Better days ahead? Economy’s on the rise, expert says

By Josh Humphries
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The United States economy is on the way up, according to East Carolina University's Bureau of Business Research.

Gas prices are expected to hold steady this summer while companies are expected to increase production and eventually create more jobs.

James Kleckley, director of Bureau of Business Research, said that the worst part of the economic slump is likely over, and he is starting to see the economy slowly improve.

The Bureau of Business Research monitors economic indicators on the national and international level with a particular focus on how it affects eastern North Carolina.

"The worst of the worst was probably at the end of last year and the beginning of this year," he said.

"We are not losing jobs at the same pace. We are starting to see a more optimistic consumer and a more optimistic investor in the stock market."

Kleckley said the economic signs of a turnaround are now evident, but it's a slow process to climb back from such a dramatic decline.

"It is like turning an airliner or a cruise ship. You can't just stop on a dime, you have to slowly turn it around," he said.

"At the first of the year, those of us that follow this on a regular basis were really confused about what was going. You look at things and the way they are supposed to work when you go into recession, but they were happening more dramatically."

But the economy has stabilized slightly since then, and it appears to be on a climb.

"We are not as uncertain now as we were three months ago. It was pretty scary," Kleckley said.

While the economy in terms of production and investment seems to be climbing, Kleckley said it could be a while before new jobs are created.

Companies tend to increase hours of employees while increasing production before creating new positions.

Employment is a lagging indicator as companies tend to wait beyond an initial increase in production before hiring new workers, Kleckley said.

One factor in the recovery is the expected stability in the gas markets this summer.

Kleckley said that indications show that gas prices will be between $2.25 and $2.50 per gallon, slightly more than half of the peak price last summer.

"Of course anything could happen, but I think that is the range of what we are looking at," he said.

A stable affordable gas market will drive the rest of the economy and keep production and shipping costs down, which will help in the recovery, he said.
But the recovery on all levels will be slow and the economy will look different from the economy before the downturn.

"When we come back from this, we will be different consumers. We will not borrow as much and we will save more," Kleckley said.

"It will have implications about where we shop and eat and the things we buy."

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N.C. House eyes stark spending cuts
Coming in 2009-10: cuts 'like nobody has ever seen'

BY BENJAMIN NIOLET, Staff writer

RALEIGH - House Democrats are expected to unveil a budget proposal next week that would slash state spending and reverberate in schools, institutions and communities across North Carolina.

The House proposal, which is not finished and could still change, would balance a $4.2 billion shortfall almost entirely through spending cuts.

Education spending would be cut 12 percent from this year, meaning that thousands of teachers would either be laid off or not hired before school begins next year. Funding for university centers, programs and initiatives across the state would be slashed.

Thousands of state jobs would be eliminated, including 1,000 positions out of 21,000 at the state agency that runs prisons. Dozens of nonprofit agencies would lose state funding. Poor children would have less access to health care.

Every category of state government would be cut, said Rep. Mickey Michaux, a Durham Democrat and the senior budget writer in the House.

But House leaders are not proposing -- not yet, at least -- to raise taxes. They would use some federal economic stimulus money, and possibly some fee hikes, to fill the gaps not covered by spending cuts.

"You're looking at a bad situation. People are going to be hurt," Michaux said. "It's got cuts in it like nobody has ever seen before."

The current state budget is $21.4 billion. The House budget for the next fiscal year, which begins July 1, would be about $17.5 billion under the current proposals. The state last had a budget of that size in fiscal year 2006.

Drafts of several pieces of the budget proposal were made available Wednesday through a public records request. The proposals have been previously discussed in various committee meetings and might be modified by House leaders before they are rolled into a single budget proposal next week.

The draft House budget would contrast sharply with earlier proposals advanced by Democratic Gov. Beverly Perdue and the Senate, which is also controlled by Democrats. Those budget proposals were presented before revenue collections, already weak, dropped sharply in the spring. The previous proposals included spending cuts, but nothing as deep as those being considered by the House.

The House budget is likely to get a cool reception in the Senate, which has proposed enacting new or restructured taxes to make up roughly $600 million of the shortfall.

