

## Sunbelt Hockey

## All-Star Location is a Coup for 'Caniacs'

The National Hockey League's puck stopped in Raleigh last January, when it held its 2011 All-Star Celebration at the home arena of the Carolina Hurricanes. Hosting the sold-out event was something of a coup for Triangle hockey fans, a.k.a. the Caniacs.

The All-Star game wasn't the first time the Triangle has served as a hockey magnet. The Hurricanes hosted the Stanley Cup Final in 2002 and 2006, as well as the NHL Entry Draft in 2004. The Hurricanes won the Cup in 2006, a sweet victory in light of the cancellation of the NHL 2004-2005 season due to a labor dispute. "Fifteen years ago, we had zero hockey presence," says Scott DuPree, vice president for sports marketing for the Greater Raleigh Convention and Visitors' Bureau. "Now we have thousands of fans; the arena draws big."

So big, it drew the All-Star game. The All-Star game and events were about "recognizing a market that's already been successful," says Mike Sundheim, the Hurricanes' director of media relations. The team in 2009 and 2002 was in the playoffs in addition to its Stanley Cup win in 2006. "Nothing builds fan base like a championship."

The NHL began its expansion into the South in the

1990s — the Hurricanes moved from Hartford, Conn. The NHL sought a national footprint to win television contracts as the population shifted to the Sunbelt. It was assumed Northern fans would follow Southern teams, according to Larry DeGaris, associate professor of sports marketing at the University of Indianapolis. It hasn't worked quite that way. The NHL has a three-year contract with Comcast's Versus cable channel, not a major network. Some teams struggle to fill seats, especially during the economic slowdown as corporate demand for luxury seats declined. Today, the Southeast Division includes the Washington Capitals, Carolina Hurricanes, Florida Panthers, Tampa Bay Lightning, and Atlanta Thrashers.

Another problem: When Rangers fans from New York move, for example, to South Florida, they're still Rangers fans, DeGaris says. "They can't go to the [Rangers] games, but they can watch them on television, so they can still be fans, and even participate in the fantasy leagues." But simply because teams have been slow to catch on doesn't mean they're not feasible. "You look at population growth and where the trends are, if you're looking to the future, any strategy has to include the Sunbelt." He points out the proliferation of minor league hockey teams, though those tend to come and go.

Southern teams' attendance lags that of stalwarts like the Detroit Red Wings, of course, DeGaris notes. But the Hurricanes have averaged between 85 percent and 93 percent of capacity since 2006-2007, except 2009-2010, when attendance fell to 81.6 percent, primarily because of the recession, Sundheim says.

Hockey in the South may take time to build a fan base, and some sports bloggers even speculate that attendance numbers are bloated because of giveaways and promotions. But many variables drive attendance and DeGaris believes fan interest is growing. "Hockey is a great live event," he says. "It's like auto racing — it's visceral, you can smell the ice shavings, the Zamboni."

— BETTY JOYCE NASH

PHOTOGRAPHY: GREGG FORWERK OF THE CAROLINA HURRICANES



*The Hurricanes celebrate after a 4-3 overtime victory over the Atlanta Thrashers in January 2011.*

## Trimming Costs

### NC Health Plan Penalizes Obese State Workers

In July, the North Carolina State Health Plan will increase insurance premiums for state employees with a Body Mass Index (BMI) of 40 or higher. The plan covers more than 600,000 state employees, retirees, and teachers.

BMI is the ratio of an adult's weight to height that roughly correlates to the percentage of fat compared to total weight. A person with a BMI of 30 or above may be considered obese, but whether the BMI presents a health risk for an individual would need to be determined by a variety of health assessments, according to the Centers for Disease Control. People who are obese are considered at greater risk for chronic disease, including heart disease, stroke, diabetes, and some types of cancer.

