Perdue urges cut in business taxes

BY ROB CHRISTENSEN AND LYNN BONNER - Staff writers

RALEIGH–Democratic Gov. Bev Perdue on Monday night proposed cutting the corporate income tax, stealing some of the political thunder from the new Republican legislature.

In her second State of the State address, Perdue proposed slashing the corporate income tax to 4.9 percent from 6.9 percent, making it the lowest in the Southeast.

"Right now, we have the highest corporate tax rate in the Southeast," Perdue told a joint session of the legislature. "That means our businesses are paying more taxes when they could be creating jobs."

Cutting the corporate tax would cost $400 million to $600 million, according to state Rep. Mickey Michaux, a Democrat from Durham.

While proposing to cut taxes, Perdue also promised to protect teacher and teacher assistants against budget cuts. And the governor said she would follow through on her delayed campaign promise of starting a program that would allow students to earn a two-year college degree for free if they made good grades.

Republicans cheered her call for corporate tax cuts, and Democrats liked her emphasis on education.

But lawmakers wondered how the governor planned to pay for her proposals in the face of a budget shortfall that Perdue now projects to be $2.4 billion for the fiscal year beginning July 1.

That should become clearer Thursday, when Perdue rolls out her recommendations on how to balance next year's budget.

Republican Senate leader Phil Berger said he was encouraged by Perdue's interest in cutting the corporate tax rate, but said there are plenty of unanswered questions about where she would get the money for other
initiatives.

"I think that's why we're in some of the mess that we're in now, some of us promising to do things and not having the money to pay for it," Berger said. Perdue faces a sharply more conservative climate than the one in which she was elected in 2008. She must deal with the state's first Republican legislature in more than a century.

In shifting to her political right, Perdue is following the lead of former Democratic Gov. Jim Hunt, who, after a Republican landslide in 1994, proposed major tax cuts.

Perdue offered few clues on how she planned to address the budget shortfall in her televised speech.

She struck a generally conservative tone, talking about how the budget had shrunk under her direction, how she was eliminating boards and commissions, and unnecessary rules and regulations, consolidating boards and agencies, merging departments and generally downsizing government.

But she did not say whether she would support more controversial issues, such as extending any of the $1.3 billion in temporary tax increases passed in 2009, or legalizing and regulating video gaming.

'College Promise'
Perdue did promise to revive her 2008 campaign promise to start an initiative to help high school students who maintain grades and meet other criteria to earn a two-year degree. She rebranded the program N.C. Career and College Promise.

The initiative had been delayed because of the recession. But aides said the program would have only a modest cost, because students would be able to take courses at existing community colleges.

Perdue said the budget she will recommend will not cut teacher and teacher assistant positions - although she made no such promise about other state positions.

"There is one thing I will not do: I will not sacrifice our children's future," Perdue said. "We will not eliminate teachers, whose job it is to build that future and the future of our state."
"No governor or legislature in our history has ever walked away from that core responsibility, and I refuse to be the first."

State Sen. Richard Stevens, a Republican budget writer from Cary, said his back-of-the-envelope calculations suggest that Perdue's proposals will cost $1.4 billion, suggesting to him that Perdue will recommend extending the $1.3 billion in temporary taxes.

Perdue lowered her estimate of the shortfall from $2.7 billion to $2.4 billion. Mark Johnson, a Perdue spokesman, said that was accomplished by spreading out the state's payment to the retirement system, and shifting some of the formula school funding to the counties.

Rob Thompson, an organizer with Together NC, a coalition of more than 120 nonprofits, service providers and professional associations, said he was encouraged by Perdue's promises on education, but wishes she had talked about human services, including the mental health system and health care for children.

He wondered how Perdue would balance the budget and cut the corporate tax.

"Where will the money come from? That's the main question," he said. "We need to see the budget."

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Combating the negative health effects of a sedentary lifestyle could be as easy as turning paper-pushers into pedal-pushers, a new study finds.

Portable pedal machines designed for under-the-desk use can help employees exercise while they work, according to the research, which field-tested the machines on a small group of office workers in Rhode Island.

In fact, the idea of the machine was so appealing that the researchers had to turn away 90 percent of potential study volunteers because they only had the money to buy 18 pedal machines.

"I had 170 people respond to my advertisement within 48 hours," study author Lucas Carr, a professor of exercise and sport science at East Carolina University, told LiveScience.

**Pedal to the metal**

Pedal exercisers are already sold for as little as $20 or $30 online (though a good-quality one will cost you a few times more than that, Carr said). They could help counteract Americans' dangerously sedentary lifestyles, but no one had taken a systematic look at whether office-bound workers like them or whether they end up gathering dust in a corner, Carr said. For the new study, published online today in the British Journal of Sports Medicine, Carr and his colleagues set up machines for 18 healthy female office workers (average age: 40) and then "let them go for four weeks," he said.

