

## FIVE QUESTIONS WITH TOM ROSS

*In our November 2006 FIVE QUESTIONS interview, North Carolina leader Tom Ross, executive director of the Z. Smith Reynolds Foundation, takes a look at major challenges facing the South, including government funding, political participation, the region's explosive growth and more. Media organizations are encouraged to reprint the interview in full or part.*

**BETTER SOUTH:** What are the three biggest challenges facing the American South?

**TOM ROSS:** I believe the three most significant challenges facing the American South are first, confronting issues of race and changing demographics; second, managing growth and dealing with its impact on our environment; and third, reforming revenue collection structures in a way that allow state and local government revenues grow at the same or a faster pace than the population and economy.

The face of the American South has changed dramatically in the last 15 years and it will continue to change during the remainder of this century. Issues of race have confounded the South for most of its history. It is projected that a majority of the residents of the South will be people of color by the middle of the century. The juxtaposition of these two facts increases the need to face head on the issues created by our differences and for all of us to learn to live together respectfully.

The American South is growing

exceptionally fast and will add millions of new residents in the next 25 years. This growth will likely result in more urban sprawl, less open space for recreation, high energy demands, strains on the affordability of housing, increases in air and water pollution and inadequate water quantity. The South must begin to address growth and its impact thoughtfully and in a sustainable manner if we are to maintain our current quality of life.

Most, if not all, of the states in the South have state finance systems which are based on an agricultural and manufacturing-based economy. Our economies have shifted over time to service-based

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economies. The result is that revenue collections have not kept pace with the economic growth and states are facing structural deficits in the foreseeable future. We must address tax reform in a way that creates a revenue system that grows with our growth if we are to meet our many challenges. Otherwise, we will become less and less competitive and our economies will stagnate.

**BETTER SOUTH:** As you know, the Center is keen for Southern lawmakers to tackle tax reform in much of the same way you outline. If you were King for a Day, what are the top three progressive tax reform measures that you would encourage Southern legislatures to pass sooner rather than later?

**TOM ROSS:** The three top tax reform measures I would suggest Southern legislatures to pass sooner rather than later are:

1. broadening the base for any sales or individual income taxes the state collects;
2. lowering rates on all taxes where the base is broadened; and
3. consider an earned income tax credit or negative income tax for those with very little taxable income.

It is my view that those states with income and/or sales taxes can do a great deal to broaden the base on which the taxes are applied. This is particularly true in the sales tax. Most state use as the base of the sales tax the sale of tangible goods and do not tax service transactions. With the change in our economies to more service-based and the advent of the Internet, states are only applying the sales tax to a small part of the economy. In North Carolina for example, the base on which the sales tax is applied is less than one-third of the economy.

Once the base on which taxes are applied is broadened states should be able to collect the same or more revenue while also lowering rates. In addition, when the base is broadened the revenue collected by the state is more likely to keep pace with the growth of the economy and the population. Lower rates will mean a more competitive business climate as well. Finally, with a boarder base

and lower rates states should still be able to correct the structural deficits and annual struggles over whether to cut spending or raise taxes many now face.

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#### ABOUT TOM ROSS

Thomas W. Ross is the director of the Z. Smith Reynolds Foundation (<http://www.zsr.org>) located in Winston-Salem, N.C. The foundation is a private philanthropic grant-making organization with assets exceeding \$425 million. Prior to January 2001, Tom served as the director of the North Carolina Administrative Office of the Courts from June 1999-December 2000 and as a North Carolina Superior Court Judge from January 1984 to November 2000. Before 1984, he served as the chief of staff to a United States Congressman, as a partner in a Greensboro, N.C. law firm and as an assistant professor of law and government at the School of Government at the University of North Carolina at Chapel Hill.

In November 2000, Tom was presented the William H. Rehnquist Award for Judicial Excellence. This award, named for former U. S. Supreme Court Chief Justice William Rehnquist, is presented annually to one state court judge nationally who possesses the qualities of judicial excellence. Tom also served as chair of the North Carolina Sentencing and Policy Advisory Commission from 1990 to 1999. Tom also served as Chair of the Governor's Commission to Modernize State Finances in 2002.

In addition to other civic activities, he currently serves on the Boards of Trustees of Davidson College and the University of North Carolina at Greensboro, the latter of which he chairs.

Tom received a BA degree from Davidson College in 1972 and a J.D. degree with honors from the University of North Carolina in 1975. He is a 1985 graduate of the National Judicial College. He lives in Chapel Hill, N.C., with his wife, Susan, and has two children, Tommy and Mary Kathryn.

lower income individuals have, over time, been pushed into higher brackets. One way to address this problem and to address poverty among working Southerners is to offer an earned income tax credit or a negative income tax which pays very low income wage earners a small percentage of their taxable income back in cash.

**BETTER SOUTH:** Going back to the first question, let's look at growth in the South. There have been major development and big changes over the last 30 years. With more people moving into the Sunbelt, the region faces even more change. A lot of people seem to find that keeping the Southern quality of life is incompatible with continued in-migration from around the nation and world. So the question is this: In the midst of more growth, can we maintain our Southern quality of life and culture? If so, how?



