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CAROLINA JOURNAL

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STATEWIDE EDITION

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Clues Point to Undisclosed Air Service for Governor

Flights provided amount to \$200K a year, source says

BY DON CARRINGTON
Executive Editor

RALEIGH

Clues to the whereabouts of the elusive Gov. Mike Easley often can be found in the friendly skies in aircraft owned by an Elizabethtown businessman and his sons, aviation and anonymous sources say.

The businessman, Dallas McQueen "Mac" Campbell Jr., and his sons, all pilots, quietly have been providing free, private, and low-key air transportation for Easley for years, the sources said.

The gratis air transportation for



Sources say McQueen Campbell, left, and his father, Mac Campbell, regularly fly Gov. Mike Easley, right, on in-state and out-of-state trips.

Easley started during his campaign for governor in 2000 and continued through this year. The trips included flights in North Carolina and outside the state.

Campbell's son, Dallas McQueen Campbell III, who goes by McQueen, coordinates the majority of the flying

now. McQueen, who lives in Raleigh, is a real-estate developer and chairman of the N.C. State University Board of Trustees.

A source, who asked to remain unidentified, reported that McQueen boasted of flying the governor as fre-

quently as once a week, and that the value of the flights totaled as much as \$200,000 per year. Some of the trips were to Florida and New York for recreational purposes, the source said.

Records undisclosed

Easley does not publish a schedule of his whereabouts, and few details about his travels are released to the public.

Since the Highway Patrol provides security for the governor, travel and expense records of security personnel might provide clues to understanding the governor's travels. When a reporter asked for access to the records, said spokesman Capt. Everett Clendenin, "We believe that information is protected, and we will not disclose it."

Earlier this year, *CJ* reported ques-

Continued as "Clues," Page 2

Half of Sampled School Lunch Applicants Can't Prove Eligibility

BY DAVID N. BASS
Associate Editor

RALEIGH

A majority of sampled applicants enrolled in the free and reduced-price lunch program in North Carolina can't prove eligibility to participate, according to verification summaries from the state's 115 school districts.

An analysis of the summaries showed that 54 percent of a sample pool of applicants could not or would not pro-

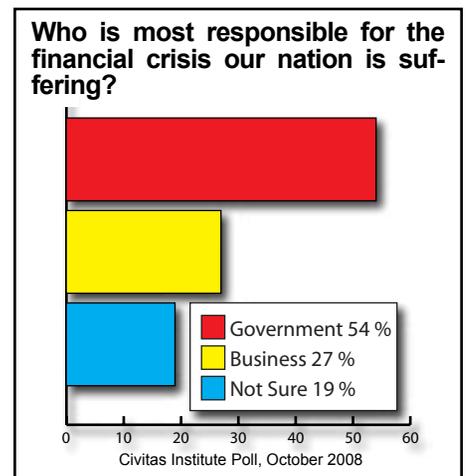
Entitlement is meant for families at or below 185 percent of the federal poverty level, but it is suspected ineligible families participate

vide income proof to justify their meal benefits. The entitlement, administered by the U.S. Department of Agriculture at an annual cost of \$8 billion, is meant for

families at or below 185 percent of the federal poverty level. But the summaries suggest that many ineligible families still participate.

As *Carolina Journal* first reported in July, school nutrition officials have opposed a comprehensive audit of local school lunch programs, citing USDA guidelines that prohibit over-verification. Some county leaders and school board members, however, have pushed for a more thorough review, especially since the program is used by school districts often as a funding allocation

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Richard Wagner
Editor
Don Carrington
Executive Editor

David N. Bass, Mitch Kokai,
Michael Lowrey
Associate Editors

Chad Adams, Jana Benscoter,
Kristen Blair, Roy Cordato,
Becki Gray, Paige Holland Hamp,
David Hartgen, Sam A. Hieb,
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Mike Rouse, Jim Stegall,
George Stephens, Jeff Taylor,
Michael Walden, Karen Welsh,
Hal Young, John Calvin Young
Contributors

Clint Atkins, Laura Barringer,
Katie Bethune, Andrew Huffman,
Jessica Thompson
Editorial Interns

Published by
The John Locke Foundation
200 W. Morgan St., # 200
Raleigh, N.C. 27601
(919) 828-3876 • Fax: 821-5117
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Jon Ham
Vice President & Publisher

John Hood
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Clues Point to Easley Air-Travel Favors

Continued from Page 1

tionable uses by Easley of state-owned aircraft. The aircraft are managed by the N.C. Department of Commerce and include a 14-passenger Sikorsky helicopter, an 11-passenger Beechcraft King Air turbo-prop, and an eight-passenger Cessna Citation jet.

