

Duke Energy donation gives questionable boost to NC economic partnership

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The state's Economic Development Partnership leaned on an expected private donor in Duke Energy Corp. to quickly achieve its startup money requirements for fiscal 2014-15.

What makes the \$200,000 donation by Duke Energy stand out is the company's close ties to Gov. Pat McCrory.

It was pushed hard by McCrory and Commerce Secretary Sharon Decker as a key reform mechanism for making the state more competitive and flexible in recruiting large projects. The goal is operating as a "one-stop shop" for businesses involved in economic development, international trade, tourism, film and sports development.



Governor Pat McCrory

The public-private partnership began operations Oct. 6 in Cary with 38 employees.

Richard Lindenmuth, the partnership's interim chief executive, said in a statement Friday the group "has gone from startup to successful business operations in an open and accountable manner."

Duke Energy spokeswoman Lisa Parrish said Monday the utility is "proud to support the partnership. We stepped up because we want it to succeed and the donation is the right thing to do." "It will serve as a complement to what we already do in economic development." The utility provides incentives, mainly reduced rate costs, for major projects involving companies opening or expanding operations. It also provides funding to help with site readiness for major industrial park developments.

McCrorry was employed by the utility for nearly three decades. The Duke Energy coal ash spill in Rockingham County has been perhaps the biggest public black eye experienced by the McCrorry administration, particularly as environmental groups criticize the governor for his recovery and restitution plans being too lenient on the utility.

Chris Fitzsimon, with left-leaning N.C. Policy Watch, said Duke Energy's donation "surely has nothing to do with the state's on-going battle over regulation of the company's leaking coal ash ponds across the state."

"There's no chance that Duke Energy officials were trying to keep Gov. Pat McCrorry and his administration happy with the donation to the nonprofit that is so important to the governor. Nothing nefarious here. No expectations, just \$200,000 out of the goodness of Duke Energy's heart."

Parrish did not comment about the timing and amount of the donation except to say "it is not unusual for Duke Energy to be out front on economic development."

The partnership was quick to tout its influence, saying it "helped bring to fruition eight economic development projects, creating 1,560 jobs and representing an investment of \$439 million."

However, it took credit for Triad projects announced in October that either didn't involve state incentives (Thomas Built Buses' expansion in High Point and Archdale) or involved a building reuse project (Dunlop Aircraft Tyres in Mocksville) in the pipeline before the partnership began.

The partnership has raised \$440,000. Other named donors were \$100,000 from Red Hat Inc., \$75,000 from Piedmont Natural Gas, \$60,000 from Lenovo Group Ltd., and \$5,000 from Charlotte Pipe and Foundry Co. The partnership's vice chairman, Jim Whitehurst, is chief executive of Red Hat.

The final version of the law reduced the amount of private startup money required from at least \$10 million to \$250,000.

The private startup money was required before the partnership could enter into contracts with Commerce. Critics said revisions to the bill softened standards for what they call "pay to play incentive granting."

After achieving that goal, the partnership could receive taxpayer funding from the state's General Fund. The partnership would have to raise at least \$750,000 in private funding in the first year after being established, as well as at least \$1.25 million in years two through five.

The partnership disclosed the annual salaries of 20 officials, starting with Lindenmuth at the already disclosed \$120,000. All listed officials make at least \$62,000, and the combined base salary is \$1.65 million.

In October 2013, a nonpartisan Washington research center, Good Jobs First, offered a warning to North Carolina about the strategy's viability and effectiveness through stark criticism of public-private efforts in eight states.

"We found very troubling patterns of abuse when states privatize what is already a corporate-dominated system," said Greg LeRoy, Good Jobs First's executive director. The group claims Ohio and Wisconsin, in particular, have fallen short of the accountability, ethics and transparency standards they set when their partnerships began.

"The new privatized state program is the trend nationally as it brings in more resources and marketing flexibility," said John H. Boyd, principal with site-selection consultant The Boyd Co. of Princeton, N.J.

"But it should not short circuit more localized initiatives, which by nature can often do a better job matching our clients' needs with the right community."