

## Proposed budget cuts funding for Golden Leaf

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Grants from the Golden Leaf Foundation have served as “the closer” in many of the 24 major economic-development projects that have been done in the Triad and Northwest N.C. since 2002.

However, Gov. Pat McCrory’s proposed state budget – released Wednesday – would put the squeeze on its ability to assist projects by transferring the foundation’s annual \$65 million appropriation to the state’s General Fund.

The foundation has received its funding mostly from the landmark Master Settlement Agreement.

Tobacco companies, including R.J. Reynolds Tobacco Co., agreed in 1998 to settle lawsuits that 46 state attorneys general brought over smoking-related health care costs. The companies agreed to pay the states about \$206 billion over more than 20 years.

North Carolina has dedicated the bulk of its MSA payments to Golden Leaf, which has helped counties, particularly in rural areas, evolve their economies away from dependence on tobacco. The foundation has an endowment of about \$741 million, said Dan Gerlach, its executive director.

The MSA also provided about \$30 million annually to the N.C. Health and Wellness Fund for youth anti-smoking and anti-obesity programs.

However, in 2011, the General Assembly approved ending the wellness fund and transferring its annual appropriation to the General Fund in an attempt to bridge a \$2.4 billion budget gap. McCrory’s budget for the next two fiscal years would transfer about \$25 million in non-Golden Leaf MSA payment monies.

That decision has been criticized severely by anti-tobacco advocate groups, who say tobacco use among teens could increase without a strong marketing message.

Republican legislators attempted to take Golden Leaf’s annual funding in 2011, but Gov. Bev Perdue successfully vetoed an attempt to take remaining economic-development funds. The foundation did have to absorb a 25 percent funding reduction.

Art Pope, the state’s budget director, said Wednesday that Golden Leaf is just one of 10 statewide funds or accounts that will have money moved into the General Fund.

The N.C. Biotechnology Center and the N.C. Rural Development Center each would have \$10 million transferred the next two fiscal years, leaving each group with \$7.2 million in funding.

Pope said Golden Leaf and the two centers have “cash already on hand” to fund their programs and don’t necessarily need at this point an annual replenishing. State Sen. Peter Brunstetter, R-Forsyth, said the programs’ large fund balances caught the governor’s attention.

Gerlach said he has the same arguments to make to legislators that he did in 2011, but wonders that with

a Republican governor if they will fall on deaf or indifferent ears this time around.

“When you talk about programs that create jobs in this state, I believe we’re among the top measuring sticks,” Gerlach said. “We have helped fill gaps in economic projects across the state, particularly in rural areas.”

Golden Leaf and local economic officials stress the economic impact is not limited to easing training expenses for large beneficiaries such as Caterpillar Inc., Deere-Hitachi Construction Machinery Corp., Ashley Furniture Industries Inc., Pittsburgh Glass Works and Honda Aircraft Co.

The production equipment being bought through Golden Leaf funding can also provide smaller employers in similar industry fields with vital training skills for high-demand manufacturing jobs, such as welding, machining and assembly.

“Diverting money away from job creation doesn’t seem a prudent move, particularly with the state budget situation getting better,” Gerlach said. “Having a healthy economy helps the state have a healthy budget.”

Gerlach said Golden Leaf spends about 7.5 percent of its total assets each year on projects that also include the state’s broadband project, open-grants program to worker training, small-business development and its scholarship program aimed primarily at rural high-school students.

“Once we start spending off the principal, we will have to be more judicial in reviewing requests and that could lead to smaller grants in some instances,” Gerlach said.

Norris Tolson, president and chief executive of the N.C. Biotechnology Center, said they are confident McCrory “recognizes the \$59 billion of annual economic impact and the 237,000 jobs that biotechnology and life sciences contribute to North Carolina’s economy.”

However, Tolson said he is concerned that the funding transfer would require the center to use previously committed resources to continue daily operations.

“Such use of these reserves would cause us to default on our commitments to startup companies, research and development grants, economic-development opportunities and education projects all across North Carolina,” Tolson said.

John H. Boyd, a principal in The Boyd Co. Inc., a site-location consulting company in New Jersey, said that program cuts and shifts of incentive monies to the General Fund “appear to be a theme of the new budget.”

“These cutbacks in incentive resources could not come at a worse time as the economy continues to rebound and the number of relocation projects fitting the North Carolina profile is increasingly dramatically,” Boyd said.

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