An analysis of four years of records showed that two-thirds of Easley's trips involved planned or actual connections to the coast in Brunswick County, where he owns two homes.

The analysis also showed unexplained gaps in Easley's travel. A state aircraft often was dispatched to Brunswick County to pick him up at the beginning of the week, but it was unclear how he got there. He often was transported to the coast at the end of the week, but it was unclear how he got back to Raleigh.

Campaign flights

Some of the flights piloted by the Campbells reportedly were provided for Easley during his gubernatorial campaign in 2000.

"It was common knowledge in the Aviation Division that Mac Campbell was providing air transportation for Easley in 2000," said Mark Esposito, a former DOT airport development engineer. Esposito, who was based in Raleigh, oversaw airport development for about one-fourth of the state's airports, including the Elizabethtown Airport where the Campbell family's twin-engine Piper airplane was based.

Minutes of a June 2003 council meeting of the Lumbee Tribe also reported a similar connection between Easley and the Campbells. According to the minutes, Jason Lowry of Pembroke offered some background on Mac Campbell, who had been a trustee of UNC-Pembroke.

"But I call your attention to one man, Mac Campbell. The governor appointed Mac Campbell from Elizabethtown, North Carolina, on this DOT Board. And I understand Mac is a wealthy person with a plane who flew the Governor around on his campaign trips," the minutes record Lowry as saying.

Reached by phone, Lowry confirmed that he knew Campbell and that he had made the statement.

Political campaigns are permitted to use private aircraft for transportation, but campaign officials must report the value as an in-kind expenditure subject to the contribution limits. A campaign also may hire a private aircraft for a fair hourly rate and report the payment as a normal campaign expenditure.

Easley's campaign reports for the 2000 and 2004 election show no in-kind contributions or expenditures related to the use of aircraft owned by the Campbells.

Campbell family members are active political contributors. Since

*Easley appointed
Mac Campbell
to the N.C. Board
of Transportation
and McQueen
Campbell to the
NCSU Board
of Trustees*

1992 they have contributed more than \$100,000 to state or local candidates. They contributed more than \$31,000 to Easley's campaigns for governor in 2000 and 2004, and his attorney general campaigns before that.

Easley appointed Mac Campbell to the N.C. Board of Transportation. He appointed McQueen Campbell to the N.C. State University Board of Trustees. He appointed another son, Brian Campbell, to the Aeronautics Council, the state's aviation advisory board. All three Campbells are pilots.

The aircraft

In addition to the twin-engine Piper airplane, Brian Campbell owns two single-engine aircraft also based at the Elizabethtown Airport. McQueen Campbell owns three aircraft based at the Raleigh-Durham Airport. They are a two-person F-1 Rocket experimental-class airplane and a four-person Cirrus airplane, both owned under the name of his company Raleighwood Aircraft. In addition, he owns and is licensed to fly a four-seat Robinson Helicopter held under the name of Raleigh Helicopter.

Records might be released

When asked about the Highway Patrol's refusal to allow a reporter to review records about Easley's travels, candidates in this year's gubernatorial race said the records should be released.

"We have to bend over backwards to beat the perception of corruption. Sunlight is the best disinfectant, and one of the obligations of state employees is full disclosure of travel and expenses," said Libertarian candidate Mike Munger.

"As Governor, Bev will make government more transparent and open and will insist that state agencies be expected to fulfill public records requests," said Tim Crowley, spokesman for Democratic candidate Beverly Perdue.

Jack Hawke, speaking for Republican candidate Pat McCrory, said, "The culture of secrecy in state government has to change and that change will be one of the first items on a McCrory agenda. As Mayor, Pat has made all his records public and he will do the same as Governor. Pat's schedule will be made available and the records of any state employee traveling with him will be public record."

"As to Governor Easley's records, there is no reason to keep past records from public scrutiny. If that requires a directive to the Department of Crime Control and Public Safety, it will be done. However, a McCrory administration will be completely transparent and not require a special directive," Hawke said. When asked by a reporter about the extent of the governor's excursions with the Campbells, Easley spokeswoman Renee Hoffman did not respond.

Neither McQueen Campbell nor his father responded to numerous phone calls and e-mails seeking comment about the reports. *CJ*

Easley, Campbells Silent on Flying Activities

RALEIGH — Neither *Carolina Journal* nor *The News & Observer* of Raleigh has been able to find any payments on Gov. Mike Easley's campaign finance reports in 2000 and 2004 for flights that Elizabethtown businessman Mac Campbell or his sons provided for Easley during his races for governor.

