

Should cities and towns get into the Internet business? /5



CAROLINA JOURNAL

A MONTHLY JOURNAL OF NEWS, ANALYSIS AND OPINION
FROM THE JOHN LOCKE FOUNDATION

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STATEWIDE EDITION

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Revenue Dept. Staff Targets Large Families

BY DAVID N. BASS
Associate Editor

RALEIGH
Apparently for the first time in its history, the North Carolina Department of Revenue is delaying state income-tax refunds for tax filers based only on the number of dependents they claimed on their state returns, a move that has outraged large families across the state.

Parents who claimed eight or more exemptions are being asked to submit additional documentation on their children, including copies of birth certificates and Social Security cards. Failure to comply means a forfeited tax refund.



N.C. Revenue Secretary Kenneth Lay (Governor's Office photo)

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Mystery Group Behind Dam Takeover Bid

Panel Pushing for State Ownership of Yadkin Project

BY DON CARRINGTON
Executive Editor

RALEIGH
A driving force behind the state's effort to take over a central North Carolina hydroelectric project owned by Alcoa Power Generating Inc. is a mysterious group called the North Carolina Water Rights Committee.

The panel is headed by Raleigh City Council member Nancy McFarlane. She has refused several *Carolina Journal* requests to be interviewed about her organization.

Exactly when the committee was formed, who formed it, who its members are, and how the body is governed are not clear. While donations are solicited, no donors are named. No phone number or physical address is listed.

Gov. Beverly Perdue and the N.C. state Senate want the state to take over the project, claiming it would be in a better position to control the water generated by the project's several dams, and sell power, and deal with environmental issues associated with the project.

Since Alcoa is not interested in selling the project to North Carolina,



The Narrows Dam is one of four that some state officials and the North Carolina Water Rights Committee are pushing the state to take over. (CJ photo by Don Carrington)

the state will likely have to use its power of condemnation or some other legal strategy if it wants to pursue the matter.

In early May by a 44-4 vote, the N. C. Senate passed a bill to establish a new public agency that would control the dams if the state were able to

acquire the project from Alcoa. The state House has not taken up the bill yet, and Minority Leader Paul Stam, R-Wake, told *Carolina Journal* he didn't know how the bill would fare in the House, but said he strongly opposes

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Bill Seeks to Head Off Regulation of Private Wells

BY DAVID N. BASS
Associate Editor

RALEIGH
A bill that would prevent state and local governments from regulating private wells is still eligible for consideration in the General Assembly after just making the session's crossover deadline in May.

The measure would amend existing regulations to prohibit government from tampering with "water use from a well located outside of its jurisdiction, a well not connected to its water system, or any other private well." It passed the House, 100-14, on May 14 and has since been assigned to the Senate's Committee on Rules and Operations.

Rep. David Lewis, R-Harnett, filed the bill in response



to drought regulations approved last year that boost the governor's executive authority and require local water systems to submit water conservation plans to the state government. Lawmakers hurried the regulations through the General Assembly because of the record-breaking drought conditions, which have since abated due to plentiful rainfall.

Under the law, the governor can declare a "water shortage emergency" in drought-ravaged areas of the state, allowing officials to divert water from local water systems with an excess supply of water to systems experiencing shortages.

Landowners are also impacted since the law allows municipalities to use private property to connect water lines to another source without first obtaining a right-of-way.

Property-rights activists took aim at a section of the original bill that would have let local governments regulate private wells. After weeks of wrangling, sponsors added a

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Mystery Group Behind Dam Takeover Effort

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the takeover.

"It would be unprecedented for the state of North Carolina to take over a private business, and it would be extremely expensive," he said.

Known as the Yadkin Project, the hydroelectric plant is comprised of four hydroelectric dams and reservoirs located along a 38-mile section of the Yadkin River in Davidson, Davie, Montgomery, Rowan, and Stanly counties.

The reservoirs, named High Rock, Tuckertown, Badin, and Falls, lie within 38,000 acres of real estate owned by Alcoa Power Generating Inc., a subsidiary of Pittsburgh-based Alcoa.

Alcoa bought the land and constructed the hydroelectric dams to supply power to its aluminum smelting plant in Badin, a small Stanly County town east of Albemarle. Aluminum production started in 1917 and continued until 2002, when the company shut down most of the operation. All production stopped in 2007.

The hydro facilities continue to generate up to 210 megawatts of electricity that Alcoa wholesales to other power companies.

Alcoa operates the project under a license from the federal government. The previous 50-year license was issued in 1958 and Alcoa started the relicensing process in 2002. The Federal Energy Regulatory Commission (FERC) would likely have issued a new license to Alcoa if Gov. Mike Easley had not intervened in April 2008.

Citing concerns of some local governments in the region, Easley asked the FERC to delay issuing a new license until those concerns were addressed. Easley left office in January, but Perdue, his successor, has also asked the FERC to delay a new license. A legal brief recently filed by an attorney representing Perdue stated the she "intends to vigorously oppose" a new



The Alcoa smelting plant, above, which the dams were built to power, was closed in 2007 for business reasons. (CJ photo by Don Carrington)

license for Alcoa.

Easley's action came after Bill Ross, his Secretary of Environment and Natural Resources, had already signed off on the relicensing agreement.

Secret committee

On May 15, 2008, the North Carolina Water Rights Committee announced the launch of its new Web site, www.ncwaterrights.org.

According to information on the site, the "Committee is a coalition of North Carolina businesses and concerned citizens who aim to inform citizens of the critical issues concerning water rights that affect all North Carolinians." From information on the Web site, it appears its only mission is to support the state takeover of Alcoa's Yadkin Project.

News reports listed the organization's first president as Asheboro businessman Keith Crisco. He stepped down as president in January after Per-

due appointed him as secretary of the N.C. Department of Commerce. McFarlane, who represents a North Raleigh council district, then took over as president of the organization. McFarlane is president of MedPro Rx, a provider of specialty pharmacy services.

McFarlane did not respond to numerous phone messages requesting an interview about her committee. CJ confirmed through the committee's public relations firm that McFarlane received the messages.

Raleigh-based MMI Associates sends out press releases and handles other public relations for the water rights committee. MMI also does public relations for McFarlane's pharmacy services business.

Steve Levitas, former deputy secretary of the N.C. Department of Environment, Health and Natural Resources, registered as a lobbyist for the organization in April 2009.

Lobbyist registration records list McFarlane's North Raleigh business as the address the committee.

In January 2009, the committee released a document outlining a "State Trust Concept" for government takeover of the Alcoa's Yadkin Project. The concept then became the basis for the Senate bill establishing a new agency, named the Yadkin River Trust.

The agency would be governed by a seven-member board appointed by the governor, with members subject to approval by the General Assembly. It would produce and distribute power, control the water flow, expand recreational facilities, and deal with environmental issues.

It would first have to compensate Alcoa for the project. The level of compensation is highly disputed. Advocates for a takeover say federal law stipulates compensation to Alcoa re-



The Tuckertown Dam, above, is one of four in the Yadkin Project. (CJ photo by Don Carrington)

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Mystery Group Behind State's Yadkin Project Takeover Effort

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quires a payment only equal to Alcoa's net investment of approximately \$25 million.

Alcoa's position

Alcoa does not want to surrender the project to the state, but even if forced to, the company says the state would have to pay the fair-market value of more than \$500 million.

Alcoa's local manager Gene Ellis has worked for the company for 30 years. He officially retired June 1, but will continue as a consultant to the company.

"We began the relicensing process in 2002. When we did that we cast a very broad net to try to bring in as many people with an interest in how the project was operating as we possibly could," he told *CJ* during an inter-

view at his office in Badin.



Gene Ellis

Wanting to resolve all issues associated with a new license, Ellis said Alcoa chose voluntarily to pursue a relicensing settlement agreement that addressed local interests. A formal agreement supported by 23 major stakeholder groups was submitted to the FERC in May 2007.

Ellis said just before that process began, changing global economic conditions caused the Badin operation to lose money and the company decided to curtail the smelter operation, costing almost 400 jobs. Thirty employees now remain to operate the hydroelectric facilities.

Ellis said just before that process began, changing global economic conditions caused the Badin operation to lose money and the company decided to curtail the smelter operation, costing almost 400 jobs. Thirty employees now remain to operate the hydroelectric facilities.



Falls Dam, above, is part of a system of four dams that were built by Alcoa to power their smelting plant. (CJ photo by Don Carrington)

Realizing that those jobs would probably not come back, Stanly County officials eventually decided not to support the relicensing effort.

Ellis said the first significant concern raised by the county officials was the loss of property tax revenue from Alcoa's plan to donate about 1,100 acres to the state as part of the settlement agreement. He said he calculated the annual loss at less than \$20,000, but said the county kept coming up with more reasons to oppose Alcoa.

"It went from the land donation, to environmental issues, to water quality issues, to contamination from the smelter, to water quantity issues, including how we operate during a drought, and generally followed a pattern of trying to discredit Alcoa and its operation as much as they could in order to get attention to what they felt was the right thing to do, and that is

for there to be a federal takeover of the project," he said.

Stanly County wants a federal takeover followed by a transfer to the state of North Carolina. Citing the relicensing guidelines, Ellis said the state's opportunity to influence a federal takeover passed three years ago.

Ellis said a final hurdle was reached in May when the state issued Alcoa a water quality certificate. He said he hopes the state's OK will lead FERC to go ahead and issue the company a new license.

He said taxpayers have nothing to gain by a state takeover of the project. "Something that is now free will have to be paid for by the taxpayers," he said.

Ellis said Alcoa officials have made several efforts to meet with Perdue in person but she would not agree to meet.

Progress Energy also operates two hydro plants farther downriver. Progress is also going through the relicensing process but the state has made no efforts to take over that company's facilities.

Commissioner rebukes Alcoa

Stanly County Commission Chairman Tony Dennis is a prominent player in the effort for the state takeover of the Yadkin Project. "The flow of that river belongs to the people. They [Alcoa] put the power on the grid and they are sales-tax exempt, so the state of North Carolina is getting nothing for it. The plant is shut and we don't have any jobs. My opinion is they lost the license 1,000 jobs ago," he told *CJ* during a recent interview.



Tony Dennis

He said there is a lot of pollution in the county caused by Alcoa that the company has not dealt with. He also said that both the state's Department of Health and Natural Resources and the FERC have failed citizens in allowing the relicensing process to proceed.

"It is the biggest issue that we need to take control of for the helping of our grandchildren and our great-grandchildren," he said.

Dennis said Alcoa's objective is to maximize power generation from the dams, while the state would run the project to protect the safety and supply of the water.

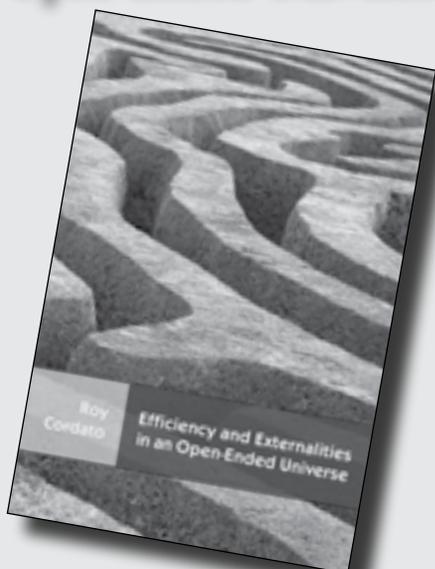
"The drought was a godsend to us. That made everyone get to thinking about it," he said. *CJ*

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By Roy Cordato
Vice President for Research
John Locke Foundation

Efficiency and Externalities in an Open-Ended Universe



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State Revenue Department Targets Large Families for Reviews

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The move is intended to ensure that families gave valid information on their returns, according to Revenue Secretary Kenneth Lay. "There is material noncompliance with taxpayers claiming excessive exemptions. And it is material," he told *Carolina Journal*.

In addition to copies of Social Security cards and birth certificates, the Revenue Department has asked parents to provide copies of their federal tax returns and statements indicating their relationship to, and the physical address of, all claimed dependents.

According to a copy of the notice obtained by *CJ*, state auditors have also asked taxpayers who filed as head of household to provide a divorce decree or custody agreement, and to provide documents "to substantiate proper support of any dependents that did not live with you during the year(s) in question."

Families are required to submit the information within 30 days. "Your refund will not be processed unless proper documentation is provided," the notice says. It is signed by Monica C. Martin, a Department of Revenue tax auditor.

Contacted by phone, Martin declined to comment.

Parents upset

The review has angered some parents who see it as a way to keep more funds in state coffers.

"This is a revenue generating situation for them in a very down economy," said one parent, who asked to remain anonymous. "If you talk about floating millions of dollars, it absolutely is in the state's interest to do this."

Donna Chapman, a pastor's wife who educates her children at home, said she was aggravated by the request. "I honestly think it's just a ploy by the state to hold up on tax returns until they can get the money to pay people," she said.

Due to a worsening budget hole now estimated at more than \$4 billion, the Department of Revenue delayed tax refunds by several weeks to keep state government operating. According to a press release, the department by May 13 had "released all tax refunds that have been processed" and expected to release refunds from returns filed in April "on a timely basis."

Lay, a former Bank of America executive who was appointed earlier this



Above is the letter sent to large families by the N.C. Revenue Department.

year by Gov. Beverly Perdue, said the state's revenue debacle and request for proof of exemptions are unrelated.

"They are two separate issues," he said. "They are somewhat related, because it has to do with tax collection and refunds, but they are not directly related to each other."

Parents suspect the state is using the reviews as a way to keep more money in state coffers

A new policy?

Since *CJ* first reported on the issue in mid-May, the Revenue Department has declined to give a definite answer on whether the reviews are a new policy under Lay's administration.

State Government Radio and 680 WPTF-AM in Raleigh both asked that question. Lay responded that his department has noticed an "uptick in the level of noncompliance," but he did not elaborate on whether it was the first time they had conducted such a review.

Families who marked a high number of exemp-

tions in past years, however, say it's the first time they've received such a request.

"I have never received a letter like this," said Raleigh resident Tobin Wells. "I had a red flag thrown up because I was getting a large refund and have five kids."

The Revenue Department is "looking in the wrong place" for abuses by auditing large traditional families, said Mark Metzger, a father of eight, including several adopted children.

"Those situations probably occur more in blended families and issues with parents sharing custody," he said. "Most large families, at least the ones that we know, are first marriages and relatively stable home environments."

Tom Kittenger, a Raleigh-area CPA with 30 years of experience in the field, said this year is the first time he's seen such an audit. Two of his clients were flagged by the department, he said, and in both cases the families "did not believe in birth control for religious reasons and considered the audit as religious persecution by the government."

Asked if every taxpayer who marked eight or more exemptions were notified this year, Lay said "not necessarily."

"There could be a number of factors, but that's one of them ... I hate to answer a hypothetical question, because it's hypothetical," he said.

Several families contacted by *CJ* claimed fewer than eight dependents on their state return but still received the letter from the auditor. North Carolina has 86,421 family households with six or more persons, according to the U.S. Census Bureau's 2005-07 American Community Survey.

Initially interviewed by *CJ*, Lay declined to offer details on how much cheating his department expected to catch through the review, or how much the action is costing in manpower and overhead. But in subsequent radio interviews with other news outlets, Lay said that his office had tagged 6,000 returns for review and estimated "that we may prevent more than \$3 million in incorrect refunds from going out."

Public records sought

On May 11, *CJ* submitted a freedom of information request for documents pertaining to the audit. The department acknowledged the request four days later, but a spokesman declined to answer further questions until the request was fulfilled.

"We need to resolve [the records request] before we provide any additional information, just because we don't want to cloud the issue," he said.

A spokeswoman for the governor's office offered no comment other than to say the governor would look into the reviews. *CJ*

Bill in House Seeks to Head Off State Efforts to Regulate Private Wells

Continued from Page 1

provision clarifying that nothing in the measure "shall be construed to expand or limit" regulation of private groundwater sources.

That didn't go far enough for Lewis. "It neither allowed nor disallowed the regulation of private wells," he said. "There was a lot of gray area in my mind and the minds of other people concerned about property rights."

Lewis was particularly troubled

last year when the Senate's concurrent version of the drought bill removed a provision that would have protected private well owners. "I was told at the time that it was removed because it was superfluous," he said.

The new bill would clarify "once and for all" that private wells are protected under the drought regulations, he said. "Everybody says the intent of the bill wasn't to regulate wells anyway, so if that's the intent, I don't see harm in spelling it out in plain lan-

guage," he said.

The John Locke Foundation published a report in October arguing that the drought regulations "likely authorized" the government to meddle with private wells.

"The legislation could easily have prohibited regulation of water use from private wells if that is what legislators wanted to do," wrote Daren Bakst, JLF legal and regulatory analyst. "There is a reason why the bill contains no clear prohibition — legislators want

the possibility of regulation."

Supporters of the expanded regulations used last year's drought as justification for action. Since then, however, conditions have improved vastly across the state.

According to the latest data from the N.C. Drought Management Advisory Council, over half of North Carolina counties have escaped the drought. The others are "abnormally dry," which is the least-severe classification. *CJ*

Salisbury's Fiber-Optic Internet Plans Risking Taxpayer Support

By COLLEEN CALVANI
CONTRIBUTOR

RALEIGH

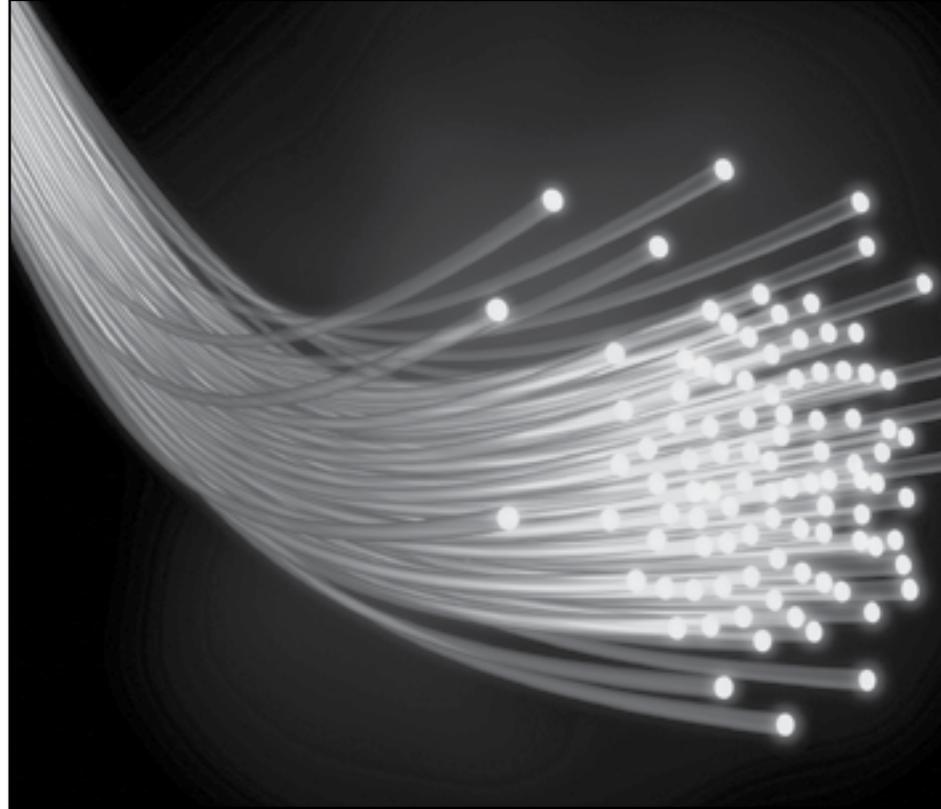
Another North Carolina municipality is trying its hand in the cable business. In January, Wilson made a decision to push for broadband access for its residents, attracting the attention of legislators who like the idea of spending money on a new category of infrastructure.

The City of Salisbury already has plans to use 20-year bonds to build a \$30 million fiber-optic cable system for its businesses and residents. The appeal of municipally owned broadband lies in the very high speed offered by Internet fiber optics, coupled with the ability to provide cable TV and telephone services.

Best of all, broadband won't cost taxpayers a dime — that is, if enough users sign up. At this point, Salisbury estimates that 28 percent of the town will have to subscribe to its service to pay for the system. If that percentage is not reached, the city has promised a property tax increase of 9.5 cents per \$100 valuation.

