustees, that formula is outmoded, if not counterproductive.

Several presidents said the FTE formula encouraged schools to offer inexpensive programs that enrolled large numbers of students — such as typing — rather than smaller, more expensive programs like nursing.

Charles McIntyre, president of Edgecombe Community College, said the FTE formula was considered the most equitable way of distributing state money among dozens of schools years ago.

But today, McIntyre said, "the formula simply triggered an FTE chase" that subverted academic priorities.

Inflation freeze is primary goal in upcoming interest rate hike

From Associated Press reports

WASHINGTON — The Federal Reserve will boost a key interest rate within the next month, and it hopes that credit-tightening move will be enough to keep inflation in check until the November election, many analysts believe.

These economists said they expect the Reserve to increase its discount rate, the interest the central bank charges on loans to member banks, from 6 percent to 6.5 percent.

The Reserve has already executed a series of three tightening moves beginning in late March, but it has held back from increasing its discount rate, which is the most dramatic move the central bank can make to demonstrate its intention to push interest rates higher.

The last change in the discount rate occurred in September 1987, when it was increased from 5.5 percent to 6 percent. That hike has been blamed in part for precipitating the October collapse of stock prices.

The central bank's policy-making committee, the Federal Open Market Committee, meets Wednesday and today behind closed doors to discuss the conduct of monetary policy. Federal Reserve Chairman Alan Greenspan will report on the panel's deliberations in an appearance before the Senate Banking Committee on July 13.

Many economists believe the Reserve is ready to tighten credit conditions even further because of inflationary pressures in the U.S. economy.

Lyle Gramley, a former member of the Reserve, said he believed the central bank probably would raise the discount rate in July.

"The Fed's main concern has to be that the economy may be growing too fast and that pressure on wages and prices will be building as the year goes on," said Gramley, who is now chief economist for the Mortgage Bankers Association.

Gramley said he was looking for the increase in the discount rate to occur in July because he believes the central bank will want to get it over with well before the fall presidential election campaign.