



The NHC GOP Podcast

Episode 3:24 **Inspired Leadership for North Carolina: Senator Michael Lee**

Reuel Sample: On this episode of the NHC GOP podcast.

Michael Lee: So they have one less student to educate, but they're getting more money. So at the end of the day, they're going to get more per student because they're going to have more of an influx of money. When they say this is going to bankrupt traditional public education. It cracks me up that they they don't understand simple math. But in 2018, you had about 10% or ten of the shares that weren't complying with those orders.

Reuel Sample: The folks on the left keep saying, well, big corporations, they've got to pay these taxes, but corporations don't pay taxes.

Michael Lee: You know, I mean, I still think we're kind of in this inflationary period, I do think things have calmed down. But, you know, when we start looking at a long term economic forecast, we are kind of seeing some hiccups as we kind of progress through. Literally had someone put me in a room for four hours and ask me a whole bunch of questions, and it was very unscripted, and you'll probably be able to tell.

Reuel Sample: Welcome to the NHC GOP podcast. I'm Reuel Sample joined by Senator Michael Lee. Good evening, Senator. Thanks for joining us.

Michael Lee: Good evening. I appreciate you having me.

Reuel Sample: I appreciate you being on. It's been a wild week, weather wise here in North Carolina. And I guess you're getting picked up by rowboat to go home to to the family here in a little bit. So thanks for joining us. Yeah.

Michael Lee: Well, you know, I'm in Wilmington, so I'm okay, but I actually went to, um, down to Carolina Beach in Kure Beach today, and I was there with, uh, Representative Miller and, uh, Senator Raven just to kind of see some of the damage that they had there. And it's pretty unbelievable the flooding that they had, um, in both areas, in particular in Carolina Beach.

Reuel Sample: The state is responding to that and responding to it as quickly as they possibly can.

Michael Lee: They are. And, uh, you know, Campbell was down there. There's there's one um, there's one family that had the kind of the dune washed out from right at their house. And since we're still in storm season, uh, that was something that they really needed to shore up. And Camilla did the right thing, and they're giving them an emergency permit to move a little sand to, to protect the home. So other instances too. And then once they get their assessment done, we'll be kind of looking at what kind of help they need from us at the General Assembly. Um, when we get back into session.

Reuel Sample: Well, we will continue to keep people in our prayers as they redig from all of this. This was a strange storm, but we're also talking about some other strange things that are going on here in North Carolina. Let's talk about the economy that continues to go up and down depending on how people look at it. Uh, a report from University of Chapel Hill a couple of months ago says that we're still in a downward sort of spiral. Uh, normal goods aren't decreasing in prices. What's going on, Senator?

Michael Lee: You know, I mean, I still think we're kind of in this inflationary period. I do think things have calmed down. It looks like the fed is as recently as today, announced a rate cut. I think that's going to help in a lot of different ways. Um, a lot of times when the rate cuts are made, it takes a little time to start to feel some of those effects. Um, so I do think prices still remain high. It looks like some energy costs, like gasoline and some other things are starting to level out. But, you know, when we start looking at a

long term economic forecast, um, we are kind of seeing some hiccups as we kind of progress through. Since I'm on base budget, we tend to look at those things even when we're not in Raleigh as we look at our forecasts, because we, you know, we have a budget and we get it literally weekly. I get a statement of what's going on with money coming in and out of the state. The one thing that we can feel good about, even as I mentioned, the storm in Carolina Beach and Kure Beach, is that we've really been able to build up our reserves. Um, as to as to disasters and storms, you know, we've got over \$750 million in a reserve fund just for that. That's the fund we used when Hurricane Florence came. And we were able to do a lot of very quickly from a funding perspective. But the administration is where the logjam was and getting things done. And we actually still have, I think, 60 or \$70 million sitting in that Hurricane Florence reserve fund, because the administration has had such an impossible time really meeting the needs of citizens, even though we keep trying to push and we've had some some committee meetings and other things to try and come to the carpet.

Reuel Sample: You have done all of these reserve funds, and we see this all. Whenever Republicans are in legislative power, it always seems that the budget is taken care of and reserves are funded, taxes are kept low and you're always ready for emergencies. How are you folks doing that here in North Carolina?

Michael Lee: You know, we've been able to kind of I was I was at a forum this morning and I say we're able to walk and chew gum at the same time. Um, we're able to, um, get out of the way so that businesses can create jobs and eliminate unnecessary regulations so businesses can move more efficiently. We also are creating incentives in different ways. And I don't mean just through programs like Jdig, um, that the beneficiary of Antaca here in town and also Live Oak Bank was a beneficiary in town, not just things like that for job growth, but in the way we handle kind of our tax policy. Um, you know, a lot of people reducing the corporate income tax makes us much more competitive than some of our neighbors. And we are going to ultimately get to a zero corporate income tax. And some folks say, oh my gosh, you know, how are you going to do that? What's going to happen to our general fund? Only 5% of our general fund revenue comes from the corporate income tax and that corporate income tax as it goes lower and recruit better jobs, higher paying jobs, better companies for our area. We see that revenue coming into North Carolina, and we've been doing that with our tax policy. We've been doing that with our regulatory policy. And you've seen kind of the benefits

around the state. And so as we grow our economy, we grow our revenue through the personal income tax because people are getting better, higher paying jobs.