If 28 percent doesn't seem so high, consider this: A recent study by the John Locke Foundation's Dr. Michael Sanera and Katie Bethune reports that as many as 50 percent of North Carolina residents (including those in Wilson and Salisbury) do not own computers.

"The 50 percent that do have computers are the more affluent members," explained Sanera, research director and local government analyst for the foundation. "One of the tragedies in the whole thing, and what gets lost in the whole debate, is ... this [idea of] taking from the poorer segment of the community to provide benefits to



the wealthier community."

For those without computers, the municipal broadband provider would also offer telephone service and cable TV. But for average residential users, the cost of all three services, even with the modest benefit of minimally higher-speed cable than private companies typically offer, will still be too high, according to the report, titled "Salisbury's Fiber-Optic Cable System" (available online at www.johnlocke.org).

The report notes that taxpayers are concerned about small cities entering "a new high-risk, high-tech business in competition with the private sector," namely Time Warner Cable, which has made known its displeasure

with Wilson's system.

The cable giant has lobbied Raleigh for rules to restrict the building of cable systems by local governments. Last month, legislative committees killed bills establishing what Time Warner has called a "level playing field" between private and municipal providers of high-speed Internet. The legislative action has delayed any resolution for at least another year.

Proponents of municipal broadband, including the N.C. League of Municipalities, have responded by calling Time Warner a "monopoly" that only wants to protect its interests in the state.

But monopolies by definition don't compete with other businesses, and Time Warner, which also provides cable TV and telephone service, must compete on all three fronts with the bevy of options available to modern consumers of technology.

"Time Warner is competing with satellite, phone services, DSL (providers)," Sanera said. "They don't have a monopoly. They're already in competition with other providers."

Additionally, Time Warner and its competitors must look ahead at technology coming down the wire over the next decade. The fiber-optic cables that municipalities are so interested in could easily be yesterday's news well before the \$30 million loans come due.

Bethune and Sanera identified WiMAX technology as one that could easily usurp the usefulness of a more-expensive, more-difficult-to-install medium like fiber-optic cable, which operates by sending pulses of light through a glass or plastic fiber buried in the ground.

WiMAX offers high-speed access without the need for cables; in fact,

Bethune and Sanera estimate that one WiMAX installation could cover the entire city of Salisbury.

Additionally, fiber optic cannot meet the needs of the growing segment of online users who want wireless Internet.

Municipal broadband's proponents say any potential disadvantages are trumped by the prospect of economic development a city can offer if it has fiber-optic lines in place. Salisbury and Wilson hope to attract businesses, jobs — and taxes — to their respective areas. Additionally, businesses do not demand the mobility of wireless Internet, can pay higher prices than the average residential user, and still expect high-speed access.

According to the report, "pricing in other cities with city-owned fiber-optic systems, such as Wilson, have priced the residential service at about the same price as major private sector competitors, while business customers have paid substantially less than the market price."

For instance, companies such as Time Warner provide Internet to business customers for as much as \$1,000 per month; Wilson, by contrast, offers it for about \$300.

Should Salisbury adopt a similar approach, the report continues, residential users — who may already be forced to subsidize the system with higher taxes — will also subsidize those businesses that subscribe at prices well below market value.

"We look at all of these incentive packages as sort of bribing business to come into a community, and the benefits that go to that business are paid for by other people. It's not a function of government to pick winners and losers," Sanera explained. "The better thing to do if they really want to have economic development is to cut the corporate tax rates dramatically. ... They concentrate on the incentive packages because they get headlines."

Small municipalities aren't alone in their desire to expand broadband access to new areas. President Obama listed it among his many priorities, setting aside \$7.2 billion in his stimulus package to build broadband systems in remote or rural areas.

Though the stimulus funds would not apply to Wilson or Salisbury, they speak to politicians' growing interest in addressing states' infrastructure needs.

North Carolina is no different.

"Instead of raiding the highway trust fund, which they do almost every year, [state politicians should] improve the roads, which is a true governmental infrastructure activity," Sanera added.

Salisbury hopes to have the system construction completed by 2010, ready for use by more than 14,000 homes and businesses.

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The Triangle regional page includes news, policy reports and research of interest to people in the Research Triangle area.

It also features the blog Right Angles, featuring commentary on issues confronting Triangle residents.

N.C. Briefs

JLF: Kill tax talk

North Carolina's continuing unemployment problems should send a clear signal to lawmakers preparing the N.C. House budget: scuttle any plans for higher taxes. The John Locke Foundation's top budget analyst offered that recommendation after reviewing the numbers.

The N.C. Employment Security Commission's latest report lists the state's unemployment rate at 10.8 percent for April, unchanged from March rate. The rate has leveled off after climbing every month for more than a year.

"The latest numbers indicate that North Carolina continues to struggle with one of the nation's worst unemployment rates," said Joseph Coletti, JLF fiscal policy analyst. "State government needs to take steps to help boost the prospects for job creation and entrepreneurial investment, not special breaks for select companies and higher taxes for everyone else. Unfortunately, Gov. Beverly Perdue and the N.C. Senate have prescribed more than \$1 billion in new taxes over the next two years."

Now the House faces an even larger budget hole than the governor and Senate projected in their budget plans, Coletti added. "Some in the House will use the deteriorating state revenue picture to push for even larger tax increases," he said. "That is precisely the wrong way to address the problem."

Plastic bag ban

"Paper or plastic?" might soon be a phrase absent from grocery stores in three coastal counties.

State Senate President Pro Tem Marc Basnight is backing a bill that would ban stores in Currituck, Dare, and Hyde counties from giving customers most types of plastic bags. The reason?

"Discarded plastic bags contribute to overburdened landfills, threaten wildlife and marine life, degrade the beaches and other natural landscapes of North Carolina's coast, and, in many cases, require consumption of oil and natural gas during the manufacturing process," according to the bill.

As written originally, the measure applied to all counties in North Carolina, but opposition led sponsors to change the wording to apply only to the three Outer Banks counties.

The plastic bag ban passed the Senate 47-1 (Senate Minority Leader Phil Berger, a Republican, cast the lone dissenting vote) and awaits action in the House. *CJ*

Does 'Tax Reform' Mean 'Higher Taxes?'

By KAREN WELSH
Contributor

RALEIGH

The "21st Century Tax Rate Reduction and Modernization Plan," touted by backers in the North Carolina Senate as "tax reform," is designed to do a lot more than broaden the state's corporate tax base and reduce rates. It's supposed to raise money — perhaps \$1.7 billion over the next two years, making a down payment to close anticipated budget deficits.

That's why critics have called it a "blatant cash grab" — the perfect example of "Orwellian doublespeak." If the plan as outlined is passed, rates for sales and corporate income taxes would go down. Tens of millions of dollars in targeted tax credits would be eliminated, offsetting the lower revenues resulting from the reduced tax rates — and making tax filing simpler for many businesses.

But workers for those companies would pay much higher taxes on alcohol and cigarettes, along with new taxes on digital products, Internet services, warranties, haircuts, recreation, plumbing and painting services, storage, and moving expenses. Their individual income-tax burden is expected to go up as well, since more personal income will be subject to taxation under the plan.

This doesn't bode well for a state where residents already pay 9.8 percent of their income, or \$3,663 per capita, to shoulder their share of the state and local tax burden. (Those estimates come from the Washington, D.C.-based Tax Foundation.)

Critics say it's neither the time nor place to reform the system.

"You don't try to replace the motor while the bus is going over the cliff," stated an editorial in the *Hendersonville Times-News*. "That's the first applicable rule. For another, plain politics should tell the legislature that the deepest recession in at least 25 years is no time to take on a major legislative battle that will be easily demagogued as a monstrous tax increase."

Joe Coletti, fiscal and healthcare policy analyst for the John Locke Foundation, said the proposed tax reform is just a fancy way of saying "tax hike."

"They use the right phrase of 'tax reform,' but they don't do the right thing," he said. "No one wants to be accused of raising taxes, even though it's their explicit goal. Combine all the new taxes (the government) will be taking and it's a relatively high amount. It's extremely painful for taxpayers."

Rob Schofield, director of research and policy development with NC Policy Watch, seems to confirm Coletti's tax-hike suspicions.

"It's a good thing," he said. "It will help us raise a little revenue now and put us on the path of a healthier,



more robust tax system. Obviously the devil is in the details."

He said the idea of renovating the tax system now in place by broadening the tax base and lowering corporate tax rates is something that needs to be done. However, he is still unsure on how tax reforms can effectively be achieved during this economic downturn.

Patrick Gleason, state affairs manager for Americans For Tax Reform in Washington, D.C., agrees.

"It is reform, but it's not reform in the right direction," he said. "This plan is not the proper approach for North Carolina. Raising taxes in the middle of a recession is not economically advantageous. As a whole, it's bad and we've come out in opposition to it."

He said the new plan would require every North Carolina resident to work a record 191 days into the year simply to pay his or her tax burden.

In a public statement, North Carolina Republican Party Chairperson Linda Daves said the new "tax reform" is a classic bait-and-switch scam on

taxpayers. She said legislators are pretending to reduce taxes, while creating new ones that will "raise more revenue than ever before."

Joe Henchman, director of state projects at the Tax Foundation, said no matter the plan, it is impossible for North Carolina to get taxes under control until spending is also reined in.

"North Carolina has been overspending," he said. "You need ambitious spending controls."

Gleason said there are solid alternative budgets out there, including one proposed by the John Locke Foundation, that would help get the state on the right path.

"They are not just naysayers," he said. "There are good ideas out there."

A John Locke Foundation policy report by Roy Cordato, titled "Tax Reform in North Carolina," stated the path to a state tax code enhancing fairness, transparency, and economic growth would:

- Replace the current progressive income tax with a flat rate "consumed income tax."

- Abolish the corporate income tax, which is a hidden tax on workers, consumers, and shareholders.

- Eliminate all special tax breaks for new or existing businesses and eliminate differential sales tax rates and special excise taxes and the sales tax on business purchases.

Americans for Tax Reform's Gleason stressed that disgruntled residents of the state also have a choice and a voice on the tax issue during the next election cycle.

"North Carolina will not react favorably to this taxation," he said. "That's why elections are a good thing," he said. "They matter." *CJ*

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The John Locke Foundation has five regional Web sites spanning the state from the mountains to the sea.

The Triad regional page includes news, policy reports and research of interest to people in the Greensboro, Winston-Salem, High Point area.

It also features the blog Piedmont Publius, featuring commentary on issues confronting Triad residents.

Commander's Memo Causes Uproar Among Gun-Ownning Soldiers

By KAREN McMAHAN
Contributor

RALEIGH

In March, the commander of the U.S. Army's Charlie Company, 3rd Battalion, 187th Infantry Regiment stationed at Ft. Campbell, Ky., sent a memo ordering all soldiers in that company to provide a list of registration numbers and the location of any privately owned weapons they possessed. The commander also demanded to be informed whether the soldiers had a concealed carry permit and, if so, what state had issued the permit.

A soldier who objected to the order posted an e-mail with a copy of the memo to several firearm forums, warning that other units at Ft. Campbell were being ordered similarly to register their weapons and hinting at a broader effort to weaken our defenses and disarm the public at large.

Questions linger over whether this was truly a misinterpretation on the part of one company commander or whether the order would have extended to other units and installations but was quickly rescinded after the order became public.

Even before President Obama was elected, sales of firearms and ammunition had begun to surge nationwide over worries that more restrictions or outright bans on certain types of firearms and ammunition would ensue if Democrats were to regain the presidency and control of Congress.

Despite the recession, these sales continue to increase, with widespread shortages of many types of ammunition reported. Applications for concealed carry permits have surged as well.

As the Ft. Campbell e-mail cir-



culated rapidly across the Internet, soldiers and civilians were outraged, concerned that this was indeed the first step in implementing gun registration that could expand eventually to private citizens.

Kelly Tyler, public affairs officer at Ft. Campbell, insisted in a recent phone interview that this incident was "not part of a global conspiracy to take guns away from military personnel and that, upon learning of it, General Townsend" — Ft. Campbell's deputy commanding general — "immediately ordered the company commander to cease and desist."

"It was unfortunate that this happened just before that intelligence assessment report was released," Tyler said, because "it added to people's fears of a conspiracy." The report Tyler referenced was a declassified Department of Homeland Security report released on April 7, warning that "disgruntled military veterans" returning from Iraq and Afghanistan might be radicalized into terrorism by right-wing extremists.

Tyler expressed frustration that so many Web sites and bloggers had written about the gun registration

memo without talking to her or other base spokespersons. In an effort to allay the public's fears and end speculation, base officials submitted a copy of the soldier's e-mail and the memo in question, along with an explanation, to Snopes.com, a Website that deals in rumors.

Isolated incident?

Asked why the company commander would issue such an order, Tyler said "the intent was to protect soldiers and their families. Lower-ranking soldiers train with and use M-4 carbines and other weapons in combat, but not handguns. There has been an uptick in suicides and accidental discharges from personal weapons as soldiers return from deployment. One soldier died as a result of an accidental discharge determined not to be suicide."

Tyler explained that discussions about handgun training for soldiers to improve safety was "somehow misunderstood as it trickled down to the command level," and the company commander simply exceeded his authority.

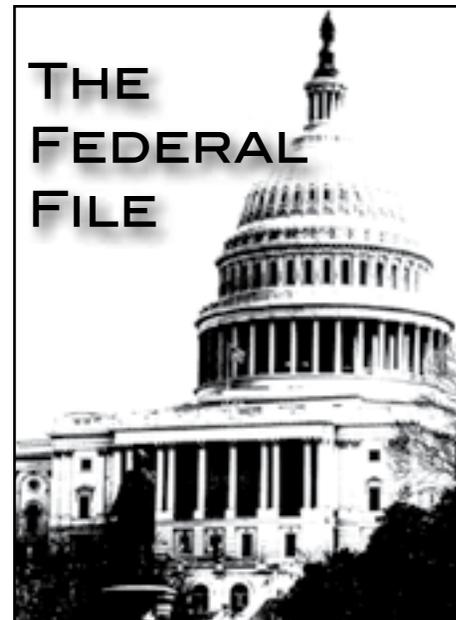
Still, critics wonder how an effort to protect soldiers and their families could be translated and executed in a manner as to infringe on military personnel's Second Amendment rights.

Tyler said she did not know whether the company commander who issued the illegal order had been reprimanded or disciplined, nor did she say what steps were being taken to address safety concerns.

Ft. Campbell regulations require soldiers who reside in on-post government quarters to register their personal weapons, but they can store them at home, Tyler said. For soldiers residing off post, they do not have to register their personal firearms unless they wish to bring them on post to use at firing ranges.

"All soldiers and their families must comply with local and state regulations for gun ownership and concealed carry," Tyler said.

The Pentagon did not respond to requests for both information about its firearms regulations for military personnel at all U.S. installations and a reaction to the soldiers' claim that military personnel in other units at Ft. Campbell had been ordered to report on their private firearms stored off



post.

Carolina Journal asked Jackie Thomas, a public affairs specialist at the U.S. Army's installation at Ft. Bragg, whether any of its military units had received an order similar to the one at Ft. Campbell. "To our knowledge, no such order has been issued here," Thomas said.

"Every army installation has its own regulations regarding firearms registration and concealed handgun permits," Thomas added. She e-mailed a copy of Ft. Bragg's regulations, which were similar to Ft. Campbell's.

Ft. Bragg regulations stipulate: "Personnel must register privately owned firearms they have on post only if they are living/staying on post for more than five days. This requirement applies regardless of personnel category (military, family, guest, unaffiliated civilian, etc.) and regardless of which of the three authorized locations (family housing, unit arms room, or the PMO) is used for storage of the firearms."

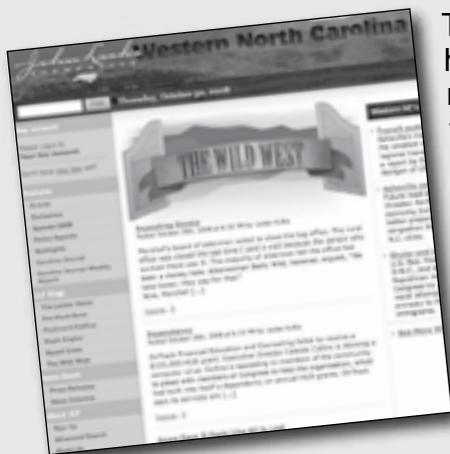
Personnel residing or staying off post are not required to register their privately owned firearms unless they store their firearms at an authorized location on post for more than five days. As for concealed carry, "concealed handgun permits are not recognized or valid on Fort Bragg."

Exceptions to the concealed carry regulations are duly authorized law enforcement personnel or military personnel who are performing their official duties, such as special forces soldiers.

An Army spokesman said the intent of the order was "to protect soldiers and their families" in the wake of an increase in suicides and accidents

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The Western regional page includes news, policy reports and research of interest to people in the N.C. mountains.

It also features the blog The Wild West, featuring commentary on issues confronting Western N.C. residents.

Ponnuru: There's a Leadership Vacuum on Economic Crisis

BY CJ STAFF

RALEIGH

It's no secret conservatives have taken a beating in recent elections. With the recent defection of Pennsylvania Sen. Arlen Specter from the Republican Party to the Democrats, some pundits wonder whether the GOP is on the road to oblivion. Ramesh Ponnuru, senior editor of *National Review* and columnist for *TIME*, recently discussed the future of conservatism in a presentation for the John Locke Foundation's Shaftesbury Society. He also discussed that topic with Mitch Kokai for Carolina Journal Radio. (Go to <http://www.carolinajournal.com/cjradio/> to find a station near you or to learn about the weekly CJ Radio podcast.)

Kokai: This is a topic that anyone who leans right of center has been very interested in at least since 2008, if not since 2006. Should we be worried about the future of conservatism?

Ponnuru: Well, we wouldn't be conservatives if we didn't worry about the future of the country, and whether we are going to be able to contribute as much as we'd like to righting the ship. I do think that conservatism is not in a hopeless condition. It's not that liberalism is inevitably going to triumph, even though liberals are in pretty unified control of Washington, D.C., right now. But I do think conservatives are going to need to do a lot of hard thinking about the problems of our time and how to solve them consistent with our principles.

Kokai: When you've heard this argument in recent months, there seem to be a couple of camps. One is that Republicans especially — but conservatives in general — need to get back to the basic principles. The other side of it is, we need to take the principles and adapt them to the problems of the day that are different than the ones that were around in Reagan's era. Where do you fall on that?

Ponnuru: I think it's a dumber debate than you're describing it as. I think it's much more — you're right, there are the folks saying we need to go back to basics and first principles and go back to the 1980s. And then there are the people who are saying we need to change everything and innovate. And what we don't have really so far is that middle camp that says, we stick to those old principles and apply them to new circumstances. That's, in fact, what Reagan did. He didn't just run on Barry Goldwater's campaign platform of 1964. He looked around, saw that there was a different world, different challenges, Americans wanted different things, and he didn't really deviate from conservative principles, but he had practical solutions of that time.

Kokai: So we need to take the principles and say, it's no longer 1980 or even '88, what are we going to do in 2009?

Ponnuru: That's right. And just two things that have changed since then — one is that taxes are a problem in a different way than they were back then. The income tax for most voters is less of a problem. For the economy, it's less of a hindrance than they were in 1981 when you had a top tax rate of 70 percent, when you had people moving because of inflation into higher and higher tax brackets. Now the payroll tax is a bigger problem, and conservatives ought to be addressing that. For a lot of people, it's a bigger problem. For a lot of young families especially trying to start out, it's a crushing burden.

Health care is another issue. The cost of health

"At this moment people have turned to liberalism, liberal leaders, knowing that they themselves aren't as liberal as their new elected leaders, but just thinking they're offering solutions to problems that conservatives weren't."

Ramesh Ponnuru
Senior Editor
National Review



care, the security of health care has become a much bigger problem than it was in 1981 for a lot of reasons. For one thing, health care can do a lot more than it could do back then, and it's more expensive. But that's something that conservatives have tended to say, "Well, that's a Democratic issue. We're not going to address it." That's something that has to change.

Kokai: Do you get the sense, Ramesh, that people are addressing the correct issues, or is there just too much infighting?