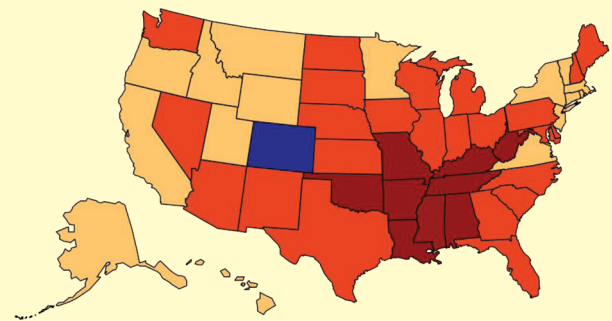
In the past decade, obesity often has been labeled an "American epidemic." According to the CDC's Behavioral Risk Factor Surveillance System (BRFSS), the national median percentage of adults who are obese jumped from 15.9 percent in 1995 to 26.9 percent in 2009. The BRFSS generates a wide variety of health information through monthly telephone surveys conducted by state health departments with technical help from the CDC. Data are aggregated for each state by the CDC.

In the Fifth District, three jurisdictions fall below the national average in their percentages of obese adults: the District of Columbia at 20.1 percent, Virginia at 25.5 percent, and Maryland at 26.8 percent. States above the national average in the Fifth District are South Carolina at 30.1 percent, West Virginia at 31.7 percent, and North Carolina at 30.1 percent. In the Carolinas, percentages of obesity have almost doubled since 1995.

North Carolina implemented its new policy, called the Wellness Initiative, to cut rising insurance costs and improve workers' health. The state Legislature in 2009 rescued the health plan with \$250 million to pay bills; the plan is slated for more money from the general fund in the coming year. Currently, state employees of any BMI can choose between two insurance policies with different co-pays, co-insurance, and deductibles. Starting in July, however, all members will be enrolled in one plan, which has higher co-pays and co-insurance; only members who have a BMI lower than 40 can enroll in the alternate plan. Moreover, in July 2012, the BMI requirement will be lowered to 35. This plan also restricts the insurance options for employees who use tobacco and are not actively trying to quit.

North Carolina is doing so because tobacco use and obesity cause the largest number of preventable deaths in the state, according to the state's Web site.

#### Obesity Trends\* Among U.S. Adults



Legend: No Data, <10%, 10%-14%, 15%-19%, 20%-24%, 25%-29%, ≥ 30%

\*BMI ≥ 30, or approximately 30 lbs. overweight for a 5'4" person  
SOURCE: Behavioral Risk Factor Surveillance System (BRFSS), CDC, 2009

But not all health experts believe the add-on will help. Dr. Eric Finkelstein, deputy director for health services and systems research at Duke-National University of Singapore, doubts that this policy will significantly affect rates of obesity among state employees, but may instead have other benefits. "Few people are going to change their lifestyle over this, in my opinion," Finkelstein says. "They will just pay the additional fee. However, it will help the state health plan because they are essentially charging more money for obese people so it helps defray the associated costs."

Finkelstein in October 2010 published a study in the *Journal of Occupational and Environmental Medicine* that quantified the per-capita cost of obesity among full-time employees at \$16,900 for obese women with a BMI over 40 and \$15,500 for obese men of the same BMI range. This study concluded that the aggregate cost to employers was \$73.1 billion a year. The costs were incurred as a result of employee medical costs, health-related absenteeism, and "presenteeism," where workers report to work yet produce less due to poor health.

Finkelstein has an alternative to combat obesity in the workplace. "I would put incentive strategies in place that encourage people to make healthy choices, like rewards or subsidies for program participation, and I would strongly encourage those choices." Even so, Finkelstein predicts that other states will soon adopt similar policies to those in North Carolina. He also foresees private employers instituting penalties for obesity.

— BECKY JOHNSEN

## Coal Conversion Gas Price Spikes Inspire Technology

A \$3 billion coal-to-gasoline plant is slated for Mingo County, W.Va., over objections from environmental groups. The plant will be built by New York-based TransGas Development Systems.

Adam Victor, the company president, says the plant was inspired by Hurricane Katrina's impact on Gulf Coast refineries. "We saw prices for fuel go up four times in one day, and started looking for ways to mitigate our fuel costs," he says.

The firm decided on coal to liquids after exploring other technologies: ethanol, biomass, biodiesel, and wood gasification. The predecessor technology was used in Germany to make synthetic fuel from coal in the World War II until the Allies began bombing the synfuels plants in late 1944 and early 1945.

