

Viewpoints

Vote for university bonds

Every now and then my editors let me write about my job — working for the 16 campuses of the University of North Carolina. Sometimes they let me write about things about my job that are fun — or funny. Sometimes about more serious matters.



One on One
D. G. Martin

Today, it is serious. Early next month — on Tuesday, November 2, to be exact — we go to the polls to vote on a package of state-wide bond issues. The bonds would fund the construction of capital facilities for community colleges, clean water projects, parks, and our 16 universities.

For the past few months, I have been spending a lot of my time giving information and advice to people campaigning for the passage of the bonds, especially the University bonds. And I have gotten lots of questions.

A basic question is "Why borrow money now?" There are several good reasons to use borrowed money to finance needed capital improvements at this particular time. Here are just a few.

*The cost of borrowing is lower than it has been in years. Interest rates have dropped unbelievably. The other day somebody told me about public bonds selling at interest rates of less than three percent.

*Construction costs are also very low. Why? During the last few years the construction business has suffered during the bad economic times. As a result, many of contractors are hungry for work. So, needed facilities can be constructed for a much lower cost today than in the future. When the economy has recovered and there is a new construction boom, the cost of buildings will go sky high.

*North Carolina's good credit rat-

ing (the best possible) makes it possible to borrow at the lowest interest rates available. But our credit rating is not automatic. It needs to be protected. The New York financial firms that give out these ratings have warned us that North Carolina is not investing enough in income generating capital projects — such as education facilities. Sometimes, they say, you have to borrow to invest, if you are going to be able to stay in a fiscally sound position.

All that is well and good. But some people are reluctant to approve the borrowing of money or the issuance of bonds unless they get good assurance about two things: (1) The money is going to address specific and genuinely needed facilities. (2) Taxes won't go up.

The question about need is pretty easy to address. On each university campus the facilities to be constructed or renovated are identified specifically. And on each campus these facilities are the most needed of a group of much needed projects. At East Carolina, for instance, the current library is so crowded that many books have been sent to off-campus storage facilities. Meanwhile, students crowd into inadequate space to study and do research.

At UNC-Charlotte, student body growth has outstripped the ability of the university to provide classroom space for all the classes the kids need

to graduate. At Fayetteville State, ancient dormitories are unsafe and unfit for that growing campus. Every campus needs similar projects to help it provide the funds for new facilities during this time.

Without new facilities the University can't continue to grow. If it can't grow there won't be a place for the increasing number of North Carolina young people who are qualified to go to college.

Yes, the need for these facilities is real — very real.

What about taxes? Taxes won't have to go up to pay for the bonds. That is what the experts say — including Harlan Boyles, our fiscally conservative state Treasurer.

How is it possible that you can spend money without raising taxes? In part, because the bond's annual payment schedule is a tiny fraction of the projected growth of state revenues — projected without any tax increases. Also, the economic activity generated by the bonds and the increased earning potential created by the growing number of better educated graduates will boost the total revenue of the state.

People have a tough time believing that their taxes won't go up. But nobody has come up with real facts or reasoning to challenge Mr. Boyles.

On the other hand, some people who are really worried about taxes have studied the matter in even more detail. They are now convinced about the economic generating potential of the investments to be funded by the bonds — so much that they believe that the best way to keep taxes as low as possible is to vote for the bonds.

However you see it, don't forget to vote on November 2.



Timing bad for economic bonds

Remember the old joke where one guy asks, "What's the secret to telling a joke . . ." and the second guy interrupts to say: "Timing."

Well, timing is also the secret issue behind the votes that will be cast statewide in November. The timing appears favorable for four bond issues totalling \$740 million, while timing appears likely to hurt a fifth vote, that on a constitutional amendment on economic development financing.

It's hard to imagine a better time to borrow, given current interest rates. Voters will decide on four separate bond issues: \$310 million for the University of North Carolina system, \$250 million for community colleges, \$145 million for water and sewer facilities and \$35 million for parks.