Ponnuru: There's bound to be some scattering and infighting under these circumstances. You have this huge, huge fall from power of conservatives over a fairly short span of time, and it's not surprising people are sort of shell-shocked and wandering around. I do think some of this is happening, some of this necessary rethinking, but I'm impatient. I want it to happen a little quicker because I think the longer we dither the more of our economy's going to be socialized between now and then.

Kokai: You've just started to hit the next point I was going to get to. If conservatives don't try to play an effective role in this debate, what happens to society at large? What happens if conservatives continue to fight, or if they decided, oh, we lost, let's just give up the ghost?

Ponnuru: At this moment people have turned to liberalism, liberal leaders, knowing that they themselves aren't as liberal as their new elected leaders, but just thinking they're offering solutions to problems and conservatives weren't. There's been too much truth in that perception, and we have, as conservatives, we have given liberals a lot of running room.

Kokai: Okay, for one day, someone gives you the pen, and you are writing the conservative agenda. What would be your agenda?

Ponnuru: The first thing I would do is say, we've got to solve this economic crisis, and there has been too little serious leadership from anybody on this front. I was just reading the papers over the weekend, and President Obama seems more interested in building an organic vegetable garden on the White House lawn than in solving the problem of toxic assets. I would say the first thing you have to do is change the mark-to-market rules and see how much you can use to get these bad assets off the books and revalue them without spending taxpayer money. After that, then we can talk about tax reform that works

for middle-class families. We can talk about health-care reform that makes health care more affordable, more market-based, and doesn't impose rationing. That would be my top agenda for this year.

Kokai: One of the things that we've done in this interview is talk about conservatives. I don't know if I have yet mentioned the "R" word of Republicans, but how important is it that the change that needs to take place in the conservative movement involve some sort of change with the Republican Party?

Ponnuru: Well, look, I think if you can generate an attractive conservative program that the public is interested in, then you ought to be able to get people in both political parties to support it, just because it's popular, although the bulk of it is going to be from Republicans. The Democratic Party has become a fairly liberal party. The Republican Party is where most conservatives are going to hang out, and so to the extent you have to have a rethinking among conservatives, you have to have a rethinking among Republicans.

Kokai: Are you confident that this is going to happen, even if there is some infighting now? At some point, are Republicans, conservatives, folks in the opposition going to get together and say, "We've got to do something different"?

Ponnuru: Well, my concern is actually — this is probably symptomatic of my cast of thinking — my concern is, actually, there will be too quick of a Republican rebound, say in 2010, just because the economy's not doing well, or because Obama is perceived not to be doing well enough, and that will make Republicans and conservatives think that they don't need to go through this effort of rebuilding their party because they're just counting on this sort of short-term bounce, sort of a dead-cat bounce really.

Kokai: In the long run, who should conservatives be focusing their attention on: middle-class families? Other groups?

Ponnuru: I would like to think that conservatives can gain popular appeal across the spectrum, but if I have to choose I would say that lower middle-class voters, folks who are making between \$30,000 and \$65,000 a year who have at least some vaguely socially conservative instincts. I think that is your target of opportunity. Notice I didn't say white. I think you've got to appeal to Hispanic and black voters and even some Asian voters in that category, given the demographic trends in the country. CJ

Wake School Debate Highlights Reassignment, School Calendars

Parent group demands alternatives to district mandates

BY KAREN McMAHAN
Contributor

RALEIGH

The May 12 public meeting in Raleigh on the future of Wake County's public schools hosted by WakeUp Wake County — a citizen group advocating higher spending on public education, expanding open space, and smart growth policies — wasn't truly an open forum. WakeUp Wake County did not invite participation from organizations that don't share its goals, which include imposition of a real-estate transfer tax and higher sales taxes to finance regional growth.

But it did preview the contentious debates to come over how the local school system will address growth and economic challenges.

Sponsors included the Wake chapter of the N.C. Association of Educators, BiggerPicture4Wake, three Raleigh City Council members, Capitol Broadcasting owner Jim Goodmon and his wife Barbara, the Wake League of Women Voters, former Wake County School Board member Smedes York, and John Wilson, executive director of the National Education Association.

Presenters at the forum were Tom Oxholm, a former Wake school board member and co-author of *A School District's Journey to Excellence*; Ann Denlinger, president of the Wake Education Partnership; Deputy Wake County Manager Johnna Rogers; and John Dornan, president and executive director of Public School Forum of North Carolina. Presentations highlighted lagging student performance at Wake County schools and argued that higher public funding was needed to turn those numbers around.

Among those not invited to participate were the Wake Schools Community Alliance, a broad coalition of parent groups. One WSCA steering committee member was told alliance

members would not be allowed to ask questions at the forum should any of them attend.

The two issues motivating WSCA members are school reassignment and the North Carolina Supreme Court's recent decision allowing the Wake County school system to assign students to mandatory year-round calendars without the consent of parents.

Reassignment worries

Many parents decide where they'll live based on the quality of the schools in the neighborhood. When the school system reassigns children to schools outside of their neighborhoods, these children lose not only connections to their friends but also to teachers and staff. Students can also lose access to academic courses and extracurricular activities that may not be offered at their new schools.

More than 30,000 children were reassigned in Wake County from 2004 through 2009, excluding students in magnet schools and

those whose parents opted out. In the 2008-09 school year, 2,597 Wake County students exercised the opt-out right, WSCA spokesperson Allison Backhouse said.

Some parents also report their children have been reassigned each year for several consecutive years. In Garner, the Wake County school board's policy of busing for socioeconomic diversity means that only 34 percent of Garner students attend schools in Garner.

Speaking at a recent WSCA meeting, Shaheen Ahmed, a software engineer, said he moved to Cary from Canada more than 11 years ago and was shocked when reassignment affected his family.

"I believe in community schools because that's what my wife and I experienced," said Ahmed. "Stability is important. Reassignment left us with just three weeks out of the year to reconnect with extended family in Canada. I'm certainly not the rich, white housewife with nothing better to do as the media portrays those of us who want neighborhood schools. It broke



Wake Schools Community Alliance member Venita Peyton speaks at one of the group's recent meetings. (CJ photo by Karen McMahan)

COMMENTARY

Class Size: Small or Super Size?

The class size debate is back. One item in the North Carolina Senate's budget would save taxpayers approximately \$323 million by raising class sizes by an average of two students per classroom. Despite protests by the education establishment, the Senate proposal is educationally reasonable and fiscally responsible. The House should leave the Senate's class-size provisions intact.

Significant reductions in average class size over the last 40 years have not produced corresponding increases in student performance. Eric Hanushek of the Hoover Institution has pointed out that in 1960, classrooms had an average of nearly 26 students. By 1990, classrooms averaged just over 17 students. Meantime, last year, the average elementary and middle-school classroom in North Carolina had between 19 and 21 students. And yet classroom performance has been flat since 1970. Hanushek observes, "It is impossible to detect any overall beneficial effects that are related to these sustained increases in teacher intensity."

Proponents of lower class-size mandates point to results from Tennessee's Student Teacher Achievement Ratio (STAR) project as justification. Between 1985 and 1989, approximately 75 schools randomly assigned students and teachers to large and small classes from kindergarten through third grade. Longitudinal studies of Project STAR indicated that smaller classes improved student performance, but a number of implementation problems may have biased the results. For example, Project STAR likely suffered from the "Hawthorne Effect," a serious form of bias whereby participants change their behavior (in this instance, students working harder) because they are aware that they are the subjects of a study.

North Carolina's own experiment with class-size reduction yielded disappointing results. In November 2006, the State Board of Education released the final report of the High Priority Schools Initiative, a four-year, \$23 million class-size reduction program targeting low-performing and low-income elementary schools. Researchers

found no statistical evidence that smaller class sizes raised student achievement. Between the first and final year of the program, fewer schools met their state testing targets and schools failed to increase student performance significantly on state reading assessments. Even fewer schools met standards under the federal No Child Left Behind law.

A major problem is that many teachers adhere to the same instructional approaches, regardless of the size of the class. In a 2008 study, Adam Gamoran of the University of Wisconsin-Madison found instructional methods employed by teachers varied little, no matter how many students were in a class. Gamoran surmised that any benefits from smaller class sizes were likely the result of students' perception that the smaller classes were better for them.

North Carolina's effort to reduce class sizes significantly makes little sense from a cost-benefit perspective. Even those who identify learning gains from smaller class sizes concede that meaningful reductions are often too expensive. North Carolina's school districts would have to hire thousands of additional teachers and build new schools or expand existing ones. Given limited financial resources, policymakers and elected officials should think about giving schools more flexibility in setting class sizes, rather than relying on one-size-fits-all mandates.

Stalwart advocates of class-size reduction also tend to oppose school-choice policies that would allow more traditional public school students to attend charter and private schools. Charter and private schools have much lower class sizes than district schools, so they could absorb additional students more easily without expanding their class sizes to levels considered unacceptable by the education establishment. And if the backers of class-size reduction were truly serious about reaching their goals, they would promote homeschooling. Last year, North Carolina had 71,566 students enrolled in 38,367 home schools. You do the math. CJ

Terry Stoops is an education policy analyst at the John Locke Foundation.



TERRY STOOPS

Wake School Debate Highlights Reassignment, School Calendars

Continued from Page 9

my heart when my daughter asked, 'If I can't go to school with my friends, why can't we move back to Canada?' So we're moving back to Canada at the end of this school year for the sake of our family."

Unlike the traditional nine-month school year, year-round schools divide the calendar with several shorter breaks throughout the year, rather than a single, extended summer break. Year-round schools also operate on either a single track, where all students in the school follow the same academic calendars, or a multiple track, where students are on different schedules. A multitrack might have 45 days of school followed by a 15-day break, 60 days followed by a 20-day break, and so forth.

When children in the same families must attend year-round schools, especially when all are on different tracks, parents say the disruption to both family and academic life can be devastating.

And while WCPSS does attempt to keep children within a family on the same tracks when they attend the same schools, the district has no year-round high schools, making it difficult to keep families with older and younger children on the same schedules.

Not all parents are opposed to year-round schools, but they do not want the school board to force children arbitrarily to attend them without regard for parents' concerns about the school calendar. The state Supreme Court decision made the school board the final authority in school assignments.

Weary of characterizations

Members of WCSA and similar parent groups are frustrated over media characterizations that they are "racists" and "proponents of resegregation" because they want stable, community-based schools and voluntary calendar options for all students.

Venita Peyton, a real estate agent and resident of East Raleigh, told the WCSA meeting about the negative effects of the school board's policies and stereotyping of opposition groups.

"I joined WCSA to find the bigots I'd heard about. I still haven't found them," said Peyton. "This is a broad and diverse group. I'm tired of the one-trick pony of reassignment. Where are the creative problem solvers? What they're doing to at-risk kids is a crime."

"Board members are not in touch with the realities of the families who live in low-income communities. I have asked [assistant superintendent] Chuck Dulaney to ride on the bus with these kids. He said, 'I have ridden the distance in my car' and doesn't think any children ride for longer than one

hour. Well, they do," Peyton said. "I see too many young people in orange jumpsuits who look like me, and they shouldn't be. The school system has failed them."

Peyton's blog, www.venitapeyton.com, provides a perspective often ignored by the media. "Wake County newspapers are missing some of the most awesome unbelievable stories of sharing because they refuse to learn more about potentially new collaborations," writes Peyton.

The alliance is working to elect four new school board members who will be more responsive to local families and more willing to embrace innovative education reforms. Democrats outnumber Republicans in WCSA's membership and committee leadership. At the group's April 16 meeting in Garner, Joe Ciulla, a steering committee member, said the WCSA is vetting school board candidates regardless of their party affiliations who will look outside the status quo for solutions.

Recently, WCSA endorsed Deborah Pickett for Wake County School Board District 7. Pickett, a 26-year veteran of the Wake County school system and the N.C. Department of Public Instruction, has a child in Wake County schools and has personal experience with school reassignment and mandatory year-round calendars.

At WakeUp's May forum, one attendee asked Wake Education Partnership President Denlinger to explain the exodus from the public school system. The attendee noted that 18 percent of Wake County school-age children, twice the national average, do not attend Wake public schools, yet new private schools are opened and filled every year.

Denlinger said she wasn't familiar with those numbers but said the exodus was not related to the quality of schools. Instead, she praised parental choice, though the partnership supports Wake County's mandatory reassignment policies.

"Even when I was a teacher, principal, or superintendent, if a parent felt the public school setting was not a perfect fit for their child, I was quick to put on my parent's hat and say the parent's first job is to do what's right for their own personal child," said Denlinger,

"but I also believe at the same time that choice is important for parents to exercise, and so I think we have very intelligent people in Wake County who are thoughtful about their children and make choices that are in their best interest."

In response to a question about what the school board can do to increase student test scores when the budget is being cut by a huge amount, Denlinger said the superintendent and school board members have said they "were not going to make excuses and were not going to talk about why they couldn't accomplish their goals. ... They were going to get more sharply focused, work smarter not harder, keep their eye on the ball, and then when good times come we'll be ready to take off like a rocket."

Many parents are asking why school leaders weren't already focused on

working smarter and seeking innovative solutions. The school board has been widely criticized for using Richard Kahlenberg's model of busing to enhance socioeconomic diversity in schools. Earlier this year, Kahlenberg, a senior fellow at The Century Foundation, spoke favorably of WCPSS' diver-

sity policy at the UNC Center for Civil Rights conference.

Critics say Kahlenberg's research, based on the original 1966 Coleman Report from University of Chicago sociologist James S. Coleman, is flawed. Coleman initially stated that black students from impoverished households would benefit from being bused into higher-income, mixed-race schools. In a 1975 update of his initial work, however, Coleman concluded that forced busing to achieve racial diversity had failed. Coleman wrote, "Programs of desegregation have acted to further separate blacks and whites rather than bring them together."

At the forum, former Wake school board member Oxholm was asked if Wake schools were following Kahlenberg's diversity model faithfully. While Oxholm admitted he hadn't read Kahlenberg's most recent research, he said the model is the correct approach.

Keeping all schools 'healthy'

"I think there's a general misunderstanding in the community about Wake's diversity model," Oxholm said. "It's not about trying to make sure every child scores his or her best on standardized tests. It's designed to keep all schools in Wake County healthy," said Oxholm, adding that the county commissioners and school board agree that goal has been achieved.

"Wake County residents expect to have the best education and the brightest students for less money than other people spend around the country. If we just spend at the national average, we'd have much better than the national average results in our community," Oxholm said. CJ

Not all parents are opposed to year-round schools, but they do not want the school board to force children arbitrarily to attend them without regard for their concerns

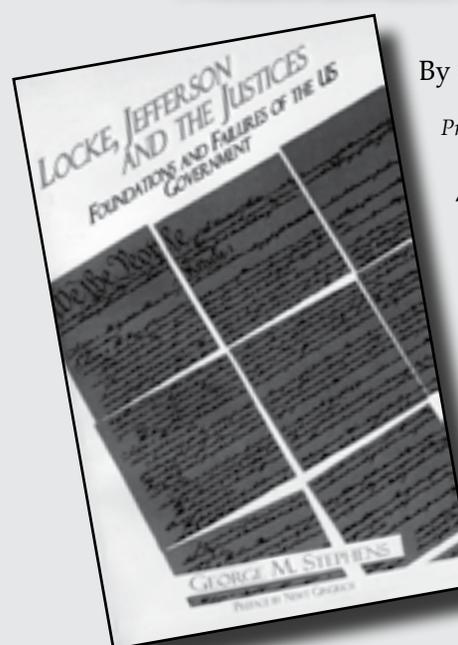
Locke, Jefferson and the Justices: Foundations and Failures of the U.S. Government

By George M. Stephens

Preface by Newt Gingrich

"This book is about American politics and law; it is also about the roots of the Contract with America. A logical place to find the intent of the Founders is in Locke, [and] Stephens makes a contribution to highlighting this."

Newt Gingrich
Former Speaker
U.S. House
of Representatives



Algora Publishing, New York (www.algora.com)

Schools' Leadership Change Results in Key Financial Changes

By HAL YOUNG
Contributor

A realigned school board in January and a new superintendent in March have already cooperated to slash a half-million dollars of wasteful spending from the Johnston County School system.

Since the first of the year, upper-level positions have been cut from the central office, support functions have been placed under tighter supervision, and excessive advertising programs have been canceled.

What's more, by publishing the schools' budgets online for the first time, the school system has given citizens the ability to see where the money's going — and to compare current spending to the previous administration's.

Johnston County's school board, although elected on a nonpartisan basis, has long been dominated by a Democratic majority. Current Republican board members Larry Strickland and Donna White often found themselves on the short end of 5-2 votes on major policy and budget issues. Strickland says the financial information was closely held.

"Until the new board came on and we could get information, we had no idea what was being spent," he said. "Money was being transferred between line items and we could never get that information."

The lack of communication between the school administration and the board caused a similar breakdown between the board and the all-Republican County Commission. Without more detail in their budget proposals, the schools found the commissioners

skeptical of their funding requests, resulting in annual fiscal controversies. Former chair Cookie Pope said that in her 15 years on the commission, "The only time I ever lost sleep was over our dealings with the school board." She and the other commissioners felt the schools were dismissive of the budget constraints faced by the county, one of the fastest growing in the state.

The 2008 elections began a major shift. Republican Butler Hall, elected in 2006, was joined by Keith Branch and Peggy Smith, moving the board to a 5-2 Republican majority. Former chairman Kay Carroll, who had stepped down to run for the state Senate seat vacated by gubernatorial candidate Fred Smith, was replaced by Larry Strickland.

One of the first priorities of the new board was to shut down advertising programs. The school system was placing regular full-page advertisements in several local papers, costing several thousand dollars per month. They had also contracted for a two-sided billboard on Business U.S. 70 coming into Smithfield; the signage was changed monthly at an annual cost of some \$80,000, said Strickland. "We eliminated that totally," he said. "The lease was up in May, and the last two months we didn't put anything up."

"We have one school system in the county, there's no competition," Strickland said. "It's nice to promote the schools, but is that the best way to spend \$80,000 in times like these? How many boxes of crayons will that buy?"

A second concern was to open the financial records to the public. The 2009-10 budget can be read online, a first for the county. Many savings in the new budget followed the retirement of former Superintendent Anthony Parker on March 1 and the hiring of Assistant Superintendent Ed Croom to replace him. Croom has taken rapid, positive steps to rein in spending, Strickland said, including accepting more than \$30,000 a year less in supplemental salary than his predecessor.

"We told him up front that we had been excessively overpaying," Strickland said. Johnston County's \$50,000 supplement was among the top 10 in

county school systems last year.

Croom's reorganization of the central office has eliminated two assistant superintendents' positions and a number of middle administrative slots, moves which may have saved nearly a half-million dollars by themselves. A controversial print shop sponsored by a departed assistant superintendent has also been restructured, "downsized and streamlined," according to Strickland.

The print shop's employees had been responsible for layout of the canceled newspaper ads as well as elaborate printing for special events, which board members felt was "overkill and extravagant."

Printing is necessary for the operation of the schools, Strickland said, so the largely independent function has now been moved under the public affairs director and refocused on supporting individual schools.

The increased information flow from the schools and board to the commission has cleared the air between them, and the public can now see videotapes of the board meetings on local cable TV and read supporting documentation online. Commissioner Pope credits the leadership of Strickland on the board and Croom at the schools for the positive changes.

"I think the schools understand now that we can only fund what we can fund," she said. "Communication is good, there's a dialogue, and there's a good feeling."

Strickland agreed. "The board is working together now, we don't surprise each other," he said. "We're just trying to bring some sunshine to the process. The school system belongs to the people of Johnston County." CJ



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The North Carolina History Project is a project of the John Locke Foundation

Pre-K programs

More at Four Faces Cuts in Favor of Smart Start Increases

Smart Start laden with waste, say program's critics

BY COLLEEN CALVANI
Contributor

RALEIGH

Facing pressure to cut redundancies and scale back its budget, the General Assembly has been mulling two bills that would reduce funding to North Carolina's pre-kindergarten programs. One, House Bill 539, includes plans to merge Smart Start with More at Four.

The N.C. Senate also included a provision in its multibillion-dollar budget, passed in April, that would slash funding for the More at Four program by as much as 25 percent. "In a typical year, prekindergarten programs are sacrosanct. This is not a typical year," explained Terry Stoops, education policy analyst at the John Locke Foundation.

According to the annual report from the National Institute for Early Education Research on preschool programs across the country, North Carolina spent more than \$140 million on pre-K during the 2007-08 school year, or \$5,061 per enrolled 4-year-old.