The TransGas plant is designed to convert coal from the region, an estimated 3 million tons annually, into 756,000 gallons per day of premium-grade gasoline. The process produces methanol, then cleanses it to make a sulfur-free gasoline, according to Victor. The plant expects to employ 3,000 people during construction, starting in June 2011, and 250 thereafter. The plant is likely to be fully operational by June 2015. Victor says the firm plans an IPO on the London Stock Exchange in the second quarter of 2011.

At issue are potential emissions such as carbon dioxide and the plant's classification as a minor source of pollution, a status requiring less scrutiny. The permit is under appeal. Carbon emissions are widely considered a contributor to global warming, and recently finalized carbon regulations by the U.S. Environmental Protection Agency are under way. New emissions standards for cars and trucks were issued in March 2010, effective over the 2012

to 2016 period. New permitting rules for stationary sources, effective Jan. 2, 2011, will require "best available control technology" for major sources of greenhouse gases. By July 1, 2011, a second phase will affect new and modified sources.

The TransGas project has obtained its permit to build and operate the plant from the West Virginia Department of Environmental Protection and will not be subject to the new rule. Though the permit is under appeal, the project will go forward but revisions to the permit could delay its start, according to Ronald Potesta, of the Charleston, W.Va., engineering firm that prepared the TransGas permit application.

TransGas chose its location partly because of supportive infrastructure, such as the King Coal Highway. The current development along the highway includes the Mingo Hybrid Energy Park, where the coal-to-gas plant will locate. The first 10-mile section of the highway will be completed by July 2011, with another five miles expected to be finished by fall 2012. The 15 miles of road is a public-private project, costing about \$125 million. Coal company preparation of the roadbed, as part of strip mine reclamation, has reduced the projected taxpayer cost by an estimated \$270 million, according to Mike Whitt of the Mingo County Redevelopment Authority. The highway is a 94-mile section of Interstate 73 that ultimately will span the distance from Sault Ste. Marie, Mich., to Myrtle Beach, S.C.

Officials in southern West Virginia hope the highway will invigorate the region's economy. In 2006, mining employed 9.6 percent of workers in the region compared to 20 percent in 1970 and 1980.

—BETTY JOYCE NASH

## Home Economics Birth Rates Dip Again in 2009

In his studies of the economics of the family, economist Gary Becker has described children as a consumption good. If he's right, it might make sense during a recession for people to put off the baby *and* the new refrigerator.

The moribund economy may have pushed down the United States' crude birth rate, but demographers caution against putting too much stock in the preliminary numbers.

The United States remains on track to maintain population, though births fell from 13.9 births per 1,000 people to 13.5. That was a 2.6 percent decline compared to 2008, which in turn had fallen by 1.6 percent over the previous peak birth year, 2007.

The U.S. birth rate is among the highest of developed countries, but fertility in some European countries had begun to rise. In 2009, most of those nations' rates stayed the same or declined slightly. "Although the drop in fertility

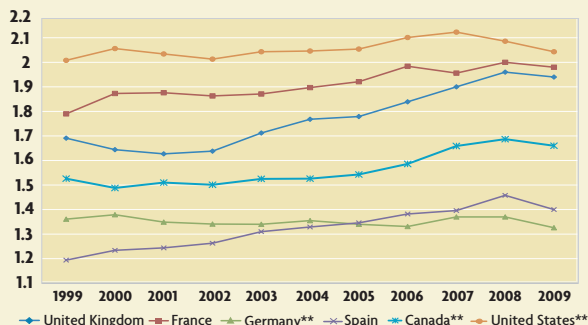
has not been across the board, there are many developed countries in Europe and Asia that are experiencing fertility declines similar to that of the United States," says demographer Mark Mather of the Population Reference Bureau (PRB).

Rising wages for female workers and other labor market trends, along with widely available contraceptives, have led to lower fertility rates over the past 30 years. Rates recently had begun to climb in some countries, such as France.

Possible explanations for U.S. declines include increased unemployment that may have slowed immigration or spurred immigrants to leave the United States; the fertility rate for Hispanic women fell by 3 percent in 2008.