Reuel Sample: When we talk about corporate tax, the the folks on the left keep saying, well, big corporations, they've got to pay these taxes, but corporations don't pay taxes, do they? It's always taken out in prices and jobs.

Michael Lee: Yeah I mean, you know, if if a corporation is paying tax, it filters down through the products that they're producing or the services that they're providing, and we're paying for those. And so, you know, it's always interesting to me to hear them say those things. But really, at the end of the day, it's a cost to a company that provides goods and services, and consumers are the ones that are paying that at the end of the day.

Reuel Sample: We are always in competition with other states, and North Carolina is still considered one of the top places to do business in the entire United States because of our economic policies. What do you have planned going forward to continue this, this upward, uh, thought process for Republicans here in North Carolina?

Michael Lee: Well, um, before I kind of go straight to the kind of the fiscal piece of it, you know, when you get the CNBC ranking that that's number one for two years. And we barely were number two this year. Just I mean, just I can't even tell you how how close it was. They don't really just look at our, um, our economic policy and our regulatory environment. They actually look at other things, you know, education in North Carolina, if you go and pull up the CNBC ranking, you're going to see that we're ranked pretty high in the area of education. I think last year we were number seven in that ranking. So they break it out in different categories. And so education, cost of living and a couple other things also includes the regulatory environment and some of that. And so so it's important just to kind of note some of those things when it comes to kind of the what I'll call the fiscal policy, I think we're down to below 4% by 2026 in our personal income tax. Remember when Republicans first took control in 1011? I think we were somewhere in the high sevens.

Reuel Sample: That's amazing.

Michael Lee: And so and if we are able to hit certain revenue benchmarks, making making sure that we've got the revenue coming in that can offset further reductions, it looks like we're going to be going to under 2.5% over time. If we hit those benchmarks, and I feel pretty confident we will, I think we're going to see probably the the forecasting that we've been doing, um, get a little bit closer to reality. In the past, our forecasts have been good, but we've seen these significant surpluses. And so we've been trying to reduce taxes because when we have these big surpluses, some people think, oh, that's great. I think it's bad because it means we're taxing people too much. And so I think we're going to get to that equilibrium here in the not too distant future. We're also looking at traditional incentives. Jdig is one that I talked about earlier. That's for bigger companies. There's something called a one, um, a One North Carolina Small Business Fund. That's something that we've had around for, I think over a decade. It's had some really good results, and it really focuses on smaller businesses that are bringing innovative technologies and other things to market. That technology can be an Ag, military defense. It can be in traditional what you would think of tech. Um, or it could be in bioscience. And so those are some of the things that that we're really looking at continuing to look at unnecessary regulations as well. That always plays a part because that that always tends to kind of creep up for some reason. One other thing that we're doing, especially in our area, is really trying to keep up with infrastructure. Yeah, a lot of people don't understand that. The transportation we fund transportation really through the gas tax and fees that are related to motor vehicles.

Michael Lee: We do now collect fees on electric vehicles as well. And so as we see fuel efficiency, as we see other things happening with the utilization of gas or diesel, now we see that we need to have alternate sources of revenue. So what we've done in the legislature is we've taken a small portion of our sales tax. This next two years, it's going to be 6%. We'll generate around three quarters of a billion, or almost three quarters of \$1 billion. We can direct that right into transportation as well. In our area, water sewer is really important, really focused in that area. I brought over \$170 million in the last two budgets to our area, really to kind of build out that infrastructure Structure so that we can have the two business parks in our county kind of. Have access and then our airport. If you've been to the airport lately, you've seen been a lot of changes.

Reuel Sample: Yes, yes.

Michael Lee: That's that's a direct result of of some federal money, but also a direct result of money that we've put on the state level. I think it's over \$35 million in the last two years that we provided, um, to really kind of help move the ball forward. They already were kind of projecting out that they were going to be able to do these things, but they really needed a tranche of funds, uh, in the last budget to make sure that we could really get started a year earlier. So you're going to see this come out of the ground? Well, you're already seeing it come out of the ground, but you're going to be seeing it finishing up, I think, in the maybe the fall of 25 or early 26, I can't remember the exact dates.