Redundant or necessary?

More at Four was introduced in 2001 by then-Gov. Mike Easley. Intended to target at-risk 4-year-olds, the program provides funding for private child-care centers, public schools, and Head Start agencies, though counties have some flexibility with how their More at Four programs are structured and funded.

Though More at Four is paid for primarily by the state lottery, some counties, including Mecklenburg, have created structures that allow blending of funds with school districts. Additionally, More at Four teachers must satisfy state credentialing requirements, including holding a bachelor's degree.

The program has received high marks from NIEER, which provides research-based assistance to policymakers and others in the business of early education.

On the other hand, Smart Start, which bills itself as a public-private initiative to provide early education funding throughout North Carolina, administers funds to what it calls "Local Partnerships," or local nonprofit organizations. With about \$203 million in state funding last year and offices in every county, Smart Start essentially acts as a distribution center or middle



man between local child-care facilities or schools and the state.

"The fact that there is some degree of duplication in More at Four and Smart Start makes funding and governance changes politically viable," Stoops explained. "In this way, proposed changes to North Carolina's preschool programs cannot be classified as cuts, but efficiencies."

The House bill's proposal to merge the two programs will surely meet some resistance, and indeed already has in editorials and among preschool watchers.

Kevin Campbell, who owns and operates a day-care center in Mecklenburg County, noted that the legislature's intent does not reflect the reality of the situation.

Though Smart Start is well-funded and well-connected in Raleigh, its operating costs often significantly exceed those of More at Four, Campbell explained.

"There's a tremendous amount of waste. The overheads in that program [Smart Start] are very high," said Campbell, who receives both Smart Start and More at Four funds.

"They think they're going to save some overhead, but they're not. They're going from a lower cost-based administration to a higher one."

With offices in each county and the requisite administrators required to staff those offices, Smart Start must spend money on its own operation before it ever reaches the families in need. "Smart Start is a mediocre program that has friends in powerful places and impeccable (public relations)," Stoops said. "The formation of local partnerships was a reasonable idea in theory, but the partnerships evolved into a bureaucracy that is bad for everyone involved — day-care providers, parents, and children alike."

The Senate budget would in some ways address the complaint that Smart Start money doesn't reach families quickly enough. The budget calls

for Smart Start to continue guaranteeing that 30 percent of its money will go directly for child-care subsidies, while cutting More at Four funding by \$40 million. However, some question whether slimming down the More at Four program while leaving Smart Start intact will make North Carolina's budget leaner in these tough times.

Are the programs effective?

The Senate bill also called for 25-percent funding cuts for More at Four, a move that is likely to lead to More at Four being phased out in favor of Smart Start. But the questions remain: Are both programs necessary? Are both equally effective?

Much ink has been spilled about the effectiveness of pre-K education. As Stoops explained, impoverished children do seem to benefit from the early intervention of preschool programs.

"The programs are necessary, particularly for children that come from destitute or unstable homes. These children often encounter difficulties that will keep their academic and social development years behind their school peers," he said.

But often, the effectiveness of full-day preschool programs fades within a few years. One study, the federal Early Childhood Longitudinal Study, showed that by the end of the third grade, children who attended full-day preschool had no significant edge over those who had attended a half-day preschool.

"Studies of More at Four are simply inadequate and need to take a longitudinal approach," Stoops continued.

He described a study by UNC-Chapel Hill's Frank Porter Graham Child Development Institute showing "little guarantee that these children (who attended preschool) will maintain these skills into middle and high school, where students are most susceptible to falling behind their peers academically."

The John Locke Foundation has identified several areas that pre-K programs should address, including the realization that government-funded pre-K has limited benefits and should not be extended to all children regardless of need or income.

While the House has yet to pass its merger bill, the Senate has approved its new budget, which would drastically reduce support for More at Four. The House must pass the budget and Gov. Beverly Perdue must sign it before it becomes law. *CJ*

Visit our Wilmington regional page

<http://wilmington.johnlocke.org>



The John Locke Foundation has five regional Web sites spanning the state from the mountains to the sea.

The Wilmington regional page includes news, policy reports and research of interest to people in the coastal area.

It also features the blog Squall Lines, featuring commentary on issues confronting coastal N.C. residents.

N.C. Graduations This Year Maintain Tradition With Commencements Having Partisan Tinge

By JANE S. SHAW
Contributor

RALEIGH
Graduation this spring in North Carolina's Piedmont region was a time of annual traditions: caps and gowns, "Pomp and Circumstance," and ... liberal commencement speakers.

With the exception of South African Archbishop Emeritus Desmond Tutu, who spoke at UNC-Chapel Hill, the list of commencement speakers at schools in the Triangle and Triad reads like a *Who's Who* of the Democratic Party. (See "Campus Briefs," to the right, for the full list.)

There were Vice President Joseph Biden (Wake Forest), Gov. Beverly Perdue (UNC-Greensboro), Democratic U.S. Rep. Sheila Jackson Lee (Shaw), and television celebrity Oprah Winfrey (Duke). Even Campbell University, usually considered conservative, selected Rep. Bob Etheridge, the Democratic congressman whose 2nd District includes Buies Creek.

The Pope Center's search of college commencements turned up only three clearly conservative speakers, two of them at law schools, not full university ceremonies. Former Bush administration Attorney General Michael Mukasey spoke at UNC-Chapel Hill Law School, but his appearance split the faculty, some of whom circulated a petition condemning the invitation. (There was no similar outcry against any of this year's liberal speakers.)

Robert Edmunds Jr., associate justice of the North Carolina Supreme Court and a Republican, spoke at



Campbell Law School's commencement. Aldona Vos, former Ambassador to Estonia, is a Republican. She spoke at Greensboro College.

Of course, some universities avoided politics or political overtones. One way was to invite entrepreneurs. N.C. State graduates heard John Seely Brown, co-chairman of the Deloitte Center for Edge Innovation, an offshoot of the accounting firm Deloitte and Touche. High Point University invited former astronaut Buzz Aldrin.

But the political choices were almost always on the left, whether it was a relatively anonymous district judge or the current vice president of the United States. This tilt caused little, if any, comment from newspaper editors.

Commencement speeches are just the tip of the iceberg. Throughout the academic year, schools hold lectures and workshops that support the prevailing atmosphere — which tends to be anti-market and hostile to tradi-

tion. Some of these lectures are overtly political. The Pope Center's Jay Schalin has pointed out that Democrats heavily outweighed Republicans in N. C. State's star-studded Millennium Seminar Series — and conservatives were ignored entirely.

Over the past year, the Pope Center kept an informal tally of speakers at universities in North Carolina, especially the Triangle area. Although many talks are non-political and non-ideological, the big names tend to be on the ideological left. Consider population alarmist Paul Ehrlich at Duke and poet Maya Angelou and feminist Catherine McKinnon at Chapel Hill.

There are exceptions. Although N.C. State's Millennium Series was composed mostly of Democrats, N.C. State also hosted a major speech by William Easterly, an increasingly important economist. His contention that foreign aid hurts the recipients more than it helps places him in a libertarian or conservative camp.

There have been some conservative speakers in the Raleigh-Durham-Chapel Hill area — most recently, former U.S. Reps. Tom Tancredo and Virgil Goode, who spoke on immigration at UNC-Chapel Hill. Their speeches were greeted by boos and catcalls from an unruly mob of protesters. Tancredo was forced to halt his talk, and at least seven protesters were arrested at the two events.

Indeed, student groups, not faculty or administrators, are probably the major contributors to what diversity of thought there is on campus. A student group, Youth for Western Civilization, brought in Tancredo and Goode, and also sponsored a talk by Bay Buchanan, a critic of open immigration.

Another student group, Young Americans for Liberty, sponsored Texas U.S. Rep. Ron Paul, the former Libertarian and Republican parties' presidential candidate, at Wake Forest.

The UNC-Chapel Hill College Republicans brought in Frank Turek, best known for his debate with Christopher Hitchens on the existence of God (he was "for"). The UNC-Chapel Hill Libertarians hosted Mark Bauerlein — an English professor from Emory University who is apolitical but considered conservative.

Typically, administrators have a major role in selecting commencement speakers.

If students are interested in intellectual diversity and administrators are not, perhaps there is a gap between the views of the academic establishment and society at large. CJ

Jane S. Shaw is the president of the John W. Pope Center for Higher Education Policy.

Campus Briefs

Commencement Speakers in the Triangle/Triad Area of North Carolina, 2009:

- Barton College — Barbara Goodmon, president, A.J. Fletcher Foundation
- Bennett College for Women — U.S. Rep. Diane E. Watson, D-Calif.
- Campbell University — U.S. Rep. Bob Etheridge, D-N.C.
- Duke University — Oprah Winfrey, television celebrity
- East Carolina University — Lt. Gen. Gary L. North, Commander, 9th Air Force and U.S. Air Forces Central, Shaw Air Force Base, S.C.
- Elizabeth City State University — U.S. Rep. Emanuel Cleaver, D-Mo.
- Elon University — Rev. Richard W. McBride, chaplain at Elon
- Fayetteville State University — Dr. Harold Martin, UNC General Administration senior vice president
- Greensboro College — The Hon. Aldona Vos, former U.S. Ambassador to Estonia
- Guilford College — Charlotte Roberts, president, Blue Fire Partners Inc.
- High Point University — Dr. Edwin "Buzz" Aldrin, aviator and astronaut
- Meredith College — The Hon. Sarah Parker, Chief Justice of the North Carolina Supreme Court
- Methodist College — Bishop William Willimon, United Methodist bishop of the Birmingham (Ala.) area
- Mt. Olive College — N.C. state Sen. Don Davis, D-Greene
- N.C. A&T State University — Byron Pitts, national correspondent, CBS News
- N.C. Central University — Marc H. Morial, president, National Urban League
- N.C. State University — Dr. John Seely Brown, co-chairman, Deloitte Center for Edge Innovation
- N.C. Wesleyan College — U.S. District Court Judge for the N.C. District Robert Evans
- Peace College — Cynthia Marshall, president, AT&T North Carolina
- St. Augustine's College — Tom Joyner, radio talk show host
- Salem College — Becky Anderson, founding director, Handmade in America
- Shaw University — U.S. Rep. Sheila Jackson Lee, D-Texas
- UNC-Chapel Hill — Archbishop Desmond Tutu, South African Archbishop Emeritus
- UNC-Greensboro — Gov. Beverly Perdue, D-N.C.
- UNC School of the Arts — Cherry Jones, television actress
- Wake Forest University — Vice President of the United States Joseph F. Biden
- Winston-Salem State University — Hill Harper, television actor

Compiled by Jenna Ashley Robinson, campus outreach coordinator for the John W. Pope Center for Higher Education Policy.

What is academic freedom, exactly?

For a clear definition, read the Pope Center's latest report, "Academic Freedom."

"Academic Freedom—What It Is, What It Isn't and How To Tell the Difference" by Donald Downs

To receive your free copy, call 919.828.1400 or email shaw@popecenter.org.



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COMMENTARY

Should You Go To College?

The Obama administration is putting more pressure on high school graduates to pursue a B.A. or B.S. degree at a four-year college. For high-performing high school students who breeze through their SATs, enjoy digging into math problems, or love classics like Hamlet, a four-year college is the logical next step.

But that profile may not fit you. College may not be right for you. If you have doubts, think carefully before sending in applications. Don't apply to college simply because "everyone else is doing it." Attending college is costly, and for some people the rewards simply may not be there.

Ask yourself some questions. What kind of career do I want? If high school was boring, will I really enjoy a desk job (the likely result of a four-year education)? What am I good at? What do I enjoy doing?

If you answer most of those questions with an "I don't know," you may wish to postpone your decision about college for a year — even if you have applied and been accepted. Many schools allow accepted students to defer enrollment for a year. You can work, volunteer, or travel while you try to determine what kind of career would suit you best. "Gap year" advocates say high school grads who take a break enter college more mature, prepared, and focused — and more likely to succeed in school.

If a four-year college right now isn't the best alternative for you, there are many other opportunities.

- Start your college education at a community college. Community colleges offer both vocational and transfer degrees. A transfer associate degree will let you complete many general education requirements prior to transferring to a four-year university.

- Obtain a vocational associate degree. An associate degree in occupational studies, for example, qualifies students for entering the work force immediately upon graduation. Degrees are available in many fields, such as medical specialties, hospitality and restaurant management, wireless technology, or secure networking, to name a

few.

- Pursue a trade. From the traditional contractor's license to high-tech certificate programs sponsored by Microsoft and Cisco, there are ways to pursue a profession that do not require college. You can get a contractor's license in plumbing, HVAC, electrical, or general contracting by passing the state test. You could become a licensed practical nurse with just one year of study. Other fields where licensure is an alternative to many years of formal education are massage therapy, cosmetology, physical therapy, automobile repair, and dental hygiene. Licensure and education requirements vary from state to state, but in most cases fewer than two years of education are required before you can get a license or certificate in these fields.



**JENNA
ASHLEY
ROBINSON**

- Learn as an apprentice: Apprenticeships used to be much more common than they are today, but in many fields the practice continues informally. For example, many professional chefs started out as line cooks with no formal training, then worked their way up to executive chef. Some even own their own restaurants or catering businesses.

- Join the military: The U.S. military consists of five active duty branches and seven reserve components. The minimum age for enlistment is 17, but a high school diploma is required. The vast majority of enlistees, more than 90 percent, are recent high school graduates. Joining the military will provide you with specialized training in any number of fields, depending upon the branch you are considering. However, it's not for everyone; once you have enlisted, you are under contract with the U.S. government, and getting out is extremely difficult.

Going to college is a big commitment, in both time and money. Think about what's right for you before you make a decision; a bachelor's degree is not the only path to a successful career. CJ

Jenna Ashley Robinson is campus outreach coordinator for the John W. Pope Center for Higher Education Policy.

UNC Effecting Some Changes Despite State Budget Problems

By JAY SCHALIN
CONTRIBUTOR

RALEIGH

Daily headlines project impending budgetary catastrophes. In North Carolina, the forecasts are for revenue shortfalls, furloughs, cutbacks, and more. Although the legislature has not yet presented a final budget for the next two years, the main question for the University of North Carolina system is not whether there will be cuts, but instead how deep the cuts will be.

At the UNC Board of Governors meeting in May, Rob Nelson, the university's vice president of finance, said that the system might face cuts as deep as 15 percent next year should the state's economy continue to spiral down.

Yet the university system is still effecting major changes without the annual flood of new money provided by the legislature in recent years. Some of the changes, such as the Financial Improvement and Transformation program (FIT), were set in motion by system President Erskine Bowles well before the economic downturn. Others are driven by guidelines set down by the UNC Tomorrow Commission, an overall blueprint for the university system that Bowles did not initiate but fully embraced and made a top priority.

The FIT project began with a yearlong study of the system by national accounting firm Ernst and Young. UNC is now implementing Ernst & Young's recommendations of best business practices and improved internal controls.

Ironically, some of the efficiency methods intended to cut costs are being held up by a lack of funding, according to Gwen Canady, the project manager for the implementation of FIT. "We won't be able to do as much this year," she said. Ernst and Young provided recommendations in five areas, and two had to be pushed off for another year due to cuts.

One of the suspended improvements involves UNC's process for making purchases and paying for them. Another is the creation of a centralized payroll system for nine universities that now use a state system.

But in the other three areas — contracts and grants, student financial aid, and general accounting — progress is being made. Canady said that many of the changes made are "cost avoidance" measures. In financial aid,

some universities have run afoul of federal compliance regulations, leading to expensive penalties. The new regulations are designed to prevent further compliance problems.

While the FIT program focuses on greater efficiency, UNC Tomorrow, an initiative of the Board of Governors, is designed to usher in a major transformation of the university culture. "Our goal at UNC Tomorrow, from the very beginning, was not only just to identify the needs of our state that the university needed to focus on, but to change the way we do business so

The system is making major changes even without the annual flood of revenues

that the focus is maintained going forward," said UNC Tomorrow director Norma Houston. Some of the more ambitious initiatives may not be achieved over the near term.

Houston said that UNC Tomorrow origi-

nally included plans to build a system of branch and satellite campuses.

However, "the state does not have the resources to start building satellite campuses," Houston said. For example, instead of building a branch campus in Hickory, Appalachian State University will hold upper-level courses at area community colleges. Houston said that many more changes are under way because of "reprioritizing." She noted that "some areas, such as curriculum review," will move forward because they "don't cost new money."

One such curriculum change is UNC-Charlotte's move from a traditional method of teaching writing that relies on "freshman composition" classes to a "communications across the curriculum" approach. This change reduces the number of composition courses and instead embeds writing instruction in major subject classes.

Another is UNC-Wilmington's "extensive revisions to general education, including requirements on information literacy, diversity, and living in a global society." Many other UNC Tomorrow guidelines are focused on diversity issues. Houston said that the UNC system has an aging faculty, with 37 percent of all tenure-track professors over the age of 55.

"The good news is that there is a major opportunity to increase the diversity of our workforce," said Houston. CJ

Jay Schalin is a senior writer for the John W. Pope Center for Higher Education Policy.

Opinion

New Pope Paper Addresses the Meaning of Academic Freedom

In a bizarre verdict, a jury recently found in favor of Ward Churchill, a former professor at the University of Colorado at Boulder and head of the school's Ethnic Studies Department. The university had terminated Churchill after an investigation found that he was guilty of academic fraud and plagiarism.

Churchill did not deny the findings of the committee that investigated his academic record. Instead, he argued that the university had wrongly ousted him because it looked at his record only because of his writings.

Churchill wrote in an infamous essay that the people killed in the World Trade Center on Sept. 11, 2001, were "little Eichmanns" who were complicit in vague crimes against humanity. Only after that essay came to light did anyone think about carefully examining Churchill's record. Therefore, he contended, his right to academic freedom had been violated. The jury agreed.

That and several other less famous cases have put the concept of academic freedom under the microscope. Just what does it mean? How far does it extend? And who has it? Professors? Students? Educational institutions?

A paper just released by the Pope Center addresses those questions. The paper is *Academic Freedom: What It Is, What It Isn't, and How to Tell*



GEORGE LEEF

the Difference by Donald A. Downs, a professor at the University of Wisconsin-Madison and author of the book *Restoring Free Speech and Liberty on Campus*. He has a long association with the issues of academic freedom and free speech.

To illustrate the issues, Downs takes up the problem that arises when professors assign their students readings that appear to be motivated more by a desire to indoctrinate than to educate. Does academic freedom protect their choices?

He points to a controversy that raged at Wellesley College several years ago. A professor of Africana Studies had his students read a work of extremely dubious scholarship. It made historical claims that were not only demonstrably false, but also of a racially inflammatory nature. Does academic freedom extend that far?

Downs hesitates to make sweeping pronouncements. He is reluctant to endorse giving other faculty members or administrators veto power over book selections, fearing that such power would be abused. So he contends that the presumption should be strongly in favor of the professor's choice, but that presumption can be



overcome. When it is, school administrators should take action.

In his view, Wellesley should have stepped in because an erroneous book was being used not as an example of bad scholarship, but to teach falsehoods as truth.

Another clash can occur when the professor's freedom to say what he thinks is relevant in class collides with students' claimed right not to be "harassed." Suppose that a professor makes fun of Catholicism in front of a student who wears a cross in class (which, as Downs notes, has happened). If it occurs once and the student complains, should the school step in? And if so, what action is appropriate?

Downs counsels for "breathing space" for professors in the classroom. A single instance should not be met with harsh sanctions. But schools have the right to

ask faculty members to desist from making sarcastic comments that have nothing to do with the subject matter of the class.

Now change the situation. The professor makes a statement in class that is relevant to the subject matter of the course, but a student finds

the remark offensive. One such case occurred at the University of Nevada-Las Vegas. An economics professor was discussing the concept of time preference. He remarked that gays might have a higher rate of time preference (that is, they value present consumption more than saving for future consumption) because they usually don't have children. A gay student complained to the university that he felt hurt by the professor's comment, even though the professor had not meant it in a derogatory way.

The university responded with an outburst against the professor. He was compelled to appear before a disciplinary committee and was found guilty of violating the university's code of conduct.

Downs regards the action against the professor (which the university eventually dropped under fierce criticism that it had overreacted) to be a serious affront to academic freedom. Professors need to be free to discuss concepts and give illustrations without worrying that if some hypersensitive student takes offense he'll be hauled before a disciplinary board.