The pedal machines recorded information about how long the employees pedaled each day. After the month was up, the volunteers filled out a survey about how much they liked the machine and whether they would use it long-term.
On average, the women used the machines 12 out of a possible 20 working days, the study found. Time pedaled per day varied from one minute to 73 minutes, with the average being 23 minutes. The most enthusiastic peddler burned an extra 500 calories a day according to the machine, though the average was about 180 calories per day.

**Sedentary lives**
Most importantly, Carr said, people liked the machines. Almost everyone said they would use them if their employer offered; they also overwhelmingly reported that the machines were quiet and didn't distract them from their work.

The number of volunteers who used the machine regularly did decline over the four weeks. That's not surprising, Carr said, as they were given no outside motivation or incentives to keep pedaling. He's now working on a larger follow-up study, set to launch March 1, that will provide pedal exercisers to 60 office workers. This time, Carr and his colleagues will include motivational messages and information on the dangers of sedentary behavior. The idea is to find out if widespread deployment of portable pedals will improve employee health.

"Sitting for more than four hours at a setting is just extremely bad for your health," Carr said. People may not work up a good sweat at their desks, he said, but "if they're going to be sedentary regardless, this is just a good way to augment physical activity."

The study was funded by the National Institutes of Health.
Schools offer help with student aid forms

BY ERIC FERRERI - Staff Writer

The reminder e-mail message arrives, and Jim Rozier groans.

It's FAFSA time again.

The father of one recent UNC-Chapel Hill graduate with two other children enrolled there now, Rozier is well acquainted with the Free Application for Federal Student Aid. And he has a few four-letter words for the five-letter acronym.

"It's kind of like having your taxes done," said Rozier, of Raleigh. "It's something you just dread."

Scary as it may be, the application is the doorway through which the nation's college students can tap into federal and state assistance for higher education.

And enduring this annual exercise is no picnic, even after a recent streamlining.

As the weak economy has led more to seek financial aid, universities are pushing students harder to fill out the form. Doing so, they urge their students, may result in some unexpected aid money. The problem: Some experts say the form's daunting reputation and a belief that it's a waste of time hurt precisely the people it is intended to help.

The centerpiece of this effort is FAFSA Day, which this year will be Saturday. That day, trained counselors at hundreds of colleges, universities, State Employees Credit Union branches and other locations will help students fill out the forms. It's a free service.

The number of college students completing the form has increased steadily in recent years. Since 2006-07, the number of students attending or applying to all North Carolina institutions who fill out the form has jumped 60 percent. N.C. State University has seen 46 percent growth in that time. At
Queens University in Charlotte, 111 percent more students filled it out last year than in 2006-07, and at Wake Technical Community College, the number spiked 178 percent.

Still, there's room to grow and obstacles to overcome, said Robbie Schultz, outreach manager with the State Education Assistance Authority, which administers student aid programs in North Carolina.

"People often look at the forms and are overwhelmed," Schultz said. "A lot of times, they don't know where to start. We don't want anyone to miss out on college if the barrier is completing the application."

**Information overload**
The Web-based application is a few pages long. But it demands plenty of demographic and financial information - such as household income and tax return data - that many 18-year-olds don't have. And it delves deep. Were you on supplemental assistance? Did you receive food stamps last year? Free or reduced lunches? Temporary assistance or WIC, the supplemental nutrition program for women with children?

Rozier, the Raleigh parent, is a sales representative with Cisco Systems. A graduate of NCSU, he considers himself relatively Web-savvy and intelligent. Still, his head spins a bit each time he fills out the application.

"Do you have this? Did you qualify for this? I don't know," he said. "You end up answering 'No' to a lot of things you're not sure of. I would hate to see someone in their first year of college try to fill this out. It's intimidating."

At UNC-CH, the admissions office runs an advising program that sends recent graduates to 56 low-income North Carolina high schools to help students apply to colleges. These advisers spend a lot of time familiarizing high school seniors with the form and dispelling myths about college affordability.

"I hear kids talking all the time about wanting to go to school but they can't afford it," said Stephen Farmer, UNC-CH's director of undergraduate admissions. "They don't know money is available. Then they look at the FAFSA and say, 'Why should I spend hours filling this out?' "
To be clear, the completed application is no ticket to riches. But it is required for students to be eligible for Pell and other federal grant programs, as well as other state and federal grants and loans. It's an annual exercise; students must fill it out each year.