One son, McQueen Campbell has acknowledged to the *N&O* that he has flown the governor as far back as 2000.

Easley's campaign treasurer for both elections, B. Davis Horne, Jr., signed the campaign reports after the statement, "I further say that this report is complete, true, and correct."

Easley campaign reports from 2005 show that Executive Aircraft Services, one of the Campbells' aviation companies, was paid \$4,777 for air travel on Feb. 18, 2005, and \$6,300 on Aug. 11, 2005. Those payments were

well after the November 2004 election was over.

Easley Press Secretary Renee Hoffman told *CJ* that campaign expenditure questions would have to be answered by a representative of the campaign. *CJ* called John Wallace, a Raleigh lawyer who represented Easley's campaign, to discuss the flying activities. He did not take the call, but responded by e-mail, "I offered comment to the *N&O* in the absence of any staff familiar with the reports of the 2004 campaign. I doubt that I would have knowledge beyond that which appears in the filed reports of the committee."

When left another phone message asking for information about the 2005 payments, he again responded by e-mail, "I'm sorry, but it will have to wait. I do not have those records and do not have access to them."

— Don Carrington

Half of Sampled School Lunch Applicants Can't Prove Eligibility

Continued from Page 1

tool. "I don't think there is any doubt in anyone's mind, even though we're pussy-footing around, that there are thousands of students here that probably are not entitled to this government benefit," said Larry Gauvreau, a school board member of Charlotte-Mecklenburg Schools.

Other elected officials call further verification efforts a "witchhunt" aimed at poor families. "Poor people don't know how to steal from the federal government. They're not smart enough," said CMS school board member Vilma Leake.

The verification summaries are taken from about 3 percent of applicants considered "error prone," meaning households whose annual earnings fall within \$1,200 of the income eligibility limitation. About three dozen school districts qualified last year for an alternate sample size of 1 percent.

As part of the verification, school officials request income proof, such as a pay stub or W-2 form, from applicants. If applicants fail to respond, or respond with evidence that shows too high an income, officials reduce or terminate their benefits.

The summaries for the 2007-08 school year show that 76 out of 115 school districts had potential fraud rates at 50 percent or higher, and 19 districts had rates at 75 percent or higher. Only three districts — Currituck County Schools, Hyde County Schools, and Rutherford County Schools — had a perfect verification rate.

Less than 2 percent of applicants statewide had their benefits increased as a result of the verification, suggesting that families were more likely to understate than overstate their income on the forms.

Cumberland County Schools, New Hanover County Schools, and Northampton County Schools had the highest rates of reduced or repealed benefits at 89 percent each. The state's three largest school districts had rates well over 50 percent — Charlotte-Mecklenburg Schools, at 68 percent; Wake County Schools, at 64 percent; and Guilford County Schools, at 77 percent.

Full audit outlawed

Child nutrition officials say the percentages do not indicate widespread fraud because the sample is targeted and not random. After *CJ* reported on the issue, school board members in CMS pushed for a full audit to see whether cheating is common among all enrolled families. The USDA, however, has threatened to cut off the district's \$34 million school lunch subsidy if CMS proceeds with a comprehensive verification.

"It's disheartening for me to think that the USDA would have us believe that the position of the U.S. government is to ignore and turn a blind eye to fraud, waste, and mismanagement," said CMS board mem-



USDA officials have been unresponsive to requests from school districts wanting to know if they can do more comprehensive audits on free-lunch eligibility.

ber Kaye McGarry. "I have an obligation to taxpayers, and I feel we need to go ahead with full disclosure."

The federal law governing free and reduced-lunch says that a verification sample size "shall be the lesser of 3,000, or 3 percent of, applications selected at random. ... " The law does not address over-verification or penalties if a school district chooses to conduct a more extensive audit.

Elsewhere, however, the USDA interprets the law to disallow a comprehensive verification. The 2008 version of Eligibility Manual for School Meals, published by the USDA, says that school districts "must not verify more than or less than the standard sample size ... and *must not* verify all (100% of) applications" (emphasis in original).

Asked to explain why the law limits verifications to 3 percent, USDA Food and Nutrition Service spokesperson Jean Daniel said the question should be addressed to the House and Senate committees that oversee the school lunch program.