Reuel Sample: One of the things I learned and I've, I learned all these things from talking to you folks on these podcasts, is an airport is like an economic powerhouse. You can have a good airport and you've got an economy that booms. And we also talk about when we talk about local races here in New Hanover County, we are we are worried about infrastructure, but a lot of that funding has to come from the state because it's the state that controls the roads.

Michael Lee: Right? I mean, from a transportation perspective, absolutely. In North Carolina, we have something called the mobility formula. And that's really a data driven process. And that's how we kind of fund new projects. The Military Cut Off Extension, um, the Hampstead bypass and things like that. And it's a it's a scoring system to take the politics out of it, because you may know that there is a the Senate pro tem that lived in the northeastern part of North Carolina. Um, Senator Basnight, they had better multi-use paths than we had roads because back during that time, politics got into how, um, transportation was funded. And so when Republicans took over control, they really took the politics out of it. I was actually on the board of transportation at the time, and they kind of developed this mobility formula that took a data driven process. It's not perfect. It's not. But they use this data driven process to to find out where they're going to be funding road construction.

Reuel Sample: Let's move on to one of the other big, uh, budget items that happened this week. And it's all about education. You folks passed a a fantastic education bill. It's getting panned in the media for funding rich kids going to schools, but it really isn't. Uh, let's talk about that education bill.

Michael Lee: Yeah. So that was opportunity scholarships. And we actually passed the the legislation in the policy last year. Um, but it was so popular that, um, all of our projections didn't keep up with how popular it was, so it's been around for a while. We've modified it and tweaked it. Last year we expanded it and we used our projections to say, okay, how many people are going to sign up? And, um, the governor declared a state of emergency for education. And he said, we're in a state of emergency because Republicans have given all these kids choice to to leave the traditional public school if it didn't work for them. And so his advertising that around the state. I mean, he literally went on a barnstorming tour. And while he thought he was giving us a hard time, it was educating people to let them know that this was available, that your child did not have to go to the school based on their zip code. They could go to a school that best met their child's needs. And so the Opportunity scholarship has different tiers tier one, two, three and four. And it's based on income. And a lot of the complaints that you get tier one, which is. I had a note here somewhere. Tier one is 100% income as a percentage of free and reduced lunch 100%. If you're at that level. So, um, a household of four people making \$57,000 a year, they have the ability to get 100% of the opportunity scholarship, which is around \$7,500.

Michael Lee: And some people have complained, well, how do you afford private school with \$7,500? The average opportunity scholarship is \$5,200 around the state. Um, think about that for a moment. And a lot of people don't understand that because maybe, maybe their kids that they paid to go to a private school is more than that. But but that's the average tuition. And so we aren't even using the entire amount. So if they're awarded 7500 and they're only paying 5200, the state is is only sending the amount of the tuition. Tier two is 100 to 200% of free and reduced lunch. That is \$15,000 for a family of four. And then you've got tier three, which is 200 to 450%, which is about 259,000 for a family of four. And with each of those tiers, the award level goes down. So I already told you award, uh, tier one, lowest socioeconomic. It's about \$7,500. Um, tier two, you get 90% of that amount. \$6,700. Tier three, we go to 60%, which is about I think it's \$4,400. And then the final tier, which there is no you know, if you're if you make over \$260,000 a year, you can get \$3,300 from the state for your child to, to find another option. And so the thing that, that they don't see is that North Carolina would pay 70. Well, depending where you live, 6000 to \$15,000 for that particular student, because we have an allotment system where a student in Hyde

County is more expensive than a student in Union County, so Hyde County is 15,000 per student.

Michael Lee: It averages out to anywhere between 7500 and 8000. So what you do is in North Carolina, we created a reinvestment fund. You take the difference in what we would have paid for that student that's leaving the traditional public school to go to the private school. You take the difference in what the state award is and what we would have paid, and we reinvest that back into the traditional public schools. So they have one less student to educate, but they're getting more money. So at the end of the day, they're going to get more per student because they're going to have more of an influx of money. The other piece of this puzzle is that the county is not putting any money toward an opportunity scholarship student, so the counties have the ability to continue the same level of funding so that, again, less students, same amount of funding. So it increases the per student when they say this is going to bankrupt traditional public education, it cracks me up that they they don't understand simple math. So we did a catch up because we had a waitlist. So we caught everyone up with a one time appropriation of \$248 million. Sounds like a lot of money. One time. And then we added \$212 million to it to go on every year. And that covers the increase. \$212 million is less than 2% of our K-12 budget.

Reuel Sample: Wow.