"We hate to totally lose ground in education, and we have very vulnerable people who can't wait for the economic recovery," said Sen. Linda Garrou, a Winston-Salem Democrat and a Senate budget writer.

Unlike the federal government, North Carolina can't borrow its way out of the budget jam, because the state constitution requires North Carolina to have a balanced budget.

But Michaux said tax increases wouldn't bring in enough revenue to avoid painful cuts. He said raising taxes is a bad idea when the economy is already suffering.

Republicans have been pushing Democrats to cut spending instead of raising taxes. On Wednesday, House and Senate Republicans said they were skeptical that the Democrats who
control the legislature will approve a budget free of tax increases.

Rep. Ric Killian, a Charlotte Republican, said Republicans have been shut out of the budget-writing process.

"I still believe what's going to happen is the budget will be changed at the last minute to include tax increases," Killian said.

Senate Republican Leader Phil Berger of Eden said the proposed cuts may be something of a scare tactic.

"The rhetoric has the effect of building up, within certain interest groups, demands for a tax increase," Berger said.

Interest groups and agencies have been preparing for the big cuts and the fight to come.

"It would devastate public education as we know it right now," said Rodney Ellis, vice president of the N.C. Association of Educators.

Some of the biggest savings in public education would come from eliminating teaching assistants in third-grade classrooms, saving about $130 million. The House would keep the Senate proposal to increase class size by two students, which would save $332.7 million.

The proposals would eliminate a program that provided free online college courses for high school students and a salary supplement for math and science teachers in certain counties. It would eliminate funding for literacy coaches.

Rep. Tricia Cotham, a Charlotte Democrat, said she will host a conference call on Friday to brief constituents, elected leaders, nonprofit leaders and others about the cuts in the House budget. Cotham said she wanted to get her constituents ready for the cuts ahead.

"You're going to see devastation, shock, anger, confusion," Cotham said. "Before we pull the rug out from under them, they need to know."

The budget proposal eliminates state funding to scores of nonprofit organizations, including the ALS Association and Communities in Schools. Special Olympics North Carolina, for example, has received $200,000 annually from the state. The House budget would eliminate that appropriation.

"What makes it more hurtful or significant to us is all the other revenue streams are down," said Keith Fishburne, president of the Morrisville-based organization. "Facing the prospect of losing the full $200,000 is something that's going to be difficult for us in terms of being able to offer the same quality of events that we have in the past."

Michaux said the state simply has no money and, therefore, no choice.

"There are going to be a whole lot of people who are going to be angry with us, but these are the times," he said.

Staff writer Mark Johnson contributed to this story.

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**Spending on K-12**

Spending on K-12 schools would be cut by 12 percent from what was budgeted this year. Thousands of teaching jobs would be eliminated.
Universities would be cut 7.1 percent from this year's budget. Community colleges would be cut 6.3 percent. The cuts would affect tuition, libraries and institutes and centers.

Thousands of state jobs would be eliminated. Many would apply to unfilled positions, but scores of state employees would lose their jobs. The Department of Correction alone would lose 1,000 jobs.

Dozens of nonprofit agencies would lose funding from the state, including Special Olympics North Carolina.

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Spending cuts in the preliminary House budget proposal

ACROSS AGENCIES

- Cut in half the budget for workshop expenses, registrations, employee education, memberships, subscriptions and cell phones: $1.6 million
- Eliminate 38 vacant jobs in various agencies: $2.2 million

GENERAL ASSEMBLY:

- 10 percent price increase for food at the legislative cafeteria: $92,000
- Eliminate 21 positions: $1.3 million
- Reduce days budgeted for legislative assistants: $1.4 million

HEALTH AND HUMAN SERVICES

- Reduce child care subsidies: $14.6 million
- Reduce Smart Start funding: $10 million
- Eliminate 465 positions within the Division of Mental Health, Developmental Disabilities and Substance Abuse Services: $12.9 million
- Eliminate inflationary increase in benefits for Health Choice, the state’s health insurance program for poor children: $7.1 million
- Reduce state funding to help counties pay for the administration of public assistance programs: $5.5 million
- Reduce funding for residential schools for the deaf and blind: $7.5 million
- Reduce community support services in the Division of Medical Assistance: $59.6 million
- Reduce rates paid to Medicaid providers by 4 percent: $91.4 million
- Reduce adult dental coverage in Medicaid: $7.5 million
- Reduce funding or hospice services in Medicaid: $5 million