Because it's free, educators say it's always worth a shot.

"We'd like all students to fill it out," said Regina Huggins, financial aid director at Wake Tech, where about 10,000 of 22,000 students completed the form last year. "A lot of times, students make the assumption that they won't qualify."

Beverly Mangum wasn't sure what she was doing the first time she filled out the form three years ago. Left unemployed when her company went out of business, the 69-year-old went to Wake Tech for office administration courses. She hadn't thought about financial aid in half a century, and she ended up with a loan she didn't want.

"I found it difficult because I didn't understand what they were asking," said Mangum, of Raleigh. "For a novice, you might have difficulty."

**Breeding familiarity**

Not all students are intimidated. Wake Tech student Felecia Ellis, 23, has gotten used to filling out the form and no longer considers it an imposition. "Nobody likes to fill out papers, but it's there to help you," said Ellis, who lives in Knightdale. "If you follow each step correctly, you can fly through it."

For colleges that serve large low-income populations, students and their parents are familiar with the application - if not crazy about it. At St. Augustine's College, a small, private, historically black college in Raleigh, at least 95 percent of the school's 1,550 students fill out the form, and nearly that many receive at least some financial aid.

Still, officials there stay on the students to fill it out - even if they're transferring or leaving school, said Nadine Ford, the financial aid director. "I always tell them to, even if you don't plan on coming back. Fill it out because plans change," she said. "It's better to have it done."
For needy students, the most likely source of free federal money is the Pell Grant, which is worth as much as $5,550 this year. (At St. Aug's, about 83 percent of students received Pell Grants last year.)

But for the many middle-income families that don't qualify for grants, the form offers only loans - a burden many are reluctant to take on. That's the puzzle facing Rozier, the Raleigh parent. He's tapping his savings - and eventual retirement nest egg - rather than burden himself and his children with years of debt.

"They're going to say you qualify for loans," he said. "But who wants that if you don't have to?"

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Colleges embrace older students, part-timers
By Sandra Block
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USA TODAY

Some people in their 30s and 40s go to college to learn new job skills or to change careers. JoAn Blake, 42, did it to cope with an unimaginable loss.

In 1997, Blake's daughter, Shaina, was diagnosed with osteosarcoma, a type of bone cancer that primarily affects children and adolescents. Shaina, then 10, wasn't expected to live six months. Instead, an experimental treatment put her cancer into remission, and Shaina went on to graduate from high school at the top of her class.

In 2006, Shaina was killed in a car accident. She was a sophomore in college, studying clinical science so she could help sick children.

Blake, who has three other children, decided to honor her daughter by fulfilling Shaina's goal. She enrolled at Roxbury Community College in Roxbury Crossing, Mass., with plans to earn an associate's degree. While there, she learned about a scholarship that Boston University's Metropolitan College offers to parents of children in Boston public schools. She applied and won the scholarship, which has allowed her to pursue a bachelor's degree in clinical science. She's scheduled to graduate with honors in May.

While Blake is twice the age of the average BU graduate, it's no longer unusual to see students like her on college campuses around the country. About half of today's students are financially independent, 49% are enrolled part time, 38% work full time, and 27% have dependents of their own, according to the National Center for Education Statistics.

The economic downturn has generated even more interest in higher education among non-traditional students. In January, the unemployment rate for adults with a bachelor's degree or higher was 4.2%, vs. 9.4% for high school graduates with no college education. Some economists believe that due to structural changes in the economy, thousands of jobs in manufacturing and other sectors that typically didn't require a college degree will never come back.

Colleges and universities are responding by expanding evening classes, developing online curriculums and offering courses at satellite locations. For example, Penn State University will launch a new video learning network this fall that will allow non-traditional students to take courses at sites throughout the state in an accelerated seven-
week period. The program is targeted at the nearly 2 million Pennsylvania residents who have some college credits but haven't earned a degree.

**Off-campus learning**
Without those types of innovations, it's unlikely that Colleen O'Neill Conlan, 47, would be able to earn her bachelor's degree in English.

Conlan lives in Vinalhaven, Maine, an island 15 miles off the coast of Rockland. She's scheduled to graduate from the University of Maine-Augusta this spring, but until this semester, she had never set foot on campus. She's taken classes online, through interactive television courses offered at Vinalhaven's high school, and at satellite centers in Rockland.

Conlan says she had always wanted to go to college, but life intervened. She got married after graduating from high school and moved to Vinalhaven with her husband, who owns a plumbing business. "Over the years I've done a lot of different jobs, and it's always been in the back of my head that I would go to college, but I live on an island," she says.