Michael Lee: \$212 million is less than 2%. And so if you include the additions and everything that we've already kind of baked in for funding, we're still looking at less than 4.5% of the entire K-12 budget for opportunity scholarships to give kids the opportunity to go to a school that best fits their needs. And so from an they say there's no accountability, there's a whole metric of accountability. They have to take nationally normed tests and report them. They have to report to parents. Um, and there are other metrics, depending on how many opportunity scholarship kids you have in your school. Um, but the the the point at the end of the day is that parents are the ones or caregivers are the ones that make that final decision. And there are a lot of people in government that don't think parents should have the ability or have the capacity to make that decision, to know if their child is getting the education that they need. I think parents can do that. Um, you know, that's really kind of where some of the rub is, um, between those who oppose it and those who support it.

Michael Lee: And I'll give you one more example. You've got a student, you know, 80% of the geographic area of our state is rural, even though it's only 40% of our population. In a lot of these rural areas, there's only one high school and there's only one middle school. A parent came up to me and said, my daughter was assaulted by a boy, and he went back into the school. She went back in the school, and it's a small high school, and she had nowhere to go. So she had to be. She had to be confronted by someone who attacked her every single day in school, because there was no other school to go to. And opportunity scholarships gave this family, who is a tier one family, \$57,000 family of four, the opportunity to take her daughter out of that school so she didn't have to confront her attacker every single day. It's things like that that people don't understand, especially in our area, because they're like, well, just go to another high school.

Reuel Sample: There is no other high school for those rural counties!

Michael Lee: Right. And so, you know, it's tough to talk about these things in a soundbite, but, you know, there's more to it. Um, but that's kind of where we are right now with Opportunity Scholarships. We funded it. It's moving forward. And I think it's going to be incredibly successful.

Reuel Sample: Now, the governor has threatened to veto this, but we do have a we do have a a majority supermajority to override all that. And we've talked about a lot of numbers. And you can always contact your office or the GOP to get those numbers out. Real quick, because I know we're at the end of the end of our time. Part of that bill was talking about ICE and the sheriffs, uh, that Governor Cooper did not want sheriffs contacting ICE. Uh, what is that part of this bill?

Michael Lee: So, um, in 2018, and our sheriff here locally does a great job. He's not one of the sheriffs that we've had problems around the state. Up until 2018 100% of the sheriffs coordinated with Ice federal government. If there was an Ice detainer, the federal government had a detaining order where you had to keep someone, um, if they were arrested, contact Ice. Um, they were all complying. Something happened in 2018. I don't know what it was, but in 2018, you had about 10% or ten of the sheriffs that weren't complying with those orders. And so what this bill does is, is it says if you are, um, it talks about folks who are arrested for either a violent misdemeanor or felony. So

you have to be arrested. Some people think that they're going to go all around and go into people's homes. It's not the case. They think that if you go into a report, a crime, that they're going to somehow detain you. That is not the case. It's those people who are arrested for violent crimes, misdemeanors and felonies. And so it requires the sheriffs to try and verify whether they are United States citizens. And if they are not United States citizens, they have to hold them for a period of time while they contact the federal authorities. That's really what it's about. Um, so all the fear mongering that there are going to be these big groups of people going and rounding up people and bringing them in and holding them, it's just not true. Um, it's disingenuous, and it threatens a lot of people who are law abiding citizens in North Carolina.

Reuel Sample: There's been a lot of mistruths that have come out during this campaign. Not just yours, but others. Uh, we're talking to Senator Michael Lee running for reelection here in New Hanover County. He there's a whole smorgasbord of things that you're that you are running on from the environment to transportation. Uh, we don't have a lot of time with you tonight, so make sure that you check out the senator's website. Senator, I'm going to give you the last word.

Michael Lee: Yeah, it'd be great if you could go to the website and, uh, on the website. So, so in interviews like this and, and forums, it's tough to get to know a candidate personally. And so if you'll go to my website, you can look at my views and issues. But I think it's also important to know who the candidate is and where they come from and why they think the way they think. And so what we've done this year is we've created a series of videos, and on the website there's a little tab that says Michael Unscripted. And what we did was, uh, literally had someone put me in a room for four hours and asked me a whole bunch of questions, and it was very unscripted, and you'll probably be able to tell, um, and they did that. They had my wife and I sit together and do an interview, and then they interviewed some friends and even our kids, um, have, uh, agreed to do interviews. So you'll see two of those are up now, and you may see a few more as time goes on.

Reuel Sample: Your son is in the Navy and he did a really great job. Now I say that because I'm a I'm a fellow swabbie but he did a that was a great video. If you haven't, if you want to catch Michael Lee and just get Michael Lee summed up, you just got to watch that video.

Michael Lee: You really? Yeah, he did a great job. So we're so proud. We're proud of all the kids. But yeah, we're really proud parents.

Reuel Sample: Uh, Senator, uh, election is in less than 48 days. It's coming up real quickly. You've got a lot to do. Appreciate you spending the time with us tonight. Uh, Senator Michael Lee, thanks again.

Michael Lee: Thanks for having me. Take care.