DEPARTMENT OF CORRECTION

- Close McCain, Wilmington, Guilford, Umstead, Gates, Haywood and Union correctional facilities: $7.6 million
- Eliminate work crews: $4.8 million

PUBLIC SCHOOLS

- At-risk student services: $70 million
- Textbooks: $48 million
- More at Four reductions: $10 million
- Improving student accountability: $38.3 million
- Increase class size by an average of two students: $322.7 million
- Literacy coaches: $12 million
- Teacher assistants cuts: $130.1 million
- Transportation: $29.1 million

COMMUNITY COLLEGES

- Eliminate senior citizen tuition waiver: $9.4 million
- Library books and materials: $848,000
- Eliminate funds for disadvantaged nursing students: $80,000
- Eliminate complete tuition waiver for public safety personnel, prisoners, high school students: $16.5 million
- Increase tuition by $8 per credit hour: $30.5 million

UNIVERSITIES

- Reduce non-need based grants to private colleges: $3.2 million
- Increase tuition by $200 a year: $34.8 million
- Eliminate resident tuition for some nonresident students: $13.9 million
- Aid to private medical schools: $1.5 million
- UNC-Chapel Hill School of Law: $700,000 (part of cuts to dozens of campus centers and programs)
- Teacher education recruitment and retention (N.C. State and UNC-CH): $350,000
- UNC-Chapel Hill Clinical Nutrition Center: $2.4 million

* Cuts are not final and could change before the House releases the full budget.
Ex-provost gave up position, not salary

NCSU's Nielsen won't see apay cut until November

BY J. ANDREW CURLISS, Staff Writer

The former provost at N.C. State University, Larry Nielsen, resigned his position as chief academic officer two weeks ago, citing stress over publicity about his handling of Mary Easley's job.

But Nielsen hasn't given up his $298,700 provost's salary.

For the next six months, Nielsen will be on a paid "study leave" with no change in his pay, Chancellor James Oblinger acknowledged in an interview Wednesday. Nielsen's pay will be reduced to $156,000 per year in late November as he returns to faculty work in the College of Natural Resources.

The chancellor said it's standard practice for a top administrator who is returning to the faculty to get time to assess his future work duties. Asked why Nielsen's salary would remain at the provost level during that time frame, Oblinger said it was part of Nielsen's contract under university policies.

"It's very standard," the chancellor said. "That is something put in administrative contracts from the very beginning."

The actual policy, however, says the leave is up to the discretion of the chancellor. The policy says the leave period can be for up to one year, though Nielsen's is for six months.

Nielsen's leave comes at a time of budgetary difficulties at the university and across state...
government. Administrators at N.C. State are bracing for cuts that could wipe out more than 10 percent of the university budget. Some layoffs are under way and more are likely. Already, state employees have taken pay cuts as well.

State Rep. Mickey Michaux, a Durham Democrat who is a chief budget writer in the House, emerged from a long meeting Wednesday afternoon after reviewing billions in cuts from the budget the House soon will propose. He said the salary issue with Nielsen needs a look.

"It concerns me, just like you hear about in the private sector, where people go off on these leaves and are still getting paid," he said. "We can't cut a job or a position, but this is something that we ought to look at and should affect their entire budget."

The House Republican leader, Rep. Paul Stam of Wake County, said he also would like to figure out how to trim Nielsen's pay in the budget. "The pay should stop the day he resigns," Stam said.

Nielsen could not be reached.

Nielsen's resignation May 14 was not forced, according to a letter Nielsen wrote and statements made by Oblinger in a news conference and in interviews since then.

He said scrutiny over his decisions to hire Easley, wife of then-Gov. Mike Easley, in 2005 and then to give her an 88 percent raise last year caused unbearable stress. It was disclosed last month that NCSU trustee McQueen Campbell, a close friend of the Easleys, played a role in the first lady's hiring. Campbell and NCSU officials previously had denied that Campbell had any involvement. Campbell recently resigned from the board of trustees.

