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## Golden Leaf Foundation may be less effective

By **Richard Craver**

The Golden Leaf Foundation has survived the General Assembly's budget ax for the 2011 session, but its ability to assist economic-development projects may have been diminished.

Meanwhile, the state's other economic-development tools — the One North Carolina Fund and Job Development Investment Grant — were replenished for fiscal 2011-12 at their typical full amounts of \$10 million and \$15.4 million, respectively.

In other business-focused bills, the legislature approved exempting from taxes the first \$50,000 of income for small businesses.

The Golden Leaf Foundation, created by the legislature to distribute tobacco-settlement money, was perhaps the most visible example of the legislative tug-of-war over how to best spend limited resources to bolster the economy.

In recent years, money from the Golden Leaf Foundation has served as "the closer" in getting major economic-development projects done. Much of those funds are targeted for buying equipment and machinery for companies such as Caterpillar Inc. and Timco Aerosystems in the Triad.

Republicans tried to redirect the foundation's \$67 million annual allocation from the state's tobacco Master Settlement Agreement money into the state's general fund to help ease the \$2.4 billion state budget shortfall.

In February, Gov. Bev Perdue successfully vetoed a redirect attempt to take remaining economic-development funds for fiscal 2010-11.

Republicans were able to siphon off \$17.5 million a year over the next two fiscal years as part of negotiations with five House Democrats to get their support to override Perdue's state-budget veto.

Dan Gerlach, the executive director of the foundation, said it will continue to give \$10 million in economic-development grants, despite the 25 percent reduction in its funding. Much of the remaining \$40 million is divvied up to the state broadband project, its open-grants program to worker training, small-business development and its scholarship program aimed primarily at rural high-school students.

"It will make it harder to do out of the box grants, which is pivotal since many of the requests from communities negotiating with large corporations typically don't fit neatly in a box," Gerlach said.

He said the foundation's board of directors has not decided whether to spend any of the principal of its endowment, which exceeds \$550 million.

"One challenge is that if we approved all the requests currently before us, we would exhaust the \$10 million by October," Gerlach said. "That means we have to be more judicial in reviewing requests and that could lead to smaller grants in some instances."

Triad economic developers say the region will continue to remain aggressive in its business-recruitment efforts, despite a 12 percent reduction in state funding for the Piedmont Triad Partnership.

"We all know these are extraordinary economic times, and we're all trying to cut costs where we can," said Robert Leak Jr., the president of Winston-Salem Business Inc. "We've make the most of what we're given.

"But there's still enough funding to allow the region and the state to remain competitive nationally and internationally. We are watching the Golden Leaf very closely to see if it can continue to provide grants that can help sell a deal."

Dale Carroll, the deputy secretary of the N.C. Commerce Department, acknowledges that the economic funding debate has made North Carolina more vulnerable to neighboring states.

"We can't control what our competitors say, but we've been able to do a good job — both individually and with corporations — that North Carolina remains aggressively in the business-recruitment business," Carroll said.

"We will have to be more thoughtful on which projects we target."

The biggest concern Carroll said he has heard from corporations is related to the state's educational system.

"That's the common thread, their desire to place operations in communities with quality education and a prepared work force," Carroll said.

"What's left to be determined is what level of impact will the budget cuts have on our educational system, and will they affect ... attracting businesses."

Some analysts say that how well the Republicans' strategy for jump-starting the economy works could decide whether they retain control of the General Assembly after the 2012 election.

N.C. Sen. Peter Brunstetter, R-Forsyth, said he believes several changes enacted will make for a more positive business climate.

"The termination of the income-tax surcharge is probably a plus in executive recruitment," Brunstetter said.

"Regulatory reform could mean a friendlier environment for business growth and activity for both large and small businesses. Tort reform and workers'-comp reform address two of the biggest negatives we have had for our business climate."

Perdue signed the workers'-comp and tort-reform bills into law June 24. She called both bills examples of "how good, balanced laws can be created when advocates for business and citizens roll up their sleeves and work together."

Rep. Dale Folwell, R-Forsyth, the House speaker pro tem, said he believes the approved economic changes will resonate positively with voters.

"Anytime we push decision making and money away from a few powerful people in Raleigh who think that government creates jobs, and not private industry, that will strengthen job creation," Folwell said.

However, the N.C. Budget & Tax Center estimated that there will be a net loss of 29,782 jobs in the state over the next two fiscal years because of the state budget cuts. It estimates that 10,438 eliminated jobs will be in public and private health-care jobs.

Some local officials say cuts to education funding, particularly at the community-college and university levels, could make the state less able to train and produce high-skilled workers for the industry clusters identified by state economic officials.

"We're concerned that reducing funding to the community colleges and university system could exacerbate an on-going shortage of health-care personnel," said Jim Tobalski, a senior vice president for Novant Health Inc.

John H. Boyd, a principal in The Boyd Co. Inc., a site-location consulting company, said North Carolina likely will continue to be competitive.

"The incentive money squeeze in North Carolina will not impact it nearly as much in those states that have little or nothing else to fall back on," Boyd said. "North Carolina's positive labor climate, low property taxes, attractive energy costs and deep skill sets in manufacturing make a compelling case for the state, incentives or not.

"Incentives played a role, clearly in signature deals like Dell, Caterpillar, Apple, but they did not carry the decade," Boyd said. "The fundamentals did and will continue to do so."

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