CMS food fight

The CMS school board has been embroiled in a political tug of war since the question of school lunch cheating surfaced in August. The school board has twice rejected a motion to conduct a random or full audit of school lunch participants. At a meeting Oct. 14, board members approved, 5-3, a motion prohibiting Superintendent Peter Gorman from conducting an audit unless the USDA changes its rules.

Some school board members still say a comprehensive review is necessary to weed

out cheating and protect the integrity of the system. "There are thousands of people who probably shouldn't be in that program. We know that. Everybody up here knows that," Gauvreau said.

Other members disagree. "We must not ever deny any child the right to have a lunch or a breakfast or a snack," Leake said. "The problem I have is that we're always digging for something that's not there."

Tom Tate, another school board member opposed to a comprehensive review, said the district should focus on education, not fraud. "I'm tired, really, of the board talking about fraud in this program when we need to be talking about educating these kids," he said.

Supporters of a full audit have pointed to CMS' use of free and reduced lunch as a funding indicator as another reason to take a closer look at the program. The district uses a 1.3 multiplier for every student in the entitlement, meaning each enrolled student generates 30 percent more funding for his or her school compared with a traditional student.

"We use the numbers from this free and reduced-lunch [program] to allocate millions of dollars of resources to our schools in Mecklenburg County, and this number has no integrity," McGarry said.

The school board is expected to consider a motion in November that would direct Gorman to use a measurement other than free and reduced lunch for resource allocation.

The Mecklenburg Board of County Commissioners also has stepped into the fray. County commissioners voted Oct. 7 to write a letter with the CMS school board to the state congressional delegation about the USDA's inability to clarify promptly whether a comprehensive audit is legal.

"The USDA staff essentially said to kiss off," Commissioner Bill James said. "I wish I could say all of this is shocking, but they just seem content to ignore it because it's a welfare issue and a sacrosanct program."

The next level

Gauvreau has taken the issue of school lunch fraud beyond the local level. In September, he requested the state auditor look into the situation. Tim Hoegemeyer, general counsel for the auditor's office, responded through e-mail that the auditor is "looking at the possibility of conducting such an audit and any decision one way or another will have to take into account our resources and current priorities."

In mid-October, Gauvreau sent a letter to a special agent for the USDA's inspector general's office in Raleigh requesting similar action. "Your office's involvement will help set the record straight. Millions of dollars in public money is at stake," Gauvreau wrote.

Despite the USDA's threat to pull CMS' child nutrition funding, Gauvreau said he plans to continue pushing for a more thorough audit. "First you use sugar, then vinegar, and if that doesn't work, a baseball bat," he said.