Nielsen hoped his resignation would quiet the issue. University leaders since have called for Mary Easley also to resign, but she has refused, citing glowing job reviews and a contract that pays her $170,000 per year for the next four years.

Oblinger said Nielsen is "afforded the opportunity to go back to his college and consult with the dean of the college and the department chair and determine what the best utilization of his capabilities and expertise will be," and continue to receive his provost pay.

The difference amounts to an extra $71,350 over six months.

Bob Brown, dean of the university's College of Natural Resources, said Nielsen will keep some universitywide committee assignments from his provost's work during the study period. He is already meeting with faculty members about returning to the college's Department of Forestry and Environmental Resources.

One course per semester

Nielsen, an expert on fisheries, likely will teach one course per semester beginning in January, Brown said.

"He is looking into perhaps starting to write a book in this sabbatical period as well as developing courses in this sabbatical period and what sort of research program he would have within the college," Brown said Wednesday.

For several weeks after Nielsen resigned last month, the university would not provide his salary information, citing personnel laws that say only a person's "current" salary is public information.

This week, the university acknowledged that Nielsen's pay has not changed, even though his resignation was effective May 22.

A spokesman then said that Nielsen gave permission for his future salary to be disclosed.
"The provost will keep his current salary for the 6-month transition," spokesman Keith Nichols wrote in an e-mail message this week. "With his permission, I can tell you that his faculty salary will be $156,000."

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Pirates seeking respect

BY CAULTON TUDOR, Staff Writer

If it's an athletic contest involving East Carolina and North Carolina, there's no escaping The 'Retha Factor.

That's 'Retha as in legendary singer Aretha Franklin, whose 1967 version of Otis Redding's 1965 recording of the soul classic "Respect" pretty much has served as a rallying cry for the Pirates since its release.

Both renditions were plenty popular in Greenville, where the school, its students, faculty, fans, alumni and almost anyone else beyond the eastern edge of Wake County thought they were getting a royal case of second-class treatment from the state government.

There was a general rule of thumb among Pirates folks in those days that almost everything of merit -- educational funding, decent highways, any hint of respect -- quickly became road kill somewhere along the stretch of U.S. 64 that covered the distance between Wendell and Wilson.

Those practices began to change when then-East Carolina chancellor Leo Jenkins convinced enough politicians that his constituency could find voting booths just as easily as folks in other parts of the state.

So in time, East Carolina got its university status, its medical school and enough respect and elbow space to become the important institution Jenkins sought.

But the old notion of second-class treatment never completely waned in athletics.

Jenkins stepped down in 1978 and died in 1989, long before the expansion of the ACC into a full-blown business conglomerate. But even Leo himself couldn't have conquered that acceptance barrier.

The ACC found room for Virginia Tech's powerful football program and a couple of schools from opposite ends of the nation, but a certified son or daughter of an actual pirate will serve as Secretary of the Navy before the league will open the door to ECU.
In football, the combination of political and economic pressure has forced UNC, N.C. State, Duke and Wake Forest onto occasional common ground with ECU. But the Pirates still have to dwell in Conference USA, a far-flung league generally deemed a step or two beyond the athletic mainstream.

The perceived ACC Big Four snobishness still irritates ECU fans -- "Irate Pi-Rates" they're called by some -- enough that the no-respect issue isn't likely to ever completely go away.

Though routinely disappointed on the scoreboard, the school's athletes and fans will never tire of the chances to take on the Tar Heels and Wolfpack.

In large part, that's why this weekend's NCAA super regional in Chapel Hill was a sellout before many fans on both sides had so much as a fighting chance in the stampede for tickets.

Boshamer Stadium's attendance record of 4,231 is a lock to fall. When the Pirates won 4-0 in Greenville on April 22, more than 5,500 fans watched.

The regular-season game in Chapel Hill -- a 3-1 Heels win on April 7 -- drew 2,244 and that was in 40-degree weather.

Given a big enough stadium, it's not a stretch to project that 10,000 or more fans would have attended Saturday and Sunday.

Obviously, the majority of the crowd will be in blue. But the 'Retha Factor will be easily seen and heard. It always is.

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