Conlan was inspired to get her degree six years ago after touring colleges with her daughter, Brianna. "I thought, 'This is fantastic — what a lucky kid,' " she says. She enrolled in the University of Maine's distance-learning program the same year that Brianna, now 24, started Boston College.

**Dodging storms to commute to classes**
This semester, her curriculum has required her to travel to Augusta every Monday for a three-hour class. To get there, she leaves at 6:30 a.m. to take the 80-minute ferry ride to Rockland, then drives an hour to Augusta. The last ferry leaves before she gets back to Rockland, so she spends the night at a bed and breakfast there and returns to the island on Tuesdays.

Conlan says she's fortunate that none of the monster storms that have blanketed New England this winter occurred on a Monday. On several occasions, though, her husband has had to climb to the roof to clear snow out of the satellite dish that provides Internet service to their home in Vinalhaven.

Conlan will complete her degree in May, but she won't attend the graduation ceremony, because her son, Niall, will graduate from St. Joseph's College of Maine on the same day. "I'll be glad when it's behind me," says Conlan, who blogs about her experiences at threcreditsatatime.wordpress.com. "But I'll miss the classes."

**Paying the bill**
For non-traditional students with families and jobs, finding time to study and attend classes is a major challenge. Blake's children are active in sports, and she's had to miss a lot of practices and games to attend classes. "At first, it was a huge struggle," she says. "They got it when they saw my grades."
But footing the bill for tuition and fees often presents an even greater hurdle for adults who are already paying a mortgage, contributing to a 401(k) plan and saving for their children's college education. Non-traditional students typically go to school part time, and many financial aid programs are restricted to full-time students, says Shawn O'Riley, executive director of University College at Adelphi University in Garden City, N.Y. In addition, in the wake of the economic downturn, there's been a big drop in the number of companies that provide tuition reimbursement for their employees, he says.

That means many non-traditional students must pay the entire cost of their education, which is why it often takes them several years to earn their degrees, O'Riley says. That's how Conlan handled her tuition bills. She and her husband took out a home-equity line of credit to help pay for their children's college education, and she didn't want to take on any more debt. She spread out the costs by taking one to three classes each semester.

But just because you're not an 18-year-old freshman doesn't mean you can't get help. How to reduce costs:

• Fill out the Free Application for Federal Student Aid, or FAFSA. This is the form used by virtually all two- and four-year colleges, universities and career schools to award financial aid. You'll also need a FAFSA to qualify for federal student loans, which are available for both full- and part-time students. Federal student loans offer lower rates and more flexible repayment terms than private student loans. In addition, independent students are eligible to borrow more than students who are listed as dependents on their parents' tax returns.

• Consider a 529 college savings plan. Many parents establish these savings plans for young children, but they can help adults pay for college, too. If you plan to attend college in a few years, a 529 plan offers a tax-advantaged way to save, because withdrawals used to pay for higher-education costs are tax-free. Many of these state-sponsored plans offer conservative portfolios that are appropriate for savers with a short-term time horizon, says Joseph Hurley, founder of SavingforCollege.com. In addition, if you decide not to go to college, you can transfer the plan to your children or other family members. Similarly, parents who find they don't need all of the money in a child's 529 plan can name themselves as beneficiaries and use the money for their own education.

• Look into institutional aid. Most college and university grants and scholarships are designated for traditional students, but many schools designate money for non-traditional students. The awards are often smaller than those offered to traditional students, but non-traditional students often pay lower tuition, too, says Sean-Michael Green, dean of graduate and adult enrollment at Marist College in Poughkeepsie, N.Y.

Blake says she never dreamed of applying to BU's Metropolitan College until she learned about the Scholarship for Parents award. "When I found out I was accepted, I was happy," she says. "When I got the scholarship, I bawled."
Blake, who is the daughter of Jamaican immigrants, says her experience has inspired her three children to pursue their own dreams. Charles, 19, plans to become a physical therapist. Ryan and Renecia, 16-year-old twins, want to go to law school.

"To see that I, with no science background, was afforded an opportunity to go to Boston University — it gives them an injection of self-worth."
Business Schools Get Lean
Money woes have many B-schools looking for ways to avoid layoffs and program disruptions, and they're finding them in the unlikeliest of places

By Francesca Di Meglio
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Like many small, private business schools, Dartmouth College's Tuck School of Business (Tuck Full-Time MBA Profile) in Hanover, N.H., relied on its endowment for its budget before the financial crisis hit in 2008, says Steven Lubrano, assistant dean of administration and chief operating officer at Tuck. The crisis meant fewer alumni and corporate sponsors contributed, and endowment returns took a hit. The school struggled with a difficult question: To lay off staff or not to lay off staff?