Rate of reduced or revoked benefits

| School System | Pct. |
|-----------------------------------|------|
| Cumberland County Schools | 89 |
| New Hanover County Schools | 89 |
| Northampton County Schools | 89 |
| Asheboro City Schools | 87 |
| Sampson County Schools | 86 |
| Weldon City Schools | 86 |
| Chatham County Schools | 84 |
| Durham Public Schools | 83 |
| Bladen County Schools | 82 |
| Union County Public Schools | 82 |
| Duplin County Schools | 81 |
| Yadkin County Schools | 79 |
| Johnston County Schools | 78 |
| Guilford County Schools | 77 |
| Nash-Rocky Mount Schools | 77 |
| Wilkes County Schools | 76 |
| Greene County Schools | 75 |
| Robeson County Schools | 75 |
| Wilson County Schools | 75 |
| Granville County Schools | 74 |
| Halifax County Schools | 74 |
| Iredell-Statesville Schools | 74 |
| Alamance-Burlington Schools | 73 |
| Jones County Schools | 73 |
| Onslow County Schools | 73 |
| Brunswick County Schools | 72 |
| Stokes County Schools | 72 |
| Cabarrus County Schools | 71 |
| Cleveland County Schools | 70 |
| Lenoir County Public Schools | 70 |
| Wayne County Public Schools | 69 |
| Charlotte-Mecklenburg Schools | 68 |
| Craven County Schools | 68 |
| Randolph County Schools | 68 |
| Bertie County Schools | 67 |
| Camden County Schools | 67 |
| Tyrrell County Schools | 67 |
| Yancey County Schools | 67 |
| Buncombe County Schools | 66 |
| Catawba County Schools | 66 |
| Vance County Schools | 66 |
| Orange County Schools | 65 |
| Franklin County Schools | 64 |
| Kannapolis City Schools | 64 |
| Montgomery County Schools | 64 |
| Wake County Schools | 64 |
| Edgecombe County Schools | 63 |
| Mooreville City Schools | 63 |
| Warren County Schools | 63 |
| Davidson County Schools | 61 |
| Hertford County Schools | 61 |
| Cherokee County Schools | 60 |
| Lexington City Schools | 60 |
| Pitt County Schools | 60 |
| Richmond County Schools | 60 |
| Washington County Schools | 60 |
| Haywood County Schools | 58 |
| Scotland County Schools | 58 |
| Harnett County Schools | 57 |
| Watauga County Schools | 57 |
| Caldwell County Schools | 56 |
| Rockingham County Schools | 55 |
| Burke County Schools | 54 |
| Hoke County Schools | 53 |
| Pender County Schools | 53 |
| Macon County Schools | 52 |
| Martin County Schools | 52 |
| Beaufort County Schools | 51 |
| Carteret County Public Schools | 50 |
| Chapel Hill-Carrboro Schools | 50 |
| Dare County Schools | 50 |
| Edenton-Chowan Schools | 50 |
| Perquimans County Schools | 50 |
| Rowan-Salisbury Schools | 50 |
| Stanly County Schools | 50 |
| Whiteville City Schools | 50 |
| Columbus County Schools | 49 |
| Forsyth County Schools | 49 |
| Alexander County Schools | 46 |
| Lee County Schools | 45 |
| Clinton City Schools | 44 |
| Graham County Schools | 44 |
| Elkin City Schools | 43 |
| Gaston County Schools | 43 |
| Transylvania County Schools | 43 |
| Elizabeth City-Pasquotank Schools | 43 |
| Asheville City Schools | 42 |
| Person County Schools | 42 |
| Alleghany County Schools | 40 |
| Clay County Schools | 40 |
| Pamlico County Schools | 40 |
| Surry County Schools | 37 |
| Mount Airy City Schools | 36 |
| Thomasville City Schools | 36 |
| Jackson County Schools | 33 |
| Mitchell County Schools | 33 |
| Roanoke Rapids City Schools | 33 |
| Swain County Schools | 31 |
| Hickory City Schools | 27 |
| Lincoln County Schools | 26 |
| Polk County Schools | 26 |
| Ashe County Schools | 25 |
| Avery County Schools | 25 |
| Gates County Schools | 25 |
| Caswell County Schools | 24 |
| Madison County Schools | 21 |
| Anson County Schools | 20 |
| Davie County Schools | 18 |
| Moore County Schools | 17 |
| Henderson County Schools | 14 |
| McDowell County Schools | 13 |
| Newton Conover City Schools | 13 |
| Currituck County Schools | 0 |
| Hyde County Schools | 0 |
| Rutherford County Schools | 0 |

Source: N.C. Department of Public Instruction

CJ

Ethanol Firm Officials Indicted in Bribery, Extortion

By DON CARRINGTON
Executive Editor

RALEIGH
Two principals of a failed ethanol production company made their first appearance in federal court last month after a grand jury indicted them on charges involving bribery, extortion, and perjury. David Lee Brady, 75, of Raleigh was president of Agri-Ethanol Products, and James Albert Perry, Jr., 62, of Wake Forest was an employee. They were both brought into the federal building in handcuffs Oct. 7 and appeared in front of U.S. District Court Judge Terrence Boyle in the afternoon to hear the allegations against them.

The criminal indictment contains allegations the men have committed crimes, but they are presumed innocent unless proven guilty in court.

Brady is a businessman and real estate developer. Perry is a former mayor of Wake Forest. After the hearing, Brady was released on a \$50,000 bond and Perry on a \$25,000 bond.

The indictment of one or more AEP officials was expected after Boyce A. Hudson, 67, a former state environmental official, pleaded guilty in May to extortion and money laundering in connection with his efforts to help AEP obtain environmental permits through the Department of Environment and Natural Resources. Hudson was sentenced in August to 40 months in prison.

AEP planned to build an ethanol production plant in Beaufort County. Hudson was a senior field officer in DENR's Legislative and Intergovernmental Affairs Office. In that capacity, he acted as a liaison with members of the state legislature and the governor's office. Hudson retired from DENR in 2005.

The indictment stated that two AEP investors



James Albert Perry Jr., left, enters federal courthouse in Raleigh last month. David Lee Brady, right, leaves federal courthouse after his initial appearance. (CJ photos by Don Carrington)

had a social and business relationship with Hudson that started in 1993. Those investors met with Hudson in April 2004 to discuss specifically the ethanol project.

During a subsequent meeting at a North Raleigh restaurant, AEP president Brady requested that Hudson use his official position to expedite AEP's permits. In exchange for his assistance, Brady agreed that if Hudson could get AEP's Air Quality Permit within 90 days, he would receive a \$100,000 lump-sum payment, plus a two-year consulting contract for \$4,000 per month after AEP received financing for the project.