In the mid-eighties, when former Gov. Jim Martin was proposing a number of bond issues that the General Assembly rejected, interest rates were running in the seven and eight percent range for government borrowing. According to the Bond Buyers Index, interest rates in 1987 and 1988 were about 7.8 percent.

At those rates, the state would have faced payoffs of \$2 for every \$1 borrowed. A \$740 million issue would have eventually cost \$1.48 billion over 20 years.

The state recently sold \$87.5 million worth of prison bonds at 4.2346 percent interest. Let's round that up to 4.25 percent. At that rate, over 20 years, the state will pay back \$1.48 for every dollar borrowed.

North Carolina was very fortunate to get such a low rate. It's more than a percentage point below market, as reported by the Bond Buyers Index. North Carolina has a history of getting lower than market interest rates, Everette Chalk, deputy state treasurer for local government finance, told a business magazine recently.

But to be on the safe side, let's assume that the state would pay that extra point for the \$740 million in bonds that it would begin to issue next spring. At an interest rate of 5.5 percent, the state would pay back \$1.66 for every dollar borrowed, or \$1.228 billion. That's still well below the mid-eighties cost.

Those who oppose the bonds can argue that they oppose any borrowing, or they can argue that the facilities aren't needed, but they can't argue with financing costs. In the mid-eighties, the cost of financing was the main weapon used against Martin's proposals.

But while timing favors the bonds, it would appear to be working against what is being called the "economic development financing" bonds constitutional amendment. That amendment would appear to be in some trouble due to the whole sordid Mercedes deal. These EDF bonds would provide local governments with another incentive that they could offer to new industry.

Public reaction to Alabama's half billion dollar incentive package has been mostly negative, and Gov. Jim



Watching
Paul T. O'Connor

Hunt has been praised in state papers for not offering more than the \$100 million package North Carolina put up.

At a recent panel discussion on

the EDF bonds amendment, Rep. John Gamble, D-Lincoln, blasted the bonds and said that they would lead to the kind of bidding war among counties that the states found themselves in with Mercedes.

Timing is so bad for the EDF bonds that some advocates of the bond issues are worried that voters, who will confront the EDF issue at the top of the ballot, will reject all five without giving much thought to interest rates.

Letters

Don't bulldoze Turlington Gym

To the Editor:

As a taxpayer of Raeford and Hoke County, I hate to see a valuable facility go to waste — namely the Turlington Gymnasium. To see this building go to seed in these times of shrinking recreational budgets is wasteful.