Downs' paper will not resolve all the disputes that arise with respect to academic freedom. That simply isn't possible, precisely because of the many close calls and gray areas he elucidates.

His paper does, however, give sound guidance as to the right questions to ask when academic freedom controversies erupt. CJ

George Leef is the director of research at the John W. Pope Center for Higher Education Policy.

Downs gives sound guidance as to the right questions to ask

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Town and County

Fayetteville suing itself

Fayetteville is literally suing itself over the approval of a variance for a business sign. It might be a funny matter, except that city taxpayers will be picking up both ends of the legal tab, reports the *Fayetteville Observer*.

In Fayetteville, the Board of Adjustment handles requests for exceptions to the city's zoning ordinances. Michael Blashfield of the Blashfield Sign Co. requested a variance in February after realizing that two signs his company had put up were too big. The signs totaled 132 square feet; the maximum square footage allowed per sign in that part of Fayetteville is only 48 square feet.

The board granted a temporary variance. The city is currently in the process of reworking its zoning and development regulations. It is expected that the city's sign rules will be modified as part of the review.

The only way to challenge a Board of Adjustment decision is via a lawsuit. And Fayetteville City Council decided to do just that, claiming the board's decision undermined the city's ability to regulate signs.

"They didn't come to us or ask us any questions," said board member Mikele Haywood. "They might not know how we arrived at this decision."

Dog limits upheld

The state's second highest court has upheld limits imposed by the Nash County town of Nashville on the number of dogs residents are allowed to keep. Under the town's regulations, a limit of two dogs older than five months applies to properties 36,000 square feet or less. A third dog is permissible if the lot size is more than 36,000 square feet.

In January 2007, Adele Maynard was cited for having more than three dogs in her residence. She challenged the constitutionality of the restriction before a Superior Court judge and later before the N.C. Court of Appeals.

The appeals court was not persuaded, however, that Nashville's limit on the number of dogs was arbitrary.

"The fact that Nashville chose to regulate by size of lot, number of dogs, and age of dogs rather than by size or breed of dog does not render the ordinance arbitrary and unconstitutional," wrote Judge Sanford Steelman for the appeals court. CJ

State Funds Tagged for 'Hall of Champions'

By SAM A. HIEB
Contributor

The costs of supporting the taxpayer-funded Greensboro Coliseum are now spread throughout the state of North Carolina.

The Greensboro City Council, at the request of coliseum director Matt Brown, recently released \$2 million in state funds to begin the first phase of a proposed Atlantic Coast Conference Hall of Champions.

Brown unveiled his plan before the council during a recent meeting, making sure to emphasize Greensboro's strong relationship with the ACC. The conference headquarters is in Greensboro, and the coliseum will host the ACC men's basketball tournament five of the next six years and the women's basketball tournament the next six years.

Brown added that the Hall of Champions would only "cement" that relationship with the conference and would considerably enhance the tournament's \$20 million local economic impact.

"I think this is going to be a significant opportunity for this city to create a true local, statewide, and even a national tourist destination, and it should be funded through continued support from the state," Brown said.

Brown assured council members that the hall would be funded entirely with state money, alleviating the need to come to the city for additional funding. While Brown praised Guilford County Democratic Sens. Don Vaughan and Katie Dorsett for helping secure the \$2 million in funding, it certainly didn't meet the full \$20 million funding request for the hall. So it will have to be built in phases as more state funding becomes available.

While Brown hopes the hall will eventually grow to 35,000 square feet — using space in the coliseum's Special Events Center — the initial phase would be approximately 8,100 square feet.

But Brown has ambitious plans for that space, including a theatre, a timeline, and 7,000 square feet of exhibit space. Brown said some artifacts already have been donated, including ACC championship trophies donated by legendary University of North Carolina basketball coach Dean Smith.

Brown insisted that the coliseum would not pay for artifacts, adding that the ACC is not asking for a licensing fee.

Brown notes that other cities had offered generous deals to sports organizations for free office and exhibit space. He also mentioned Charlotte, which outbid Atlanta and Daytona Beach, Fla., for the right to build the \$150 million NASCAR Hall of Fame.

The proposed Hall of Champions is but one part of development proposals surrounding the coliseum, which has come under fire from the public because it has required continual subsidies from taxpayers to fund its ongoing operations.

Fueling that fire may be the fact that Brown is the City of Greensboro's highest-paid employee, earning more than interim City Manager Bob Morgan.

Moreover, in last November's election, voters rejected a \$50 million bond referendum to fund major renovations to War Memorial Auditorium, the 2,400-seat venue that sits next to the coliseum.

GREENSBORO

Even after the defeat, Brown said he would continue to seek funding to renovate the deteriorating auditorium. The council added the auditorium to its "wish list" for money from the federal economic stimulus package, and Brown has also indicated that he plans to come back to voters with a smaller bond package — perhaps \$35 million — in the hope that the lesser amount could pay for basic renovations.

Even though voters rejected the auditorium's renovation plan, they may have at the same time unwittingly handed Brown more authority by passing a \$20 million parks and recreation bond that included \$12 million for a

new aquatic center. The center would serve as a competitive facility designed to attract swimming tournaments from around the region.

After the bond passed, some City Council members publicly stated that the coliseum area would be the best location for the aquatic center. Not only is it convenient for visitors, they argued, but it also could be a focus of the city's effort to revitalize the Lee Street/High Point Road corridor, a major artery that has fallen into disrepair in recent years.

After the council voted 9-0 to release state funding for the Hall of Champions, it began an extended debate on the location of the aquatic center. Council members Mike Barber, Robbie Perkins, and Trudy Wade expressed their desire to place construction of the aquatic center under the authority of the War Memorial Commission, which oversees the coliseum complex.

"I'll just say it — there's only one location in Greensboro that makes this thing work, and that's at the coliseum," Perkins said during the council's discussion. "It works because of the hotels down the street, because of the restaurants down the street, and because of our vision for revitalizing the High Point Road corridor."

But council members Dianne Bellamy-Small and Goldie Wells expressed concern that the city's Parks and Recreation Commission wouldn't have an adequate role in the aquatic center. "Since that was parks and rec bond money, then they [Parks and Recreation] need to be at the table," Bellamy-Small said.

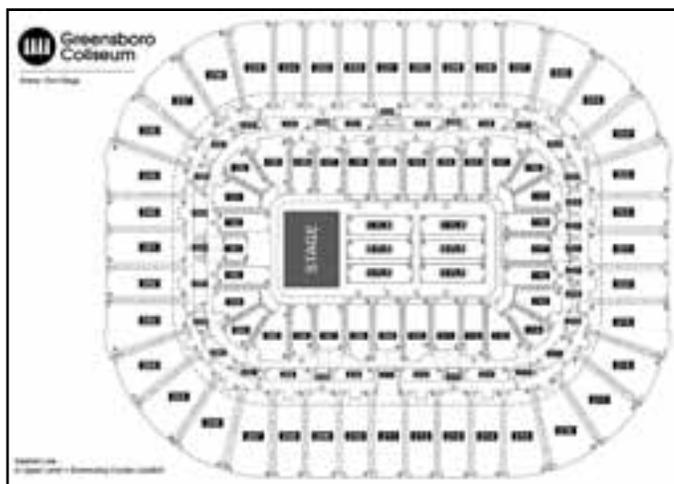
Perkins then expressed his frustration with Parks and Recreation, saying it had consistently "torpedoed" the project for years.

"I hate to have to say that, but there's an inherent conflict between a competitive regional swim facility and a parks and rec facility," Perkins said. "If you're going to get the project going, you need to have a driver to do it. There needs to be input from parks and rec, but they don't need to be the driver, in my opinion. I think that would slow the process down."

Barber emphasized the need to get the project underway minus the usual bureaucratic red tape.

"I wince and shudder when I hear we need a committee that's going to take six months to decide we need a swimming pool," Barber said. "That's not the way we should do business."

In the end, the council reached a compromise when it gave responsibility for construction of the aquatic center to the War Memorial Commission — along with representatives from the Parks and Recreation Commission and the city manager's office. Additional oversight will be provided by a council advisory committee. CJ



High Court Rules Marital Communications Limited

BY MICHAEL LOWREY
ASSOCIATE EDITOR

RALEIGH

State law prohibits private conversations between husband and wife from being introduced at trial. But what exactly qualifies as a "confidential conversation" between a husband and wife? In a recent ruling, a closely divided N.C. Supreme Court held that a conversation at a public visiting area at a jail, even if overheard by no one else, was not a confidential communication because no expectation of privacy could exist.

On June 11, 2002, Harriett "Brownie" Highsmith was found murdered in her house in Robertsonville. Mickey Rollins was soon identified as a suspect in the case, but police did not have enough evidence to arrest him.

In September 2003, Rollins was in jail on other charges. Tolvi Rollins, Mickey Rollins' wife, was arrested for felony witness intimidation for threats she allegedly made to a witness in the case that then had her husband behind bars awaiting trial. Police interviewed her about the Highsmith murder but she denied any knowledge. The next day Tolvi Rollins requested another interview with police. At that interview, she stated that her husband had confessed to her that he had killed Highsmith.

Tolvi Rollins visited her husband in jail five different times at three different jails over the next two months. On three of those occasions, she wore a recording device. On all five occasions, Mickey Rollins admitted to killing Highsmith.

On Dec. 5, 2003, Mickey Rollins was charged with Highsmith's murder. After trying unsuccessfully to have his wife's statements suppressed, he eventually pleaded guilty to first-degree murder for Highsmith's death but reserved the right to challenge the admission of his wife's statements. On appeal, the N.C. Court of Appeals ruled in favor of Rollins, finding that his wife's statements were covered by marital privilege and should not have been admitted.

Marital privilege, the legal doctrine that communications between spouses are private, and not admissible in court proceedings, dates back to at least 1580. That is not to say that the exact rules are the same as in 1580. The original version, found in medieval English common law, was based upon a view that the husband and wife were

one, with the wife having no separate legal existence.

With the move in the 19th century to give women legal rights independent from their husbands, it became necessary to specifically spell out this privilege, which the N.C. General Assembly first did in 1868.

The privilege is currently codified as N.C. General Statute § 8-57(c), which states:

"No husband or wife shall be compellable in any event to disclose any confidential communication made by one to the other during their marriage."

This ban on the admissibility of private communications is

distinct from the more general question of whether one spouse can testify against the other.

The specific issue before the Supreme Court was whether Rollins' statements to his wife were indeed "confidential communications."

While North Carolina appellate courts have addressed this issue three times in the past, these cases were not the focus of Justice Edward Brady's opinion for the high court. Instead, Brady drew upon a line of Fourth Amendment cases that focused upon reasonable expectations of privacy in the context of search and seizure cases.

"However, as with other confidential relationships, the protection afforded marital communications is not absolute and is inapplicable when no reasonable expectation of privacy exists," wrote Brady for the court in the May 1 ruling.

"In the instant case, any reasonable expectation of privacy in the marital communications evaporated because each conversation took place in the public visiting areas of DOC facilities."

Justices Mark Martin, Robert Edmunds, and Paul Newby joined in Brady's opinion.

Chief Justice Sarah Parker and Justices Robin Hudson and Patricia Timmons-Goodson dissented from the majority holding, finding that the conversation should have been regarded as privileged.

"While I agree with the majority that the physical environment in which a marital conversation takes place may be one factor in determining whether a particular disclosure is confidential, it is neither the sole nor the determinative factor," wrote Timmons-Goodson.

The case is *State v. Rollins*, (138P A08).



COMMENTARY

Not All Air Service Helps Development

Communities across the state and the nation continue to see air transportation as an important element of their economic development strategies. Unfortunately, many local government and civic leaders (and journalists) have an imperfect understanding of the airline industry.

Not all airline service boosts economic development. In fact, in places like Asheville and Wilmington, flights on the biggest planes have the least impact on local economic development.

To understand why requires some understand of travel patterns.

While there is demand for air travel from many communities, it is diffuse as it involves people going to a multitude of final destinations. Only the state's top markets generate enough travelers to fill even a single daily flight to a single destination. To address this problem, airlines operate a system of connections, the hub-and-spoke system. This allows airlines to bring passengers going to a multitude of final destinations (spokes) to an intermediate location (a hub) where they change to planes heading to their final stop.

From US Airway's Charlotte hub, you can connect to more than 100 destinations in the U.S. every day of the week. You can also take flights to the Caribbean and Central America, not to mention London, Frankfurt, Munich, Paris, and, starting this fall, Rio de Janeiro.

Delta Air Lines' even larger Atlanta operation offers a wider array of destinations.

Flights to these nearby hubs are frequent, allowing travelers a broad range of choices of flight times. That's especially important for business travelers. There's nothing worse than waiting hours for the next flight out.

The flipside of frequent operations is that flights to hubs are almost exclusively on 50-seat "regional jets," with the obvious exception in North Carolina being flights from Charlotte and Raleigh.

Here's the thing, though: having service to ATL and CLT is hardly unique. Lots of communities in the Southeast have it. Or put another way, it's hard for someplace

like Asheville or Wilmington to claim its airport can provide passengers superior access over those in Florence, Mobile, Montgomery, or Daytona Beach when all these cities' primary passenger flows go through Atlanta or Charlotte.

To offer better access means providing service to more hubs on different airlines that fly to different markets.

Unfortunately, North Carolina faces a basic problem that's difficult to overcome: geography.

Only five airlines use the hub-and-spoke system on the East Coast with planes that seat under 100 pas-

sengers: American, Continental, Delta (which also now owns Northwest), US Airways, and United.

American, Continental, and United combined offer all of two flights to the state's smaller markets. Continental now makes one flight daily to Asheville from Houston and New York. That's it.

It's simply too far from American, Continental, or United Airlines

hubs for these airlines to provide much service to any places in North Carolina other than Charlotte, Raleigh/Durham, or Greensboro. Markets like Fayetteville just don't generate enough revenue to justify the high cost of offering the service.

And then there's Orlando. Allegiant Air now offers flights to Orlando from Wilmington and Greensboro on 150-seat planes, bigger than anything else flying into the N.C. airports. AirTran is doing the same sort of thing from Asheville. Flights like these work only because the routes are extremely limited; airlines fly these routes only two or three times a week. AirTran and Allegiant also don't offer much if any connectivity beyond Orlando.

That's perfectly fine for tourists going to the House of the Mouse. It doesn't do much, however, for business travelers or those wanting to go anywhere besides Orlando. Which is OK.

Just don't think flights taking local tourists to Orlando have much to do with Greensboro's, Wilmington's, or Asheville's economic development.

Michael Lowrey is an associate editor of Carolina Journal. CJ



MICHAEL LOWREY

Local Innovation Bulletin Board

Privatizing Water

More than four out of five Americans get their water from a publicly owned water system. Unfortunately, many of these water systems are losing money. The solution is to privatize ownership of water systems, say H. Sterling Burnett and Ross Wingo of the National Center for Policy Analysis.

A 2002 study by the Government Accountability Office found that 29 percent of drinking water systems and 41 percent of wastewater systems in the U.S. weren't covering their operating costs. To make matters worse, the Environmental Protection Agency estimates that water and sewer systems will have to spend nearly \$350 billion to update their infrastructure over the next 20 years.

That water companies must be government-owned though is not a given. In fact, privately owned companies provide water to more than 70 percent of the population of France, England, and Chile.

A study by the Rio Grande Foundation found that privately owned water systems operated more efficiently than government-owned systems. Operating expenses were 21 percent lower at the private systems, with the private firms having only about half as many employees as comparable public systems. Water and sewer rates are also 25 percent lower on average in areas where several companies provide drinking water.

"The gap between needed resources and investments could grow due to the recession," warn Burnett and Wingo.

"Accordingly, the move to private financing and private water suppliers already taking place should be encouraged and expedited."

Private armed guards

With local budgets tight, an increasing number of local jurisdictions are considering using private armed guards to supplement police. Oakland is the latest major city to join the trend, reports *The Wall Street Journal*.

Earlier this year, the city hired the private security firm International Services Inc. to provide protection. It's far cheaper for the city, which is facing a record \$80 million budget deficit, to hire private guards than police officers. Each cop costs the city an about \$250,000 a year in salary and benefits. By comparison, the city can hire four private guards for \$200,000.

"We need a cost-effective an-

swer to the crime we are facing," said City Council member Ignacio De La Fuente.

Oakland's move is somewhat unusual, as much of the previous use of armed guards been tied to business district or neighborhood improvement districts. In these districts extra tax money is collected to pay armed guards.

A study by the Rand Corporation of 30 improvement districts in downtown Los Angeles found that crime in these areas was 8 percent lower compared to the rest of the city.

In New Orleans, neighborhoods have had the option of imposing additional taxes to pay for additional security since 1997. About 20 of these special tax districts have already been established. This past April, seven more neighborhoods voted in favor of creating tax districts.

Seattle green boondoggles

Two projects proposed by Seattle in December demonstrate that the cost and benefits of environmental projects are often ignored when such projects are proposed. Instead, these sorts of projects are often proposed for purely political reasons, says Todd Myers of the Washington Policy Center in the April edition of *Environmental Watch*.

In December, \$7 million in federal stimulus funds was requested to put solar panels on the Qwest Exhibition Hall. The city also spent \$1.2 million for solar panels on restrooms and "comfort stations" in Magnuson Park. Neither of these projects, however, come close to covering their costs in a reasonable amount of time. It would take 40 years for the Qwest solar panels to cover their depreciated costs. The situation is even worse for the Magnuson Park, which would repay most but not all of their costs in 50 years.

At the same time, local power companies have plenty of examples of projects that would pay for themselves in four years.

Myers argues that both projects were nominated for funding because they offered opportunities for politicians to claim credit for helping to reduce energy consumption. The visibility of the projects was thus a key reason they were selected.

"Until the city and others who advocate such projects take a more serious look at their costs and benefits, they cannot claim to be friends of the environment and certainly cannot claim to be spending taxes wisely," says Myers. CJ

Economic Nosedive Changes Best-Laid Water System Plans

By MICHAEL LOWREY
ASSOCIATE EDITOR

RALEIGH

In recent years, six Wake County towns have agreed to combine their water systems with that of Raleigh. The recent economic slowdown has pushed back by several years the date most of these agreements will bring lower rates for water users, reports *The News & Observer* of Raleigh.

Between 2001 and 2006, Garner, Knightdale, Rolesville, Wake Forest, Wendell, and Zebulon entered into agreements with Raleigh to merge their water and sewer systems. Under the deals, town water users would enjoy much lower water rates once the

costs of merging the systems had been paid for. These merger costs would be covered by connection fees charged to new homes and businesses tapping into the system. In addition, the difference between the existing higher water rates in the towns and the lower Raleigh water rates would be used to pay for the merger. The time to recover the merger costs varied by town and ranged from seven years to 15 years.

"Have new growth pay its own way. That was the plan," said Rolesville Town Manager Matthew Livingston. "It was a good plan until everything kind of nosedived."

New construction is down by more than half in Rolesville, Knightdale, and Wake Forest. Making matters worse, Raleigh has increased its water rates more than previously anticipated.

While Garner paid off the costs associated with its merger last year, the current recession has pushed back the payoff date for the other towns by years. The towns may also be forced to impose surcharges on their already high existing water rates.

Winston-Salem ballpark stalls

In late 2006, Winston-Salem reached an agreement with the owners of the local minor league baseball team on the construction on a new ballpark. Construction on the stadium is currently at a standstill, with the team not expected to use the \$38 million facility this season, says the *Winston-Salem Journal*.

As of the beginning of the year, 60 percent of the budgeted cost of the facility had been spent, including \$12 million in public money. Little work has been done since then, though. At least one subcontractor has filed a lien against the company building the park,

claimed it hasn't been paid \$84,000 for work it completed.

Nearly half of the money Winston-Salem put toward the stadium is borrowed. A \$1-a-ticket surcharge at the stadium will go towards repaying the borrowed money. For that to happen, though, the stadium first has to be finished. The agreement specifies that construction must be complete by March 2010.

The Winston-Salem Dash, the Carolina League affiliate of the Chicago White Sox, is owned by Billy Prim and Andrew "Flip" Filipowski. Prim is attempting to buy out Filipowski and blames the slowdown in building the stadium on delays in closing the

deal. Filipowski in turn is being sued by J.P. Morgan Bank for failure to repay a loan.