AEP expected to receive full funding in 2005, but the funding was not secured, and the project was never built.

An FBI undercover operation played a significant role in developing the allegations against Brady and Perry. In September 2005 an undercover FBI agent,

posing as a potential investor, expressed interest in the project and became acquainted with AEP officials and also with Hudson.

In separate meetings with the agent, Hudson described his efforts to expedite the permits but expressed concern that he had not been paid. The agent later provided Hudson with a \$15,000 bank check as a first installment of AEP's obligation to Hudson.

The other AEP investors have not yet been specifically identified in court documents, but during Hudson's sentencing hearing Judge Boyle asked for Assistant U. S. Attorney John Bruce to identify the investors. Bruce identified them as Ricky Wright and Barry Green. Thomas "Ricky" Wright is a Wake Forest businessman and has been a fund-raiser for Democrats.

Green at one time had an ownership in Thee Dollhouse, a now-closed adult entertainment facility in Raleigh. A federal subpoena to DENR sought documents relating to communications with Green, Wright, and former Northeast Commission CEO Rick Watson. Watson helped seek public money for the AEP project.

Neither Green, Wright, nor Watson has been charged in connection with the AEP project.

Earlier allegations

In 2003 *Carolina Journal* first wrote about corruption allegations involving efforts to launch an ethanol production company in eastern North Carolina. Raleigh businessman William Horton alleged that James Perry, Rick Watson and others conspired to keep him from building an ethanol plant in Beaufort County.

AEP was formed after Horton made his allegations and the company ended up controlling the same site where Horton had planned to build his plant. CJ

Peer Review Raises Serious Questions About Climate Change

By CJ STAFF

RALEIGH
By choosing a consultant with a major conflict of interest to manage a peer review of its work, a group pushing N.C. lawmakers to adopt costly climate-change policies made a serious error while trying to justify its proposals, a John Locke Foundation analyst says.

"Calling this a serious error is actually mild," said Dr. Roy Cordato, John Locke Foundation vice president for research and resident scholar. "This amounts to a clear decision to ignore one of the fundamental principles of scientific study. It exposes North Carolina's state government-endorsed climate-change research for the sham that it really is."

The problem lies with a new peer review associated with an Appalachian State University Energy Center study issued earlier this year, Cordato said. The ASU Energy Center report originally predicted that new climate-change policies would generate several hundred thousand new jobs in North Carolina. The John Locke Foundation has raised previous concerns about the study, including concerns that its analysis is

based on unsound economic assumptions and faulty methodology.

"Since this study could have major impacts on the future of the state's economy, North Carolina leaders need to be sure that it's based on sound economic principles," Cordato said. "That's why it's important to get an unbiased peer review from an outside expert unconnected to the research. This peer review fails that test. The peer review manager clearly has a vested interest in promoting the results of the ASU Energy Center report."

Adam Rose, acting director of the Energy Institute at the University of Southern California, managed the peer review. The ASU Energy Center and the Center for Climate Strategies asked Rose to manage the peer review, according to a spokesman for the N.C. Division of Air Quality.

Rose is not connected directly to the ASU Energy Center, but he is a

senior adviser and consultant to CCS, according to the group's Web site. CCS devised the climate-change policy proposals under consideration for North Carolina and commissioned the Energy Center report.

"This is a huge conflict of interest," Cordato said. "The ASU Energy Center information is incorporated within a larger report prepared by the Center for Climate Strategies for North Carolina's Department of Environment and Natural Resources. The Energy Center

bases its claims regarding job creation and CCS proposals to fight global warming on CCS data that the Beacon Hill Institute refers to as 'seriously flawed.' Given Rose's ties to CCS, he is unlikely to choose reviewers who would be critical of either CCS' data or the Energy Center's decision to use that data."

Rose's affiliations with CCS run deeper than those listed on CCS' Web site, Cordato said. "Rose's page on the

University of Southern California Web site says CCS paid him \$31,500 in the last year for a project on 'energy and climate change,'" Cordato said. "The fact that CCS helps pay his bills makes him even less qualified to offer an unbiased assessment of work that's destined to bolster a CCS report."

In addition to Rose's conflict of interest, Cordato has concerns about the rest of the peer review team. "During the writing of the peer review, the names of the authors were kept anonymous," he said. "Now that the peer review is complete, they're still anonymous. That makes no sense. In the interest of transparency, taxpayers deserve to know the peer reviewers' credentials, along with any ties they have to the ASU Energy Center, CCS, or environmental advocacy groups."

