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Would a tax break help North Carolina?

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The recession that is tightening its grip on North Carolina and the country offers opportunities for shaking up state institutions, Gov.-elect Bev Perdue said yesterday.

Perdue said she is using as her model North Carolina's Depression-era Gov. O. Max Gardner, who held office from 1929 to 1933. Gardner cut local property taxes, led the state takeover of financial responsibility for roads and schools from counties, and consolidated state colleges into the University of North Carolina system.

"We find ourselves, quite frankly, at a bad time," Perdue said at an economic forecast forum sponsored by two influential trade groups. "I will be the leader this state needs to not only weather this economic storm, but to make it work for us -- to use this time of crisis to position North Carolina for the future."

Perdue will be inaugurated Saturday. It is a time, she said, when fear about the future is the greatest since the Depression. The state's population is still growing and 359,000 of its residents are unemployed, the highest number in state history.

Since the U.S. officially fell into recession a year ago, about 145,000 North Carolina residents have lost their jobs. The state unemployment rate was 7.9 percent in November, the highest in 25 years. Some economists expect it to rise into double figures this year.

U.S. Chamber of Commerce chief economist Martin Regalia added to the glum news with his forecast for 2009 at the forum, which had as its hosts the N.C. Bankers Association and the state's chamber of commerce.

Consumption is falling as families cope with the shrinking values of their homes, mutual funds and retirement portfolios, Regalia said. Businesses are cutting spending on equipment and other investments because they have fewer customers. Soon, the rising value of the dollar and worldwide spread of the recession will cause U.S. exports to fall too, he said.

Regalia said he expects the current trend of rising unemployment to continue this year. Although business activity might begin to pick up in midyear, he doesn't expect real job growth until 2010.

"It's going to be a while before it gets much better," he said.

Perdue promised that her new administration will act to stimulate the state's economy. She said that North Carolina will claim its fair share of any federal stimulus spending, plus a bit more if the state's leaders do their jobs well.

"We want to claim every federal dollar we can lay our hands on and use efficiently," she said.

Perdue, like her predecessor, Gov. Mike Easley, also promised not to wait for Washington. She said that she, Easley and the other eight members of the Council of State, which essentially serves as the governor's cabinet, will meet today and approve borrowing for more than 24 state building projects that will cost more than \$700 million. The construction program could create more than 20,000 jobs in North Carolina and pump millions of dollars into the economy, she said.

Perdue also promised to do more to support existing businesses, in addition to existing state efforts to coax businesses to North Carolina. She said that even with the recession sapping state tax revenues, she will consider tax cuts that could encourage business expansion and job creation.

"Even in this economic downturn, we must consider targeted tax breaks that create new business and new jobs," she said.