For now the Dash are playing to sparse crowds at Wake Forest University's baseball field.

Charlotte recyclable change

The city of Charlotte is planning to change how it collects recyclables beginning in July 2010. Instead of collecting recyclables weekly, the city is planning to go to collections every other week. Residents will get bigger rolling containers instead of the bins currently in use, reports *The Charlotte Observer*.

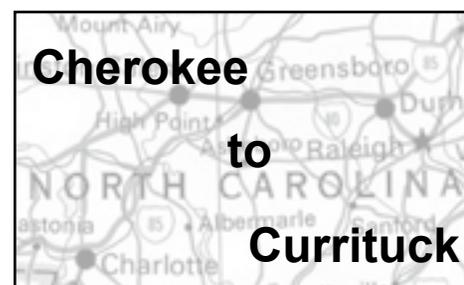
The altered collection schedule is the most obvious part of a significant change in how the city deals with recyclables. Currently, a sanitation worker sorts the contents of each bin at the curb. Under the planned change, recyclables will simply be put unsorted into a truck and sorted a central location. This change will increase productivity, as workers will be able to collect recyclables from more houses in the same amount of time.

Charlotte also plans to change its program of having private companies bid against the city to collect trash and recyclables in the city's four quadrants.

"The zoned collection method has become an impediment to competition," said City Manager Curt Walton.

Instead, the city will collect garbage citywide while outsourcing recyclable collection.

The city estimates the changes will save it \$6.1 million over the next five years, with significantly larger savings expected beyond that. It also hopes to be able to take additional sorts of plastic as part of the transition. CJ



Wilmington Approves Controversial Monkey Junction Annexation

By HAL YOUNG
Contributor

The controversial effort by the Wilmington City Council to annex the community of Monkey Junction, which sparked protest and debate, including a lively public hearing that resulted in two arrests, came to a head on May 5 when the council voted 6-1 to annex the rapidly growing community.

The city's move to absorb the community on the south side of the city raised again the issue of North Carolina's one-sided law which allows municipalities to annex nearby property without giving the owners a vote in the matter.

The area in question forms an irregular triangle between and along Carolina Beach Road and South College Road. The new boundary forms a salient into an unincorporated area, leaving out densely built residential neighborhoods on either side but including several big-box retailers which have located along the busy thoroughfares. The area's unique name came from a cage of monkeys set up at a gas station near the then-rural intersection to draw customers from the passing beach traffic. Long-time residents have shunned attempts to rename the community Myrtle Grove, and even the official annexation documents still call the area Monkey Junction.

Some 3,300 residents are included in the annexation, and many have made their opposition very clear. A public hearing on April 6 — the only one — drew hundreds of protesters to the meeting and the street outside. Police and fire personnel provided a beefed-up security presence, including escorts for council members and

police snipers on surrounding rooftops. The protesters who filled the council chamber reportedly banged on the walls and chanted slogans; two men were arrested for disrupting an official meeting, a misdemeanor.

The annexation is justified by the city as a means of spreading the cost of "the advantages of living close to a city among those who benefit from them," according to a page on the city's Web site. Among advantages listed are city utility service, police and fire protection, and trash pickup.

However, plans under consideration or already announced indicate that some may see few additional services.

While law enforcement responsibilities will shift from the New Hanover County sheriff to the Wilmington Police Department, fire protection may actually be contracted with the Myrtle Grove Volunteer Fire Department, which already covers the Monkey Junction area. Residents of developments with private streets will continue to contract with private waste services rather than receiving city trash pickup.

Utilities will be more problematic. While the city of Wilmington no longer provides water and sewer service, having worked out an agreement

AFTONSHIRE DR (4201-4324)	PLEASANT GROVE DR (4901-4977)
ALEXANDRIA CT (102-105)	PRIOR DR (4602-4618)
ASHLEY PARK DR (4105-4334)	QUILON CIR (201-218)
BEAUMONT CT (140-142)	RIGGS TRL (1315-1323)
BRASCOTE LN (100-241)	ROSE TRELIS CT (4901-4903)
BRENTON CT (4900-4920)	SAINT ANDREWS DR (606-910)
CAROLINA BEACH RD (4550-5658)	SATARA DR (100-233)
CASTLEBERRY CT (4900-4902)	SEBASTIAN LN (4802-4842)
CHADSFORD CT (4300-4308)	SHADE TREE LN (875)
CHAPRA DR (4000-4228)	SILVA TERRA DR (5)
CLAIRIDGE DR (121-136)	SONG SPARROW CT (4600-4628)
CLOVERLAND WAY (5105-5154)	SPLIT RAIL DR (4500-5028)
S. COLLEGE RD (3900-5849)	STETTEN CT (100-102)
DARTRIDGE CT (200-208)	STILL MEADOW DR (4504-4668)
EVERETTE CT (5100-5201)	STILL PINE DR (5200)
EXUMA LN (4434-4669)	SUMMER WOODS DR (1000-1059)
GAINESFORD CT (4300-4308)	SUNSET WOODS CT (4300-4317)
GATE POST LN (4905-5223)	TESLA PARK DR (4504-4524)
GATEFIELD DR (108-327)	THURSLY RD (4200-4233)
GOODWOOD WAY (4702-4711)	TILLSON RD (4203-4322)

Above is an excerpt from the city's Web site of a list of annexed properties in Monkey Junction.

with the Cape Fear Public Utility Authority to supply those services, residents inside city limits are required to connect if the lines are available. Monkey Junction homeowners with wells and septic systems will have six months to tie into the CF-PUA water and

sewer — then five years to pay off connection fees, which could run more than \$2,000 for the lines plus another \$179 for the meter. The city estimates 88 homeowners fall into this category.

New construction would be liable for the same installation fees to the city but also charged \$8,300 in system development and connection fees by CFPWA.

Property taxes would provide the ongoing financial hit. New Hanover County charges 0.4525 per \$100 valuation; after annexation, residents will pay that plus the city tax of 0.3325. The owner of a \$250,000 home typical of the area would see his property tax rise by 73 percent, or \$831 per year.

City Council member Kristi Tomey said that was a major issue in the "rowdy" protest at the public hearing. State law allows municipalities to annex county residents without their consent, thereby imposing taxation without representation, she said, so forced annexation was not the way cities should grow.

Tomey was the only council member who opposed the measure. The short timetable and involuntary nature of the Monkey Junction annexation did not allow residents adequate time to understand the impact and decide whether to stay or go, she said.

"I've voted for voluntary annexation every time it's come before us," said Tomey. "That's the way it ought to happen. We've annexed some large tracts that way, but the people who move into those areas have the full knowledge of what that means."

"The problem I have with the annexation is a little different," said Jess Yates, a real estate broker with property in the area. "This is a peninsula like Manhattan, but it's just urban sprawl here with poorly built one-, two-, and three story buildings. Wilmington doesn't have any codes on the books to go vertical; they have no allowance for a high rise."

Yates believes Wilmington's historic district should be preserved but the area southward should be developed for corporate campuses, biotechnology firms, and other entrepreneurial uses. "If they would just show some competence and demonstrate they know how to create jobs, not just tax, tax, tax," it would be different, he said. "You can't have a downtown Wilmington mind-set for the other urban areas."

If legal challenges do not delay or halt the annexation, Monkey Junction will become part of the City of Wilmington in June of 2010. Then one benefit cited on the city's Web site will strike a chord with its new citizens — the right to participate in municipal elections, echoed in a sign at the public hearing: "Vote Us In So We Can Vote You Out." *CJ*

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From the Liberty Library

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In *The Politically Incorrect Guide to the Great Depression and the New Deal*, Murphy provides irrefutable evidence that not only did government interference with the market cause the Great Depression (and our current economic collapse), but Herbert Hoover's and Franklin Delano Roosevelt's big government policies afterward made it much longer and much worse (just as President Barack Obama's extraordinary expansion of government promises to do today).

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Book Review

Samuel Adams: Much More than Just a Good Beer

• Ira Stoll, *Samuel Adams: A Life* (New York: Free Press, 2008), 338 pages

BY HAL YOUNG
Contributor

In a dinner party discussion of David McCullough's recently released biography of John Adams, Ira Stoll volunteered that his favorite Adams was Sam. Everyone thought he meant the beer. Actually, Stoll admires the uncompromising and incorruptible Samuel Adams, who was an indifferent brewer but a zealous patriot. This

RALEIGH

Samuel Adams was indefatigable.

He thought deeply, wrote convincingly, argued passionately for the liberties of men born free and accountable to God before the King. John Adams said of his cousin, "Without the character of Samuel Adams, the true history of the American Revolution can never be written." Thomas Jefferson wrote that his first inaugural address was based on Adams' thought: "In meditating the matter ... I often asked myself, is this exactly in the spirit of the patriarch of liberty, Samuel Adams? Is it as he would express it? Will he approve of it?" Although he never held a federal office above the level of congressman, Adams occupied nearly every level of state and local office between sanitation inspector and governor of Massachusetts.

Yet the vague obscurity he suffers today seems almost pre-ordained — which Adams,

a staunch Calvinist, would have found unsurprising.

Only a week after his death, friends warned that he would be "basely forgotten." John Adams had to intercede with Massachusetts officials not to replace a state portrait of the late Governor Adams with a painting of George Washington.

Stoll spends most of the volume displaying the thought and character of the man, rather than pondering on history's treatment of him. Stoll says that Adams burned much of his personal papers and did not leave a wealth of documentary records to study, but he brings him to life through a succession of letters, state documents, and newspaper articles. Adams was first and foremost a journalist, writing under several pen names to focus public attention on the blessings of liberty and its erosion under royal governors. He was effective, too; one governor, recalled by George III after an Adams-led petition, muttered on his way out, "Damn that Adams, every dip of his pen stung like a horned snake." After independence, his editorializing moved toward policy statements, but he still itched to write for newspapers. "It is painful for me, you know, to keep secrets," he confided to a friend.

Most importantly, says Stoll, Adams was a devout Christian who saw all of life through biblical lenses. Boston was moving away from its original Puritan culture, but Adams never did. He saw civil liberties as inseparably linked with religious freedom, and the failure in one would destroy the other. "We shall succeed if we are virtuous," he wrote, and said that one who truckled to despotic royal officials had "very little if any true religion"; the habit would render him a "hardened sinner against GOD and COUNTRY." When Governor Gage tried to bribe him to drop his revolu-

tionary activities and "make peace with his King," Adams replied calmly, "Sir, I trust I have long since made my peace with the King of kings. No personal consideration shall induce me to abandon the righteous cause of my country. Tell Governor Gage it is the advice of Samuel Adams to him no longer to insult the feelings of an exasperated people."

This free and unashamed mixing of religion and politics is one reason, Stoll thinks, that Adams has suffered in history; it's hard for modern, secularized historians to understand him. Like many Puritans, Adams had strong views against Roman Catholicism, and he found the supposedly neutral Quakers too Tory — "If they would not pull down

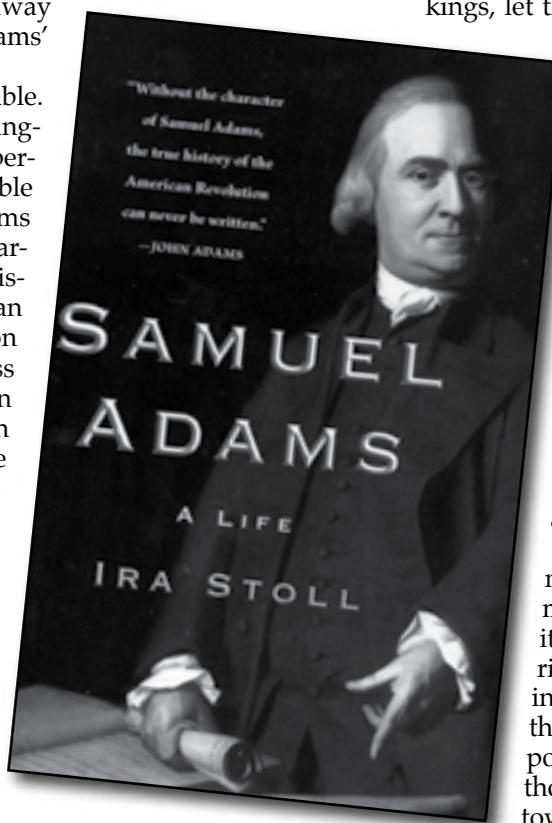
kings, let them not support tyrants," he growled.

However, he was liberal enough to support the general freedom of religion, and was quite friendly with noted skeptics like Thomas Jefferson and willing to defend patriotic-minded heretics on occasion. It doesn't fit the popular (and inaccurate) view of Puritans, leading some writers to accuse Adams of cynicism, yet a lifetime consistency in his personal writings and public statements rules out a faith of political expedience. There was a serenity in his faith, Stoll says, that gave Adams both energy and stability that others remarked.

It was not the only factor in Adams' thinking, though. Stoll writes:

"If there is an alternative explanation to religious belief for Adams's motivation in the revolutionary cause, it is economic. Adams stressed property rights almost as much as religious rights in arguing against Britain's treatment of the colonies, and he described taxes imposed by Britain as an infringement upon those rights. And as a tax collector for the town of Boston who had trouble collecting what he was supposed to, Adams had a deep understanding of how much colonial Americans did not like to pay taxes."

Adams remarked in 1768, "It is observable, that though many have disregarded life, and contemned liberty, yet there are few men who do not agree that property is a valuable acquisition, which ought to be held sacred. Many have fought, bled, and died for this, who have been insensible to all other obligation. ... Now, what property can the colonists be conceived to have, if their money may be granted away by others, without their consent?" Like many of his words, these ring true 241 years later. CJ



Care about education reform?

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The North Carolina Education Alliance is a project of the John Locke Foundation

Don't Be So Quick to Accept Constitution as a Capitalist Plot

The Founding Fathers were greedy and drafted the U.S. Constitution strictly to protect their economic interests. That's essentially what progressive historian Charles Beard argued in *Economic Interpretations of the Constitution of the United States* (1913). Within a decade, the history profession, more or less, adopted this interpretation.

Although Beard's work is almost a century old, many modern-day historians still give credence to economic determinism — the idea that human attitudes are strictly reflections of economic interest. In other words, economic reasons exclusively motivated human action, and all other reasons, including religious and ideological, were veneers for economic motives.

Admittedly, Beard's work is important. It was seminal and started an important historical conversation. The Constitution's ratification, however, was more complicated than

what the Beardian thesis relays. Forrest McDonald, professor emeritus in history at the University of Alabama, debunks the Beardian interpretation in *We The People: The Economic Origins of the Constitution* (1958).

McDonald essentially rejects the following Beardian assertion: "The members of the Philadelphia Convention which drafted the Constitution, with few exceptions, immediately, directly, and personally interested in, and derived economic advantage from, the establishment of the new system." In the words of conservative thinker Richard Weaver, Beard had "represented the Constitution as a kind of capitalist 'plot' against farmers and debtors."

McDonald argued this: "Beard's thesis . . . is entirely incompatible with the facts." Strong words, to be sure, but McDonald had performed in-depth research. 1) He studied each Philadelphia Convention delegates' political faction. 2) He analyzed to what extent each delegate was a man of property. 3) He compared each delegates' economic interests with their convention votes. 4) He deviated from Beard's national outlook and studied each ratification debate and the economic condition of each

state delegate. (To truly understand original constitutional intent, one must be familiar with more than the Federalist Papers; one must study the state ratification debates.)

Various interests were in each state. A unanimous vote, representing a cross section of the economy, occurred in New Jersey. In Delaware, delegates (mostly small farmers) voted unanimously for the Constitution. In Pennsylvania, land interests and those who owned public securities were almost equally divided in their vote. The same phenomenon occurred in Virginia. In New York, McDonald found that security holders and paper money advocates were Federalists and Antifederalists (Beard had argued that the former two groups were pitted against each other). In North Carolina, slaveholders were Federalists and Antifederalists, and merchants were Federalists and Antifederalists.

So, can historians group these Americans into any categories? McDonald contends they can. There were three groups. The first was pro-Constitution. It included states incapable of dealing with their own problems. The second group included states whose population remained divided regarding the Constitution

and whether their state could handle its own troubles. The third group was anti-Constitution; their states, for some time, had operated successfully as sovereign entities. The latter included North Carolina.

The three groups, argues McDonald, did not operate strictly from economic motives. Georgia, for instance, had difficulty fighting Indian tribes and needed military help. North Carolina eventually approved the Constitution out of indifference. Economic interest undoubtedly played a part in the ratification process, but McDonald argues that each state delegate was influenced primarily by whether he deemed that his state needed national union.

Whenever someone asserts that the U.S. Constitution was a "capitalist plot," inform them about Forrest McDonald's interpretation, for men and women, past and present, are capable of independent thought, free from economic determinism. Remind them also that Beard changed his interpretation in *Basic History of the United States* (1944). CJ

Dr. Troy Kickler is director of the North Carolina History Project (www.northcarolinahistory.org.)



TROY KICKLER

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Short Takes on Culture

Trek Film Trips Trekkers

• "Star Trek"
Paramount Pictures
J.J. Abrams

First things first: the new Star Trek film is wonderfully entertaining. It nods to Trek traditions and honors the familiar characters even as it relaunches the franchise for a whole new generation.

And yet, some fans are grumbling. At key moments in the movie, knowledgeable Trekkers will notice what appear to be flubs and out-of-character moments. Some are fleeting. An officer on the bridge reports to *Enterprise's* Captain Pike the destruction of some "Klingon Warbirds." But it is the Romulan Star Empire that has Warbirds. The Klingons have a smaller military vessel called a Bird of Prey. Surely a simple Google search would have prevented such an obvious error of aviary-tion.

Other apparent problems are more serious. More than a few Trekkers have complained bitterly about the scene in which Starfleet Cadet James Kirk "defeats" the unwinnable Kobayashi Maru scenario by reprogramming the test beforehand. Surely Kirk wouldn't have acted like such a jerk, and so obvious a cheater, the critics point out. More generally, young Kirk is portrayed in the new film as a happy-go-lucky brawler, while in the original series he is supposed to have been an overly serious Academy student.

I think the Trekkers are themselves guilty of failing to grasp the obvious: these differences with the Trek canon are intentional. Director J.J. Abrams set the geeks up with a time travel plot that changes key aspects of future history, including Kirk's childhood. This new Kirk isn't the same youth who would grow to become William Shatner's version of the character. Ditto with Leonard Nimoy's Spock.

Folks, relax and enjoy the ride. It's brand new.

— JOHN HOOD

• *Miss Julia Delivers the Goods*
Ann B. Ross
Viking Adult

North Carolina novelist Ann B. Ross has done it again with the release of her 10th novel in the Miss Julia series. In *Miss Julia Delivers the Goods*, Ross continues the exploits of the elderly widow, Miss Julia.

Set in a small town near Asheville, the story delivers Ross' usual hilarious portrayal of a woman dealing with the changing morals

in her small town. Miss Julia is on the cusp of a new South. She retains an African-American housekeeper, Lillian, who is also her friend. Lillian often takes Miss Julia to task for her interfering ways, telling Julia, "An lighnin' gonna strike you one of these days, so you better get that table set 'fore it do."

Once again, Ross leaves no one unscathed in her novel, especially the clergy and the medical profession, leaving the reader laughing at Julia's comments. Like her other novels, she provides a mystery that must be solved.

Anyone raised in a small town will recognize and enjoy how all of the characters are portrayed in Ross' novel. A light, easy read with no R-rated language or situations. New readers and fans of the Miss Julia's books will be delighted with Ross' newest novel.

— MELISSA MITCHELL

• "State of Play"
Universal Pictures
Produced by Andrew Hauptman

Avoiding the conundrum of publishing yesterday's news, "State of Play" is a no holds barred look into the mysterious side of investigative reporting.

A riveting movie, this is not for someone who has a weak stomach, as it paints the stark reality of hidden power structures and the means to which people go to keep it. The depiction of the fast-paced, pulsating movie is timely and accurate when it comes to revealing the trials of news people.

The role of Russell Crowe — a seasoned, somewhat jaded reporter who gets pulled into a story that he would rather have left alone all together — is pivotal as it is used to reveal the differences between old school and new school reporting. Crow, who essentially becomes a mentor to a young aspiring journalist, is more concerned about having his facts straight and the truth brought to light than publishing a half-hearted online story, which is how his partner in crime, Della Frye (played by Rachel McAdams) began her investigation into the puzzling death of a congressman's assistant.