To see the evidence that a recre-

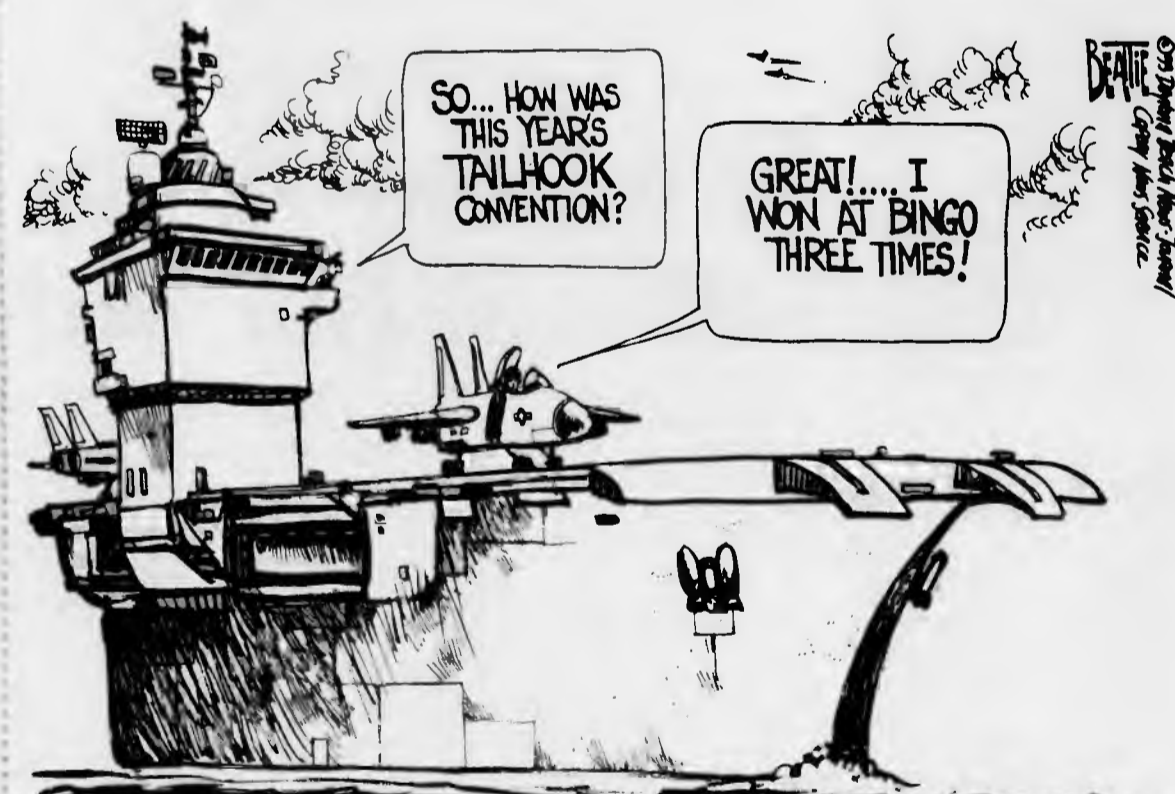
ational complex is needed and wanted by the taxpayers of Raeford and Hoke County, all one has to do is drive by the new walking track at McLaughlin Elementary and see the citizens utilizing the track at all times of day and night.

Turlington Gymnasium could be used for seniors' indoor walking, arts & crafts, aerobics, workshops, indoor tennis, coaches' training, music lessons and many other recreational needs.

(See LETTERS, page 3)

We welcome your letters

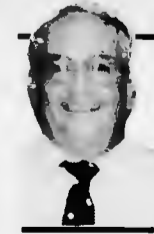
Letters to the editor are encouraged and welcomed. Writers should keep letters as short as possible. Names, addresses and telephone numbers should be included and all letters must be signed. Names will be printed, however, other information will be kept confidential. We reserve the right to edit letters for good taste and brevity. Letters should be received by *The News-Journal* by noon on the Monday of the publication week.



More details on Colorado trip

Men over 65 should have a complete physical examination each year, so says the doctor. Personally, I can't quarrel with their reasoning. However, I would like an explanation for why I always have pains that I have never experienced before afterward. Perhaps it is due to all the gouging and punching they do. Parts are disturbed that should be left alone. Oh well, on to another subject.

In our great community of Arabia, located between Hickory Stick and Knothole, is a Jot 'em Down Store where folks who don't work hang out. For years we had a loafers club. It was held together by my little skinny buddy John D. (dethroned vegetable king) Black. At present it has gone to pot because Mr. Black is not feeling up to par. However, one



A View from the Country
Raz Autry

member is as frisky as ever — namely Shoeless Buddy Butler. Since he was in such great shape I invited him to accompany me on my recent trip to Colorado Springs. Sadly, he turned me down because he had loaned his only pair of shoes to someone in the club and couldn't remember who. I wasn't about to take Shoeless to mingle with the foreigners in Colorado Springs. Those folks had never seen a bare-footed man before.

My wife has complained for weeks that I left every reader hanging when I wrote an article about our trip to Colorado. I told her it was due in part because a lady shook me up right after we came back when she remarked, "You sure look good for a man your age." Nevertheless, to keep peace in the family, I will bore you with further details about our journey.

Ireni had our first day in the great wild west planned. We were going on a tour. Now I am not much for touring. Instead, I am like the 90-year-old man, when told by a doctor that he needed a hearing aid, said, "Forget it, I have heard enough." Believe me I have toured enough.

I must admit there was an event on (See AUTRY, page 4)

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