Only one legitimate peer review has assessed the claims in the ASU Energy Center report, Cordato said.

"The John Locke Foundation commissioned a peer review from the Beacon Hill Institute at Suffolk University in Boston," he said. "No one at Beacon Hill is connected to the ASU Energy Center report or the Center for Climate Strategies." CJ

Peer review manager has ties to Center for Climate Strategies consulting group

State Employees' Health Plan In Crisis; Higher Premiums Likely

BY JIM STEGALL
Contributor

ASHEBORO
Four months after finding that the State Employees' Health Plan was on track to finish the fiscal year \$264 million in the red, N.C. legislators have yet to agree on a plan to stop the bleeding.

While the plan's administrators struggle to find ways to economize, the Senate's No. 2 lawmaker, Tony Rand, is trying to develop a long-term fix to the problem — a fix that will most likely involve higher premiums and copays for the 650,000 teachers and state employees who depend on the plan.

Legislative leaders found the projected shortfall in June as the General Assembly was deep into negotiations over the state's 2008-09 budget. At that time it was thought that the plan's deficit would be about \$60 million. The plan's executive administrator was fired, and a new one, Dr. Jack Walker, was hired with the mandate to sort out the mess.

By mid-July, Walker reported that the hole actually was much deeper than anyone had imagined. Rand, chairman of the Senate's Select Committee on Employee Hospital and Medical Benefits, quickly convened meetings with key lawmakers and representatives of interested groups to discuss possible solutions, but an impasse developed over how to cover the costs.

Members of the House wanted to use money from the state's Rainy Day Fund, while senators argued that premiums and copays should be increased as soon as possible. Neither side would budge, and since the plan was projected to remain solvent at least through December, leaders in both chambers decided to defer action until a more thorough

audit could be completed by the new executive administrator in the fall.

On Sept. 14, Walker presented his report to lawmakers in a conference room packed with anxious lobbyists. His conclusion: If no changes were made to premiums, copays, and plan options, the plan would need an infusion of as much as \$800 million to make it through the 2009-11 biennium. Walker also told the committee that without changes, the plan may need an extra \$325 million by January to avoid defaulting.

According to Walker, the crisis originated in a series of errors that were made in the implementation of the Preferred Provider Organization plan in 2006. When the new plan was still on the drawing board, administrators sought input from an outside actuarial firm to determine how much it would cost to provide the desired types and levels of coverage. The premiums that were charged to participants in the plan were based on those figures.

Many of the assumptions used by the actuarial firm to develop its usage model turned out to be faulty. The number crunchers badly overestimated the discounts the plan would receive from the preferred health-care providers. Members took advantage of outpatient services at a rate 13 percent higher than anticipated and wound up paying about 35 percent less in premiums and copayments than was needed for the plan to break even.

At the same time, health-care costs

were increasing nationwide, although Walker told the committee that the cost increases in North Carolina "were not out of line with what is happening across the nation."

Walker's report indicated that it would take a premium increase of 32.8 percent to 37.4 percent, depending on usage and inflation, to make the plan solvent again. But there seemed to be little appetite among the legislators present to discuss raising premiums, and no plan of action was put forward.

Since then Walker has made several administrative changes to the plan to save money, dropping an exercise incentives program that had proven to be inefficient, and making better use of in-pa-

tient mental health and substance abuse programs. According to Rand, whose committee oversees the plan, administrators constantly look for ways to make the plan more efficient, but the changes they can make without legislative authorization are incremental, at best.

In an interview Oct. 21, Rand suggested that the sooner premiums and copays are raised, the lower the increases would need to be. He also said that the legislature would "have to take a look at reimbursement rates" and noted that he has "long proposed that people who smoke should pay a premium."

While Rand and others look for a long-term solution, other factors are coming into play. On Oct. 15, State Auditor Les Merritt released a report on the health plan that called its oversight

"inadequate and ineffective." While Merritt's report did not try to pinpoint blame for the health plan's crisis, it did point out a number of problems with the governance structure of the plan that could have contributed to its fiscal problems.

According to Merritt's report, the plan's executive administrator is free to conduct daily operations for long periods of time with little, or no, supervision. In theory the plan is governed by a board, but the board receives only limited financial information and lacks the power to hire or fire the executive administrator, or even to evaluate his performance or set his salary. The real power behind the plan is Rand's Committee on Employee Hospital and Medical Benefits, but, according to Merritt, the committee does not meet often enough to provide adequate managerial oversight.