This thriller is not stale, unlike many motion pictures that are often unable to portray clearly a sense of pressure and suspense. A must see for anyone who enjoys action movies.

— JANA BENSCOTER CJ

Book review

Real Education not Cookie Cutter

• Charles Murray, *Real Education: Four Simple Truths for Bringing America's Schools Back to Reality*, New York, Crown Forum, 2008, 224 pages

By DAVID N. BASS
Associate Editor

RALEIGH

"The educational system is living a lie."

That's how Charles Murray begins his provocative foray into the world of academics, *Real Education: Four Simple Truths for Bringing America's Schools Back to Reality*. It's an examination that leaves few stones unturned and few educators' feathers unruffled.

Murray spends much of the book's 200-page spread attacking the notion that every child can be taught the same way, a viewpoint he calls "educational romanticism." Far from being identical, children vary in their academic aptitude. The education establishment's cookie cutter approach to instruction fails to recognize that vital truth, and Murray says America is suffering for it.

Murray's critique of educational romanticism is not confined to the public school system, though. His most intriguing chapter discusses post-secondary education and the belief that educational success means at least a four-year baccalaureate degree and, ideally, post-graduate work. That's simply not true for everyone, Murray argues.

Joining the military, going to vocational school, or entering a trade are the right choices for some high school graduates, but such choices are often viewed as less serious pursuits than devoting four years or more to university level study. Murray pokes holes in that standard, politely declining to preserve any of the education establishment's sacred cows.

He does so by making the (seemingly) outrageous argument that not every student in America should go to college because not every student is cut out for the rigors of higher learning. Many students are better suited to a career that doesn't require intense academic coursework, and would be better served by launching that career after high school than spending half a decade at a university.

Murray also challenges the academic value of a college degree versus its actual value in the marketplace. Universities love to tout the wage premium of the bachelor's degree, and Murray acknowledges that it exists. But putting college as the default standard for all students is not fair for those more gifted in a trade rather than a degree-requiring profession.

"Guidance counselors and parents who automatically encourage young people to go to college straight out of high school regardless of their skills and interests are being thoughtless about the best interests of young people in their charge," Murray writes. "Even for students who have the academic ability to succeed in college, going directly to college may be

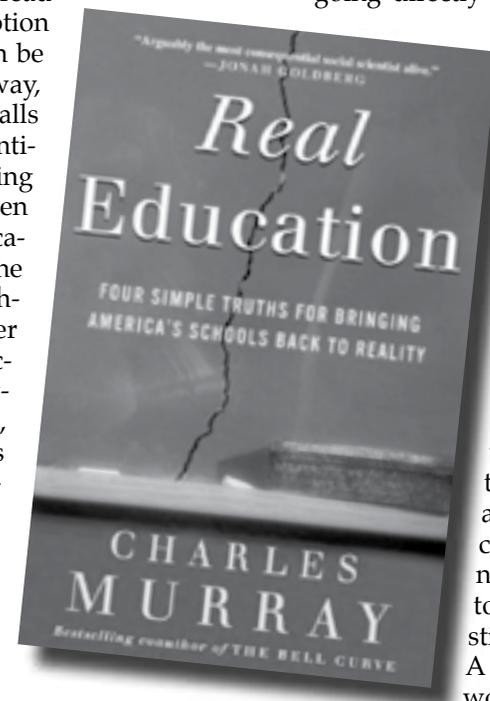
a bad way for them to discover who they are and how they should make a living."

That observation tallies with my recent experience in college. A number of my friends bypassed the bachelor's program, went straight into their chosen field, and today are successful entrepreneurs earning close to six figures while still in their 20s. A college degree would have gotten them nothing and merely wasted years better devoted directly to their careers.

College might not be for everyone, but doesn't it serve as a needed bridge between youth and adulthood? Typically not, according to Murray. As an example of how college fails to reflect the real world, he points to increasing pressure for teachers to give good grades even for lackluster work. Continuing to live on their parents' dime, which many students do, similarly fails to reflect the responsibilities of adulthood.

"[If] the goal is to enable adolescents to become mature adults, parents should discard the idea that today's typical college can compete with going into the military or, for that matter, just moving out of the house and supporting themselves by working at any kind of job," Murray writes.

Although Murray's writing style can be a chore to get through in some places, *Real Education* is a worthwhile read. It diagnoses the problem and presents some practical solutions. CJ



Barone Analyzes Events in Britain that Inspired Our Founders

• Michael Barone, *Our First Revolution: The Remarkable British Upheaval That Inspired America's Founding Fathers*, New York: Crown, 2007, 243 pages

BY RICK HENDERSON
Managing Editor

RALEIGH

In 1776, when 56 men gathered in Philadelphia pledging “our lives, our fortunes, and our sacred honor” to the cause of liberty, they did not plan to invent a government completely unmoored from the laws and traditions of England. Instead, says Michael Barone in his riveting *Our First Revolution: The Remarkable British Upheaval That Inspired America's Founding Fathers*, Americans “were seeking to preserve in their own states what they believed the Revolution of 1688-89 had established.”

Had the Glorious Revolution not brought William III to the British throne, Barone argues, the American Revolution of 1776 may have never have been possible.

Barone should be familiar to anyone who follows contemporary American politics. You may have read him in the pages of *U.S. News & World Report* or the *Washington Examiner*, seen him as a contributor on Fox News Channel, or pored over the voluminous *Almanac of American Politics*, which he has written and edited since 1972.

In *Our First Revolution*, Barone jumps across the pond, recounting the tumultuous decades leading up to the Glorious Revolution that not only changed the face of England and Europe, but also laid the foundation for our own constitutional republic. Along the way he introduces readers to a fascinating cast of characters who often seem better suited to a page-turning

thriller than a musty civics lesson.

We meet the Stuarts, the careful Charles II along with his passionate (and many said thickheaded) younger brother James II, who were restored to power after Oliver Cromwell's Protectorate collapsed. There's William of Orange (the nephew of Charles and James) and his wife Mary (James' daughter), who will become king and queen of England as a result of the Glorious Revolution. And Louis XIV, who deployed diplomacy, conquest, and a ruthless suppression of non-Catholics as he sought to make France the dominant power in Europe.

The Glorious Revolution settled (in England, anyway) the question of absolutism, also known as divine right. Before James abdicated the throne, English monarchs felt no need to acknowledge any popular mandate. They humored Parliaments, particularly when they needed money to finance a war or other international ventures. But any time Parliament became inconvenient, the monarch could dissolve it unilaterally or pack it with sycophants.

The Glorious Revolution changed all that — even though protecting the rights of Englishmen was never William III's primary goal. William, a Protestant who served as the head of state of several Dutch provinces, invaded England to prevent his Catholic uncle James from joining France in its war

against the Netherlands.

It's impossible to underplay the role of religion in the power struggles that took place in Britain and on the Continent. James II tried to eliminate many of the privileges reserved to Anglicans, including the ability to hold public or military office and serve in the military. Catholics made up a tiny minority of Englishmen, but Louis' brutal suppression of the French Huguenots had Anglicans and other Protestants worried that James would re-establish Catholicism and persecute dissenters. The birth of a male

heir to James II, James Francis Edward, in June 1688 fueled fears that the Stuarts would eradicate Protestantism in England.

That fall, William assembled the largest army to invade the British Isles since the Roman legions. James feared literally for his own neck; his father Charles I had been beheaded and he was convinced a similar fate awaited if his forces were defeated in battle. So he fled to France without putting up much of a fight.

But William needed the support of the peers of the realm. A convention of former members of Parliament offered the throne to William and Mary on one condition: They must honor 23 separate grievances which became known as the Declaration of Rights.

The declaration did away with absolute rule. Among other things, it

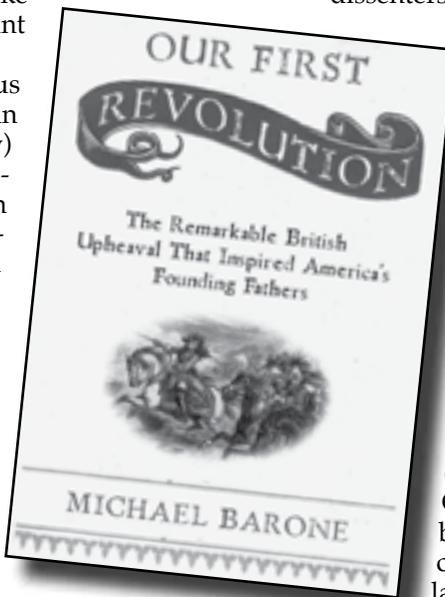
said “all Englishmen” have the right to freedom of speech and debate; to petition the monarch; to bear arms for their own defense; to elect representatives without interference from the crown; to not be taxed directly by the crown without the approval of Parliament; and to be free of excessive bail and fines. The crown could not maintain a standing army or suspend laws without Parliament's approval. (Sound familiar?)

While some historians have asserted that the declaration merely restated longstanding English laws, several of these provisions directly reversed policies undertaken by James and his brother Charles.

The Glorious Revolution also transformed public finance and foreign policy. The Convention Parliament did not award William and Mary “life revenues,” instead granting them annual stipends to finance the government. This marked the first national budget subject to legislative approval. The Bank of England was also created, making government debt and other public finances more stable and transparent.

Barone makes it clear that while the Glorious Revolution was almost bloodless, its success was in no way assured. Had William's invasion failed, the Stuarts would have retained power, and James Francis Edward lived until 1766. The British crown may have suppressed representative government throughout the realm. (James II had been eliminating representative assemblies in the American colonies and strengthening royal governors.)

If you're wondering how the American experiment in self-government became possible, *Our First Revolution* offers a wealth of background, and a mighty fine read. CJ



BOOKS AUTHORED BY JLF STAFFERS



By John Hood
President of the
John Locke Foundation

Selling the Dream Why Advertising is Good Business



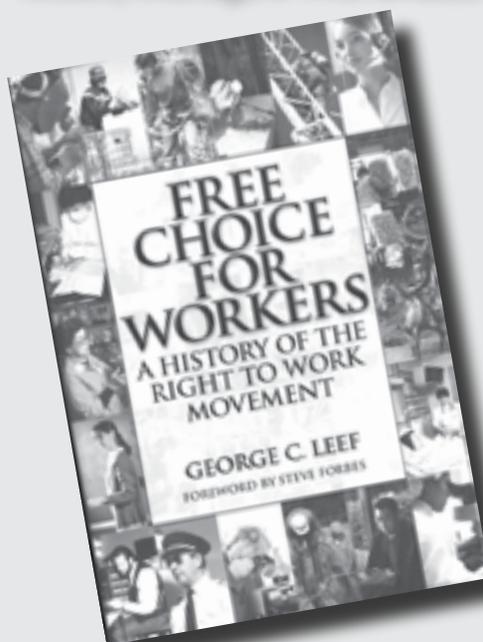
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COMMENTARY

Public Money And Campaigns

Scandal is running rampant in Raleigh. North Carolinians are struggling to pay their bills. Now the state Senate is expected to vote on a bill, House Bill 120, which would allow city council members to take your tax dollars and use them for their own personal purposes. Specifically, the money would be used to fund political campaigns.

The primary sponsor and champion of this political welfare bill is Rep. Rick Glazier, D-Cumberland. Amazingly, Glazier and like-minded politicians allege that these taxpayer-financed campaign programs would improve the public's confidence in government.

Your hard-earned property tax dollars and other local taxes would be used to help politicians. Instead of paying off debts, you would be forced to pay for city politicians' advertisements.

One of the biggest problems of taxpayer-financed campaigns is compelled speech. Taxpayers are forced to support candidates and speech they oppose. If a candidate wanted to raise city taxes, you would be forced to support that candidate financially even if you opposed higher taxes.

These taxpayer-financed systems also are incumbency-protection schemes. For example, assume Candidate A decides against taking taxpayer dollars for her campaign. (I will refer to her as a traditional candidate.) Candidate B decides to take taxpayer dollars. (I will refer to her as a political welfare candidate.) If Candidate A spends \$5,000 beyond a threshold amount of money, \$5,000 in "matching funds" would be provided to Candidate B. The whole point is to ensure that traditional candidates can't spend more than the political welfare candidates.

When funding is equalized, it benefits incumbent candidates. There are many advantages to incumbency, such as name recognition, so it often requires additional money for a challenger to overcome these built-in advantages. When challengers can't spend more than incumbents, they are far less likely to win.

For centuries, politicians have raised money to help them run for office. This allows citizens to decide voluntarily whether they

want to support candidates. Now some politicians want to get rid of our voluntary system and instead force everyone to support political welfare candidates.

Proponents argue that taxpayer-financed systems protect against the influence of wealthy special interests. However, they don't mention that existing laws already cap how much money individual donors can contribute to campaigns.

Proponents don't mention that taxpayer-financed systems clearly are unconstitutional after the June 2008 U.S. Supreme Court decision in *Davis v. Federal Election Commission*.



**DAREN
BAKST**

In very simple terms, the Supreme Court in *Davis* held that the government couldn't penalize a candidate for spending beyond a threshold amount of money because it unconstitutionally burdened his free speech rights.

This is exactly what North Carolina's taxpayer-financed systems do. When a candidate spends beyond a threshold level,

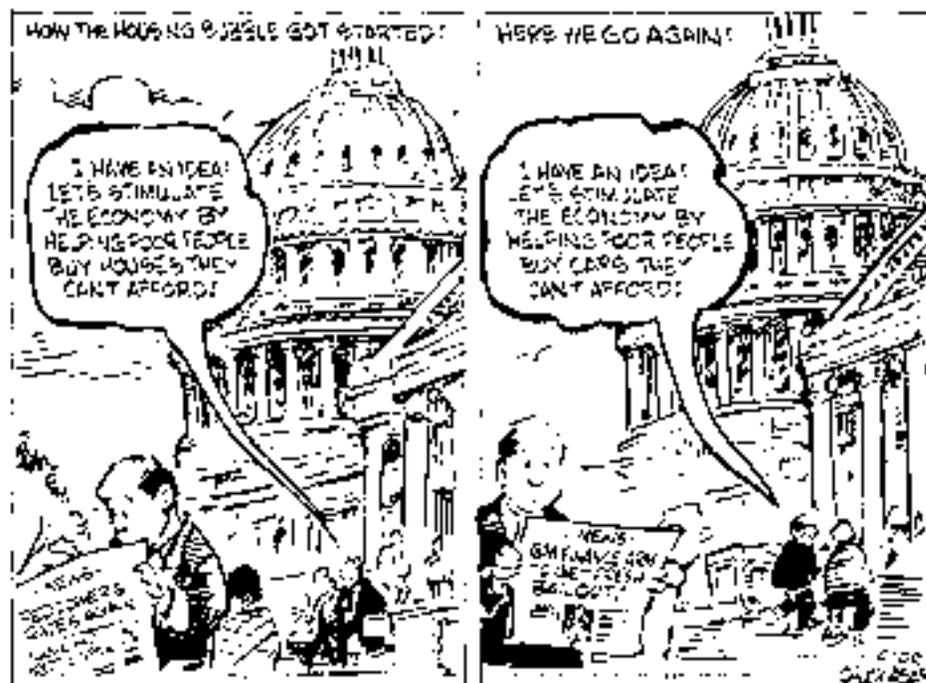
matching funds are provided to the opposition. In fact, the penalties in North Carolina are far worse than those considered in *Davis*.

For years, North Carolina has listened to "reformers" who have created excessive campaign finance regulations, restricted free speech through contribution limits, crafted incoherent lobbying laws that discourage political participation, and advanced other policies that blame citizens while protecting the "innocent" politicians. Now they want to force citizens, from the poor to the wealthy, to pay local politicians money for their personal use.

How have their reforms worked for North Carolina? The state government's corruption is at an all-time high. The state government has become a joke to the rest of the country — even Illinois is laughing. It's time to ignore these "reformers" who think it's for the "greater good" when government unethically restricts speech and forces taxpayers to subsidize politicians. A good place to start ignoring them is by shooting down House Bill 120.

CJ

Bakst, an attorney, is legal and regulatory analyst for the John Locke Foundation.



EDITORIAL

Rotten To the Core

With the General Assembly scrambling to close a \$4.5 billion budget deficit, why on Earth would legislators give away millions of dollars in tax revenues? Simple. The legislature is addicted to corporate welfare, er, economic incentives, and presumably craves another fix.

In May, the Senate and the House overwhelmingly passed Senate Bill 575, creating a special tax giveaway that only one company could collect: Apple Computer, which is shopping for a state to build its East Coast data center or "server farm."

Apple is never named in the bill, but sponsors concede that the Cupertino, Calif.-based tech giant is the only company that would qualify for the incentives.

Media reports said the tax breaks would be worth up to \$46 million over the next decade, but they could surpass \$300 million over the next 30 years if the server farm operates continuously.

For years, we've offered principled opposition to targeted tax credits, direct relocation subsidies, and other government incentive packages. These corporate freebies let politicians pick economic winners and losers; distort the decisions made by private investors; give the companies receiving incentives a competitive advantage over their rivals; and absolve subsidy recipients of the responsibility to pay for government services — police and fire protection, highways, sanitation, etc. — other businesses must support.

But even if you reject our long-standing arguments and believe that government has a legitimate role to play in supporting certain types of commercial ventures, the Apple plan

has to be a head-scratcher.

Like the 2007 incentives Google received to build a server farm in Caldwell County, the state has offered extensive freebies for decades to come to highly profitable companies (ZD-Net's Larry Dignan notes that Apple has "\$25 billion cash on hand and marketable securities in the bank") that have no intention of creating a lot of long-term, high-paying jobs.

Google initially will employ about 50 people at its Caldwell County location but may grow its work force to 215; Apple plans to hire as few as 50 permanent employees but no more than 100. In other words, Apple has no intention of becoming an engine of employment in the Tar Heel State.

And because the legislation requires Apple to build its data center in one of the 80 counties with the state's poorest economic performance, the server farm's home will not become a magnet for other high-tech companies. No offense, but a place like Iredell County poses no threat to Silicon Valley, or even the Research Triangle Park.

Besides, S.B. 575 does not prevent the host county from sweetening the deal with even more goodies, forcing nearby residents to subsidize further Apple's operations. Property tax giveaways, cut-rate electricity, free fire protection? The sky's the limit.

Backers of the incentives argue (as they always do) that if we don't offer a freebie, somebody else (reportedly, Virginia) will. But fans of corporate welfare have never truly justified why taxpayers should subsidize entrepreneurship. And in this instance, the Apple incentive package is rotten to the core.

CJ

EDITORIALS

Bailout Nation Stats

A sweeping, radical intrusion in the economy

A recent *Christian Science Monitor* report on the projected price tag for Bailout Nation is a sobering piece of explanatory journalism. The federal government has allocated more than \$11 trillion to fight the recession and financial crisis — an amount that approaches one year’s output of goods and services in America. But much of that money is the potential size of rescue programs, not their actual scale (now about \$3.2 trillion).

How does that sum break out? Here’s a thumbnail sketch of the major categories:

- \$1 trillion in government loans. This includes programs such as the Federal Reserve’s bailout of the commercial paper market (\$250 billion and counting) and securitized lending to consumers and business (\$290 billion and counting).
- \$973 billion in government equity investment. This includes the Treasury Department buying equity in banks (\$200 billion and counting) and the Fed’s purchase of mortgage-backed securities (\$290 billion and counting).
- \$955 billion in government spending or tax cuts. This includes President Obama’s \$787 billion stimulus package and former President

Bush’s \$168 billion stimulus.

- \$269 billion in government insurance. This currently consists of the Federal Deposit Insurance Corporation’s Temporary Liquidity Guarantee Program, which insures new debt issuances by banks. But there’s plenty of other insurance capacity approved but not yet used by government agencies.

The \$3.2 trillion in current commitments is bad enough. But the potential of an \$11 trillion price tag for Bailout Nation just boggles the mind. It represents a dangerous expansion of governmental power and political interference in all major areas of the U.S. economy. To call the whole endeavor the second New Deal is to understate how sweeping and radical it is. The line between what is public and what is private won’t just be eroded. It will be bulldozed out of existence.