Knowing layoffs would have a big impact on employees and the small town of Hanover, where jobs were scarce even in good times, the staff rallied to come up with creative ways to cut back on spending and become more efficient, says Lubrano. In the end, he says, Tuck was able to trim costs by nearly 3 percent and avoid layoffs by centralizing the school's recycling system, which saves janitors seven hours per week in labor; creating financial centers, where a few people handle all the necessary paperwork for employee expenses; reducing mailed print materials from 55 to 10 per year; and reducing travel in favor of videoconferencing and other technologies.

"We told people their jobs were not at risk, but we had to change how we do things," he said. "Once jobs were safe, people were more willing to participate and offer suggestions."

Practice What They Teach
Indeed, business schools across the U.S. had to practice what they teach by becoming leaner—not to mention more creative—to get through the thick of the financial crisis. University endowments suffered losses averaging 18.7 percent in the year ended
June 30, 2009—their worst year since the Great Depression—and are just now beginning to recover. And with virtually every state in the union facing massive budget shortfalls, 43 have made cuts to higher education, according to the Center on Budget and Policy Priorities.

For some business schools, the solution to dwindling resources was layoffs and program eliminations. At Ohio University, the College of Business (Ohio Part-Time MBA Profile) on Nov. 12 suspended its full-time MBA program, citing "major budget challenges." The school has also cut two undergraduate majors with low enrollment, and had a number of B-school staff redeployed to other parts of the university, says Hugh Sherman, Ohio's B-school dean.

But like many other B-schools, Ohio didn't stop there. To create more revenue and respond to demand, the school expanded its executive education programs, increased its part-time MBA program from two cohorts to six, and increased recruitment of international students.

"Being businesspeople, there's a need for us to be strategists," says Sherman. "That's a different concept for universities, which like to think that you can service everyone. You can't."

**Shifting Resources**

To avoid layoffs and other drastic measures, many business schools opted for cuts that minimized disruption, sometimes shifting resources where they're needed more. For example, the University of Chicago's Booth School of Business (Booth Full-Time MBA Profile) didn't fill open positions, reduced the number of temps and contract workers, delayed expenditures on facility updates, and began requiring dean's-office approval for most travel—a change that forced staff to start looking for bargains, says Stacey Kole, deputy dean for full-time MBA programs at Booth.

At the same time, she says, Booth added career services staff to develop relationships with recruiters and provided funding for students who wanted to intern at nontraditional or nonprofit employers. "Students learned that we fully supported them in their job search by putting more resources into our career services at a time when we reduced resources to non-student-facing services," wrote Kole in an e-mail.

Determined to continue to recruit high-quality business faculty and refrain from cutting services to students, the University of Pennsylvania's Wharton School (Wharton Full-Time MBA Profile) gave other parts of its budget more scrutiny, says Peter Degnan, vice-dean for finance and administration at Wharton, which faced one round of layoffs in its executive education department. The school also negotiated more discounts from vendors and kept travel and entertainment expenses down, he added.
Saving on Utility Bills
The facilities of various business schools can cost big bucks to maintain. Much like American families who are paying closer attention to the length of their showers and turning off lights when they leave a room, business schools are finding ways to bring down utility bills.
Harvard Business School (Harvard Full-Time MBA Profile) realized that having the air-conditioning or heating systems turned on during nonbusiness hours was a waste, and it wasn't very green, which is a priority, writes Meghan Duggan, assistant director of sustainability and energy management at HBS, in an e-mail. Although a few employees who work late might have to wear sweaters during the winter or take them off during the summer, the savings, which Duggan would only describe as in the "six figures," are worth it, she writes.

"Simple behavioral efforts that don't cost a cent can have a positive financial impact," she writes.

With the economy showing signs of life, the need for additional belt-tightening has subsided. At Wharton, Degnan says, executive education programs have recovered most of their lost ground and gift-giving has stabilized. With money not quite as scarce as it once was, schools are starting to spend—Booth, says Kole, has begun filling open positions again. Still, don't expect business schools to revert to their old spendthrift ways anytime soon.

"We are still keeping a close watch on expenses," says Degnan. "It isn't time yet to open the floodgates and just let things happen."

No one will soon forget the Great Recession, least of all business schools. Kole admits the crisis brought on a "tough morale period" for the staff at Booth, who, she adds, shouldered more responsibility than usual. Despite the sacrifices, Kole says the staff united to make sure students did well, and people noticed these efforts.

"You couldn't 'bonus' people, but you could write personal thank-yous, which is something we weren't doing enough of before," she says. "It brought us closer together."

Di Meglio is a reporter for Businessweek.com in Fort Lee, N.J.