The total fertility rate — the average number of children a woman would bear, given current birth rates, over a lifetime — in the United States fell slightly in 2009,

### Total Fertility Rate\* for Low Birth Rate Countries 1999 to 2009



\*Total Fertility Rate: average number of children a woman would bear over a lifetime, given current fertility rates

\*\*Estimated

SOURCE: Population Reference Bureau

from 2.086 births per thousand in 2008 to 2.043 in 2009. Birth rates had risen to 2.123 in 2007. Birth rates in low-fertility rate countries also fell. In Spain, for example, where rates had climbed from 1.173 in 1995 to 1.458 in 2008, the total fertility rate in 2009 slipped to 1.400, according to the PRB. That's despite the government's \$3,000 per child cash-for-kids program, slated for termi-

nation in January 2011. Rates also fell slightly in Germany, France, and the United Kingdom.

A new working paper examines the effects of housing wealth on birth rates. Economists Michael Lovenheim of Cornell University and Kevin Mumford of Purdue University used differences in the timing and size of the housing market boom and decline, over time, across different states. The study finds that for homeowners a \$10,000 increase in real housing wealth causes a 0.07 percent increase in fertility. The authors found few effects of housing price growth at the MSA level on the fertility of renters. "That increases in housing wealth are strongly associated with increases in fertility is consistent with some recent work showing a positive income effect on birth," the authors write. Estimates suggest that recent housing market variations could have "sizeable demographic effects that are driven by the positive effect of housing wealth on fertility." Their results were published in a Stanford Institute for Economic Policy Research discussion paper.

—BETTY JOYCE NASH

## New Life for Failed Banks 'Shelf Charters' Let Investors Become Bankers

Bank failures are increasing nationwide, but the Fifth District has fared better compared to other areas of the country. From the beginning of 2008 through the end of 2010, 15 banks in the District (which includes five states and Washington, D.C.) were "resolved" by regulators and the Federal Deposit Insurance Corporation (FDIC). In nearby Georgia and Florida, 51 and 45 banks failed, respectively; eight other states also had double-digit failures. Two of the banks that closed in the Fifth District were acquired not by other established banks, the traditional approach, but instead by approved investor groups participating in a new preliminary charter process.

When a bank fails, the best outcome is acquisition by another institution, which costs the FDIC's deposit insurance fund less and is also less disruptive to the bank's customers. The FDIC maintains a database of potential bidders on failed banks, and once it becomes certain that a bank will be closed, the agency "markets" the bank via a confidential e-mail to potential buyers. (The failing bank is not identified in the e-mail; interested bidders later receive a link to a secure Web site with more details.)

Previously, only groups with deposit insurance — i.e., existing banks — were eligible to bid. But to keep pace with the anticipated number of failures, in the fall of 2008 the

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Fifth District Failed Banks	City	Assets (\$MILLIONS)	Acquirer	Closing
K Bank	Randallstown, MD	538.3	M&T Bank	Nov 2010
Ideal Federal Savings Bank	Baltimore, MD	6.3	No Acquirer	July 2010
Bay National Bank	Baltimore, MD	282.2	Bay Bank, FSB*	July 2010
Waterfield Bank	Germantown, MD	155.6	No Acquirer	Mar 2010
Bradford Bank	Baltimore, MD	452	M&T Bank	Aug 2009
Suburban FSB	Crofton, MD	360	Bank of Essex	Jan 2009
Cooperative Bank	Wilmington, NC	970	First Bank	Jun 2009
Cape Fear Bank	Wilmington, NC	492	First Federal Savings and Loan Association	Apr 2009
Williamsburg First National Bank	Kingstree, SC	139.3	First Citizens Bank and Trust Company, Inc.	Jul 2010
First National Bank of the South	Spartanburg, SC	682	NAFH National Bank*	Jul 2010
Woodlands Bank	Bluffton, SC	376.2	Bank of the Ozarks	Jul 2010
Beach First National Bank	Myrtle Beach, SC	585.1	Bank of North Carolina	Apr 2010
Imperial Savings and Loan Association	Martinsville, VA	9.4	River Community Bank, N.A.	Aug 2010
Greater Atlantic Bank	Reston, VA	203	Sonabank	Dec 2009
Ameribank	Northfork, WV	115	The Citizens Savings Bank	Sep 2008

\*Formed by Hovde Private Equity Advisors LLC and North American Financial Holdings, respectively  
SOURCE: Federal Deposit Insurance Corporation