Bailout Nation is a bipartisan creation. Its flaws do not derive from the character of the individuals currently in charge of the Fed, Treasury, FDIC, and the rest of the administration. Its flaws are inherent. They stem from the fundamental, mistaken notion that central planners will ever have the requisite knowledge and wisdom to engineer superior economic and social outcomes. CJ

Room With a View

CJTV opens new window on politics

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COMMENTARY

State Taxpayers Need a Bill

There are many complexities embedded in the issue of tax reform — now getting a lot of attention in the North Carolina General Assembly — but one worthy objective is fairly simple to explain.

Indeed, it is simplicity itself. North Carolina’s tax code needs to be simpler. The state should provide North Carolina taxpayers with a clear, comprehensive accounting of how much they pay to fund government services. Taxpayers, in other words, need to get a bill.

That’s the tool we use to inform our decisions on most major financial decisions. If we need home or car repairs, we obtain bids from one or more vendors who are obligated to describe in detail the job they are offering to do and how much it will cost. If we seek to buy a house, refinance our mortgage, insure our car, enroll our children in college, or create a retirement plan, we are best served by receiving clear, comprehensive statements from the relevant institution spelling out the costs and benefits of each option.

So receipts, invoices, and billing statements are an integral part of our lives, for good reason.

Government taxes and fees make up a significant share of household budgets. On average, says the Tax Foundation, the cost of financing government at all levels consumes nearly a third of all personal income in the United States. That’s the average. The median household likely spends a bit less than that on taxes and fees. Even so, the bill for government remains one of the biggest any household shoulders in an average year.

Shouldn’t taxpayers receive at least as much information about their tax bill as they do other bills?

Of course, the situation isn’t entirely comparable. You are free to make the choice of whether to buy a house, a car, or a college education for your kid. You are not free to opt out of paying for government, regardless of how much (or how little) you think you benefit from government services.

But taxpayers are also voters. On Election Day, they get a say in electing the representatives who tax them — and in some cases, such as local referenda, they get a direct say

in determining their tax bill. In that sense, then, taxpaying voters are akin to potential purchasers of other high-dollar goods. They deserve a clear, comprehensive accounting of the cost of government, so they can decide if they think the current level of service is worth the expense they incur.

Complex tax systems do not satisfy this need for public information. With income taxes, you do get an annual bill — though tax withholding somewhat obscures the full effect on household budgets. With property taxes, those who own their homes free and

clear get a real bill, and are often angered by it. But just as withholding makes the income-tax bill fuzzy, the use of escrow reduces the information content for property taxpayers with a mortgage. And as for sales taxes, while consumers typically get a receipt after every retail sale that details how much, if any, of the price reflects the sales tax, consumers have no practical way of knowing how much sales tax they pay through the year.

Worst of all, taxpayers have no way of knowing how much of the cost of the goods and services they purchase originated as a corporate-income tax, a franchise tax, a business-privilege license, a tax on energy used in production, or some other tax or fee.

North Carolina could move closer to the concept of an annual billing statement for government by reducing the number of separate taxes. Instead of levying a tax both on income and on sales, we should tax all income residents spend once and only once. The best way to do that is to phase out the sales tax in favor of a consumed-income tax, paid annually.

When I made this proposal on a tax-reform panel several years ago, one of my fellow panelists objected. She said that would never fly because the rate would be so high that voters would rebel — which was, of course, my point.

I haven’t asked her lately what she thinks of the idea. In fact, I don’t see Kay Hagan around Raleigh at all anymore. She’s elsewhere. CJ



JOHN HOOD

John Hood is president of the John Locke Foundation.

COMMENTARY

Legislative Update

The North Carolina General Assembly is busy with their work during this long session of 2009. They must pass a budget by the end of the fiscal year on June 30. Revenue is way down, 15 percent lower than expected, and with a constitutional mandate to keep a balanced budget, the challenge is to reduce spending to available money.

If they choose to grow government, they'll have to increase taxes. TEA parties across the state have shown us that people are feeling over-taxed and are demanding accountability from their elected officials. Increased taxes on cigarettes and alcohol have been proposed, as have new taxes on services disguised as tax reform. A balanced budget with no tax increases is possible, as seen in the John Locke Foundation's Back to Basics Budget and a House proposal, but what they'll end up doing between now and the new fiscal year is anybody's guess.



BECKI GRAY

Property rights protections are taking a beating, and efforts to keep them alive are monumental. Due to a large grass-roots effort of property owners across the state, two forced-annexation bills are being considered in the Senate with some kind of reform likely. Will the reform include a requirement that meaningful services be provided to affected (and taxed) homeowners and that fairness is guaranteed with real oversight? Private wells are still vulnerable to government control unless a bill now in the Senate establishes unequivocally that they are off limits. Statewide regulations on land with a slope were curtailed and, instead of becoming law, resulted in the forming of a study committee. What that committee recommends could have wide-reaching implications on how, when, and where property owners can build on — and enjoy — their land.

In the midst of the recession and with more than 10 percent unemployment, North Carolina's business climate is getting some attention, but not necessarily that which would help. To keep business growing (or just surviving), it is imperative that goods and people move across the state. Instead of putting money into new roads, maintenance and bridges, leaders have cut funding and are relying on one-time stimulus money from the federal government.

Further, they continue to put more of those scarce transportation dollars into light rail and buses, even proposing to increase sales taxes to funnel more money into public transportation and away from roads. Targeted tax breaks are in the news almost daily with the most recent 10-year giveaway of \$45 million to Apple.

With almost 3,000 bills filed this session, there are plenty of issues to keep an eye on. These are just a few of the many we're watching. As Gideon Tucker wrote in 1866, "No man's life, liberty, or property are safe while the legislature is in session." Let's hope for an early adjournment. CJ

Becki Gray is vice president for outreach for the John Locke Foundation.



A Mystery to Ponder

One of my favorite leisure activities — when I do have any free time — is to read a good mystery, or maybe watch a rerun of an old "Columbo" TV show. I think mysteries are great fun as well as good ways to stimulate my aging brain cells!

So here's a mystery for you to ponder. In March, North Carolina lost over 33,000 jobs (based on the household survey of employment). This was almost twice as many as the 17,000 job cuts in February. Yet while the February unemployment rate jumped a full percentage point (from 9.7 percent to 10.7 percent), the rate in March rose only one tenth of a percentage point — from 10.7 percent to 10.8 percent.



MICHAEL WALDEN

Let me assure you the books *weren't* cooked. North Carolina's unemployment numbers come from a federal government survey conducted each month by professionally trained and experienced Census Bureau employees.

Instead, something else is going on, and it has to do with how unemployment is measured. But before I reveal the answer, a little background on the concept of unemployment is needed.

When we say someone is "unemployed," I think you'll agree we don't want to include everyone who doesn't have a job. Certainly people like my wife, who is retired, shouldn't be counted as unemployed because she doesn't want a job. Likewise, we don't want to include children or people who are institutionalized (for example, in a correctional institution or nursing care facility) as unemployed. In fact, all these folks are counted as neither unemployed or employed — that is, they're simply not counted as part of the labor force.

But what about someone who wants to work but doesn't have a job? Here's where things get tricky and the solution to our mystery begins. To be counted as unemployed, the federal government requires someone to be out of work and *actively* looking for a job. What does it mean to actively look for a job? It means the person would need to

have contacted an employer, employment agency, or friend or relative about a job, or have sent out a resume, completed an application, or engaged in some other active job search *within the past four weeks*.

If the jobless person has done any of these things in the past month, then he is counted as unemployed. But if he hasn't, then he is *not* counted as unemployed. Indeed, those jobless are not even counted as part of the labor force. They would be lumped together with my retired wife and everyone else who is not in the job market.

Now we can solve the mystery of North Carolina's unemployment rate in March. While the number of people with a job fell by 33,000 in March, the official number of unemployed persons increased by only 2,400. So what happened? The answer is that about 30,000 people were dropped from the labor force, which is exactly what the numbers show.

Some of the 30,000 without jobs could have left the state. The others are people who previously lost their jobs but did not meet the requirement of actively looking for work, so they weren't counted in the ranks of the unemployed.

Economists call this latter group *discouraged workers*, and they can cause strange things to happen to the measured unemployment rate, as we saw with North Carolina in March. Studies show discouraged workers — if counted as unemployed — can add between one-half and a full percentage point to the official unemployment rate.

Discouraged workers can also confuse the unemployment rate when the economy begins to improve. When things are looking up and businesses are hiring, discouraged workers tend to come back into the labor force and start again to look actively for work. However, until they land a job, they are counted as unemployed. This situation can cause the unemployment rate to rise just at the same time that the number of jobs is increasing!

This is why many economists say the best way to gauge the job market is simply to track the number of jobs. CJ

Michael Walden is a William Neal Reynolds Distinguished Professor at North Carolina State University.

Merit Pay for Teachers a Good Deal

School will soon be out for summer, but the issue of education reform will not. Over the next few months, President Obama will roll out a number of proposals designed to improve public schools. Some of these will look like the usual reflexive effort, generated by left-leaning education “experts,” to throw money at the problem. But others, interestingly enough, are worth supporting. Obama has some encouraging ideas about expanding charter schools, for instance.

I want to focus on another idea kicked around in the White House: merit pay for teachers. This does not sound like a particularly radical idea — after all, the most activist Democratic president since LBJ is intrigued by it. The North Carolina Association of Educators (NCAE), however, has drawn a line in the sand on the issue. The union is vehemently against salary that is differentiated based upon performance. To this point, they have prevailed upon their allies in state government to protect the policy.

Currently, with the exception of cost-of-living adjustments added by



**ANDY
TAYLOR**

counties, teacher pay in North Carolina varies along just two dimensions. The first makes sense. Teachers are given pay increases based upon the training and education they receive — essentially getting a graduate degree or becoming national board certified. Some, like economist Jacob Vigdor of Duke, are skeptical about the amount of value these experiences add, but since they are costly and voluntary the teachers who go through them are presumably more motivated and capable than their colleagues. At the very least, they signal merit.

The second dimension does not make sense, however. Borrowing from Woody Allen’s maxim that “80 percent of success is showing up,” the state believes teachers should be paid for sticking around. This principle wouldn’t be so bad if longevity was earned and teachers weren’t tenured. But, largely protected from dismissal, our public school teachers generate raises by punching a clock rather than doing their job well.

Performance, therefore, isn’t incentivized much. Poor teachers slide by. They don’t serve the interests of their students or the taxpayer, and they take advantage of the good will and professional integrity of their more talented and hardworking colleagues. They are protected by public policy and NCAE — an organization that purports to promote the interests of all teachers but that really works

only for the worst.

This is particularly troubling when you consider that aside from fundamental biological, social, and economic characteristics — Is the child disabled? Is the child from a broken home? Are the child’s parents unemployed? — teacher ability explains most of the variation in student accomplishment. The research shows matters like moderate reductions in class size, the presence of an assistant, and the availability of technology have minimal effects. You have a good teacher, the students progress. Put a bad teacher into a high-tech classroom with an assistant and relatively few students, and there’s little to nothing in the way of development.

The Obama administration is going to call for small merit raises and financial incentives to get teachers to work in rural and poorer schools. Gov. Beverly Perdue has iterated this. Guilford County has its “Mission Possible” program, although, again, this is really just a one-time bonus for teachers who go to work in low-performing schools. But we can do more than this. We can reward achievement systematically.

Salary structures need to be overhauled with annual raises to base salaries given exclusively for merit. So as to have confidence we are rewarding excellence, we should gather as much data on teacher performance from as many sources as possible.

Direct classroom observation and general assessment by principals or assistant principals are critical. Parents care the most about their child’s academic progress, and their views about the teacher’s performance should be taken into consideration as well. We now put students through a variety of tests — the “end-of-grade” for Grades 3-8, pre-kindergarten screening, etc. The previous year’s results can be used as a benchmark against which to compare this year’s and, in turn, provide a measure of a student’s advancement and the value added by her teacher. We already have much of this information. It can all be done with little additional effort and administrative cost.

With these reforms, performance will be rewarded. Talented individuals — or those who generally look at salary ceilings rather than floors — will no longer be discouraged from entering the profession because they can be certain of earning more in other fields. Students and parents will benefit, as will taxpayers who will receive greater return on investment. The losers? NCAE and inferior teachers, whose pay will lag that of their colleagues. Sounds like a good deal to me. *CJ*

Andy Taylor is Professor and Chair of Political Science in the School of Public and International Affairs at N.C. State University.

Jack Kemp Proved Ideas Matter

Much has been said and written of late about the so-called demise of the Republican Party.

It seems as though you can’t pick up the paper or turn on the tube without some pundit or commentator giving advice on how the party can “rebrand” itself by moving to the middle and repositioning itself to be “more in tune” with the American people.

Others have even indicated that the GOP should steal the strategy deployed by the Democrats in 2008, muddling the party’s ideological focus in the hopes of appealing to unaffiliated voters, most of which seems to me to be nonsense.

First and foremost, principles and policies matter. Second, becoming Democrats-lite didn’t work.

For eight years we grayed the



**MARC
ROTTERMAN**

areas between the two parties. Republicans in the Bush era ran up massive deficits and voted for big spending bills.

How did that work out? Did we get a good result? Did those policies strengthen America’s economy?

As the late Lee Atwater used to say, “When we become them — we lose.”

For the Chicken Littles of the party, it might be useful to review how the Republicans began their comeback as a center-right party in the mid-1970s.

Think the Republican Party is in trouble now? The Republican Party was pronounced dead after Watergate.

It is hard to explain how painful the ‘70s were both economically and psychologically to anyone who didn’t live through that era.

President Ford had pardoned Richard Nixon, the economy was in the wake of stagflation, and — to top that off — with the fall of Saigon America had just lost its first war. Three students had been shot and killed by the Ohio National Guard at Kent State University. High interest rates made it virtually impossible to

buy a house, and because of the Arab oil embargo long gas lines were the norm.

Jimmy Carter defeated Ford in the 1976 presidential election. Welfare rolls were exploding, and there was a tsunami of violent crime, divorce, abortions, and out-of-wedlock births. We also witnessed the fall of the Shah of Iran and the subsequent hostage-taking of more than 100 American foreign service officers from our embassy in Tehran.

The economy was in the tank, and our leaders suggested that America’s best days were behind her.

Enter Jack Kemp, the former AFL-football-star-turned-Republican-congressman from the blue-collar suburbs of Buffalo, N.Y.

As a solution to America’s deepening recession, Kemp — a pro-growth, free-market capitalist — advocated an across-the-board, 30-percent reduction in income-tax rates. In 1977, Kemp teamed with Sen. Bill Roth of Delaware to co-sponsor the Kemp-Roth tax bill featuring those 30-percent rate cuts.

Kemp convinced then-Repub-

lican National Committee Chairman Bill Brock to make Kemp-Roth the key issue for the GOP in the 1978 congressional elections.

The result united most of the right, center, and left of the Republican Party and attracted some conservative Democrats as well. During the 1980 presidential race, Ronald Reagan made Kemp-Roth the economic centerpiece of his campaign.

With slight adjustments, Congress passed Kemp-Roth in 1981, and it was signed into law by President Reagan on Aug. 13 of that year.

Looking back on the life of Jack Kemp, it’s important to recognize that Kemp’s dedication to an idea — the link between lower taxes, entrepreneurship, and higher growth — helped return economic prosperity to America.

The passing of Kemp reminds us that good policy makes good politics and that a dedication to conservative principles in the marketplace of ideas can change the world. *CJ*

Marc Rotterman is a Senior Fellow at the John Locke Foundation.

Basnight Backs Plastic Bag Ban To Help Economy (a CJ parody)

By T.R.E. HUGGA
Environmental Reporter

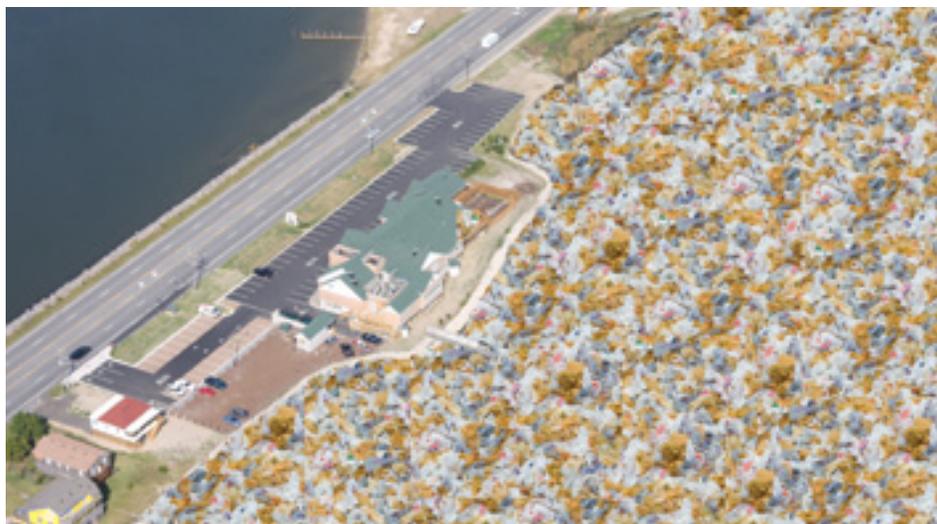
RALEIGH

Environmentalists see a proposed ban on plastic grocery bags in parts of several North Carolina coastal counties as a way to protect the shoreline from pollution. But state Senate President Pro Tem Marc Basnight also sees the plan as a potential boon for the local economy, specifically his local economy.

"If doing away with plastic bags makes it less convenient for people to buy groceries, then they're probably going to eat out more," said Basnight, owner of the Lone Cedar Café near Manteo. "And we all know that waiters and waitresses make a lot more money than grocery store clerks, so this bill could have kind of a multiplier effect on the economy."

Additional pilot programs the legislature could consider for the Outer Banks, Basnight opined, could include a ban on shopping carts, baskets, and paper sacks. "If people can't carry as much to their cars, they can't store as much in their refrigerators and they'll just have to go to restaurants," Basnight said.

He said he was also sympathetic



Senate President Pro Tem Marc Basnight backed the legislation because the plastic-bag problem had gotten so bad at his waterfront restaurant near Manteo. (another CJ spoof photo)

to environmentalists' concerns about Styrofoam containers polluting beaches. So he might go for a ban on the clamshell boxes many restaurants use to pack leftovers and carry-out meals.

"We'll just cut down our portions so that diners won't feel the need to ask for a doggy bag," he said. "People will eat less and lose weight. And we'll clean up our beaches. It's a win-win."

The bag-banning legislation, Senate Bill 1018, would prohibit retail

chain stores and other retailers with more than 5,000 square feet of floor space in Currituck, Dare, and Hyde counties from providing single-use plastic shopping bags to customers beginning Sept. 1.

The original bill introduced by Sen. Josh Stein, D-Wake, would have banned plastic grocery bags in retailers statewide within two years. But the North Carolina Retail Merchants Association objected to the higher costs

and inconvenience a ban on plastic bags would impose on consumers and retailers.

That's when Basnight stepped in and proposed his district as a guinea pig, championing an amended version limiting the bag ban to cover roughly the areas he represents. While it might be premature to impose a statewide ban on plastic shopping bags, Basnight said, his district was ready to serve as a local laboratory for policies that will eventually be adopted across North Carolina.

"As always, we stand ready to discuss any idea that could help jumpstart my, er, our rural economy," Basnight added.

The legislation passed the Senate 47-1 and is now in the House.

"The nature of our economy is cleanness. We want people to come to our community to spend time, to see sunsets, shoreline, water, but you also see these flimsy bags on the shoreline, on the Wright Brothers Memorial, or in the water around my restaurant."

When a reporter asked Basnight if, as a restaurateur, the law posed any potential conflict of interest, he responded, "I have no idea what you're talking about?"

CJ

CONNECTING THE DOTS

The collage consists of several overlapping copies of the Carolina Journal newspaper. The main cover visible is from June 2008, Vol. 17, No. 6. The headline reads "Gov. Easley Got Pricy Lot at Bargain Price" with a sub-headline "Waterfront lot located in gated community". Other headlines include "Taxpayers Fund Easley Coastal Trips" and "Clues Point to Undisclosed Air Service for Governor". A sidebar on the right lists "INSIDE THIS ISSUE:" with items like "Ethanol firm officials indicted on various charges, 4" and "Clues Point to Undisclosed Air Service for Governor". Another cover in the background has the headline "Questions Persist on Mary Easley's Initial Hiring at N.C. State".

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