Ross

**TOM ROSS:** I was born and raised in the South and have spent my entire life here. Though I certainly understand it when people refer to the Southern way of life or the Southern culture, I have never felt the people of the South were as

homogeneous as some believe. Southerners have never really all had the same quality of life or culture. We have always had diversity in the way we live our lives, in our beliefs and backgrounds and in what we value. I believe this diversity has been healthy in many ways and has created difficulties in others. The diversity of cultures, ideas and beliefs is now changing rapidly in the South. The in-migration from other states and countries has resulted in the presence of people from more different cultures than have historically been represented. These changes create an opportunity to build a more open, inclusive South upon which I

hope we seize.

Historically, we have had communities that never had to worry about clean air and water. We have always had recreational space and open space for hiking, hunting, and fishing. We used to laugh at the transportation problems facing Los Angeles and New York. Rapid growth and its impact are placing our available and long valued clean air and water and open space at risk. Rates of development are having a negative on our environment and thus, our quality of life, and we are not appropriately planning for this continuing growth. With the population growth in the South continuing to outstrip most of the rest of the country we must look for ways to protect our water quality and quantity. We must deal with automobile emissions and pollution from coal-fired power plants so we will be able to breathe clean air. We must enact thoughtful zoning and land use policies that preserve green space, keep our water clean and allow for adequate recreational sites. If we fail to begin to act now we will not have the same quality of life to which many of us became accustomed growing up in the South. The good news is, if we act now, by taking steps to avoid many of the negative consequences of growth we will go a long way to protecting the quality of life we have known and loved in the South.

**BETTER SOUTH:** One of the fundamental missions of the Center is to work to improve participation in the government process. Next year, we're planning to offer some policy ideas on how state governments rethink how they do elections to improve participation. Do you have any thoughts or suggestions in these areas?

**TOM ROSS:** I definitely think states need to make it easier to register to vote. This can be accomplished by automatically

registering people to vote when they obtain a driver's license or register a car. Also, states should consider same day registration after ballots are final and printed which allows an individual to register and vote on the same day. Further, it makes sense to allow people to vote absentee at any time after ballots are final and printed without requiring an excuse. In addition, we should expand the days and times polls are open so people can vote for several weeks before "election day." All of these measures are likely, in my view, to increase voter participation.

It also seems worth exploring the use of instant runoff mechanisms. These techniques can save local and state governments significant costs, but also would allow elections to be finalized sooner. Finally,

I believe states must move to the increased use of public financing of elections so we take the money out of politics.

The vast amount of money expended in politics today is leading to an increase in the perception of corruption and, unfortunately, perhaps to an increase in actual corruption among public officials. The big money in politics also seems to generate more and more negative campaign ads which turn many voters away from politics and do not promote civilized civic debate.

We need to take every possible step to increase the involvement of people in the debate of public issues, in government and in the political process if our democracy is to survive. A democracy works only if people participate.

BETTER SOUTH: One of the initiatives your organization has been

working on are ways to curb poverty in North Carolina. How's that going and do you have any lessons for other Southern states?

TOM ROSS: We are certainly not experts in finding solutions to poverty, but we have learned some lessons as a result of our work. An obvious one is that the key to eradicating poverty is to provide ways for people to increase their incomes and build assets. We believe people in poverty need the same tools and opportunities to build assets that are available to others. Thus, the efforts of groups like Self Help, Generations Credit Union (a predominantly African American credit union) and the Latino Credit Union to provide traditional financing options to low wealth people have been very important and successful in the

fight against poverty in our state. Also, we have found that there is often a disconnect between folks at the bottom economically and those that have the resources. Success can't come from the

top down and struggles to emerge from the bottom up. Thus, we believe there needs to be increased focus on strategic collaborations between those existing organizations that reach in to communities and those with access to the asset building opportunities.

In rural North Carolina particularly, we have found that "place-based" economic development is a key to addressing poverty. Often communities have assets (natural or otherwise) that can support unique and new economic activity. One great emerging example is in Mitchell County, North Carolina. Mitchell County is in the mountains of the state and has an existing Christmas tree industry. The county was offered the rights to use images from a

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children's book entitled "The Year of the Perfect Christmas Tree." The County decided to brand itself as the "Home of the Perfect Christmas Tree" and to help entrepreneurs start new businesses marketing products based on the images in the book.

This "place-based" strategy is designed to not only promote the existing tree growing

industry but to also build new businesses that can increase income and assets of individuals in the community. Mitchell County recently sustained the loss over 400 manufacturing jobs when a major furniture company closes its plant. The advantage of the place-based economic development strategy is that jobs created through this approach are more likely to be sustainable and remain in the community.

#### ABOUT THE FIVE QUESTIONS SERIES

In the Center for a Better South's Five Questions project, staff members to pose challenging questions to Southern leaders for their views on how to deal with public policy issues.

Republication encouraged. Media organizations are encouraged to reprint the Five Questions interview on editorial pages to stimulate conversation and provide people living in the South with a new way of looking at things. No reprint permission is needed, but the Center would appreciate informal e-mail notification of any reprints. Please contact us at: [info@bettersouth.org](mailto:info@bettersouth.org) for any questions or comments.