Merritt also concluded that having a legislative committee run what should be, in his view, an executive branch operation could be a violation of the State Constitution's separation of powers clause. He also cited the potential for undue political influence in the plan's administrative decisions and contract negotiations and the conflicts of interest that could arise from such tight legislative involvement. His report recommended that the plan be put under the authority of an executive branch agency or that the board be given full authority to oversee the functioning of the plan.

Rand said that there may be a bit of politics involved and noted, "It's that time of year." Taking issue with the auditor's concerns about the plan's governance structure, he said, "I don't see how it violates the separation of powers clause." CJ

Expected deficit was \$60 million in June, but has increased to \$264 million

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BOOKS AUTHORED BY JLF STAFFERS



By Roy Cordato
Vice President for Research
John Locke Foundation

Efficiency and Externalities in an Open-Ended Universe



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Israel Kirzner
Cato Journal

www.mises.org

North Carolina Bankrolled Climate Change Nonprofit

By DAVID N. BASS
Associate Editor

RALEIGH

N.C. air quality officials bankrolled a new national nonprofit that seeks to persuade companies, organizations, and state and local governments to report their greenhouse gas emissions in hopes of curbing climate change.

The N.C. Division of Air Quality paid \$100,000 to help fund The Climate Registry, a California-based group, and aggressively recruited companies to join as pollutant reporters, public records show.

Records also show that Brock Nicholson, deputy director of DAQ, played a key role in launching the nonprofit. Nicholson, who is on The Climate Registry's board of directors and executive committee, traveled on behalf of the registry, charged all his costs to DAQ, and tried to recruit surrounding states to join and pay membership fees.

The Department of Environment and Natural Resources, of which DAQ is a part, has backed the registry as well. DENR Secretary William Ross and Gov. Mike Easley gave their blessing to North Carolina's grant to the group, and DENR paid \$3,500 to join the registry's roll as an emissions reporter for 2008.

In addition, air quality officials conducted a recruitment seminar last year at DENR's offices in Raleigh aimed at persuading companies to join. Nicholson also sent a letter on DENR stationery to more than 3,000 entities in North Carolina, many of them DAQ-regulated companies, asking them to sign on.

In an interview with *Carolina Journal*, Nicholson defended DAQ's participation in the registry. "This is not unlike any agency that's a member of a national organization that promotes the activities related to what the organization does," he said.

But questions remain about North Carolina's involvement with the nonprofit, and about groups that push companies to catalogue or reduce greenhouse gas emissions in general.

"Groups which advocate such CO2 restrictions generally have a vested interest — their business plan boils down to getting the government to buy their product, because it's too expensive otherwise," said John Christy, distinguished professor of atmospheric science and director of the Earth System Science Center at the University of Alabama at Huntsville.

What is the registry?

The Climate Registry, a 501(c)(3) tax-exempt organization, is designed to provide a uniform standard for measuring greenhouse gas emissions in North America. Its mission is to get companies, organizations, municipalities, and other entities to report their carbon footprint.



Division of Air Quality offices north of downtown Raleigh. Officials used the offices Oct. 2, 2007, for an afternoon session aimed at recruiting companies to join The Climate Registry.

The goal, according to the registry's Web site, is to create "a vehicle for politically and geographically diverse states, Native Sovereign Nations, provinces and territories to take action together on climate change." Among other advantages, members benefit by showing "environmental leadership" and by having access to discussions on "evolving [greenhouse gas emissions] policy."

Thirty-nine states, the District of Columbia, nine Canadian provinces, six Mexican states, and three Native American tribes have signed on as members of the registry. Members are not required to report their emissions on a state-, province-, or tribe-wide basis. Instead, they serve as grantors to the registry, appointing a board member, signing a statement of principles and goals, and paying annual fees ranging from \$20,000 to \$50,000, depending on the state or region's population.

They also serve as a conduit for recruiting entities within the state, province, or tribe as reporters. Unlike member states or regions, reporters sign on to track and report their own emissions. Reporters are still required to pay annual membership fees ranging from \$450 to \$10,000.

The registry has created what it calls a Climate Registry Information System that reporters use to input their greenhouse gas emissions information. The public then has access to the verified emissions reports. Supporters say the goal is to give companies a leg up on tracking emissions if a national cap-and-trade system becomes law.

Most states in the South have joined the registry. Exceptions are West Virginia, Kentucky, Mississippi, Louisiana, and Arkansas. Several states in the Midwest region — Nebraska, North Dakota, South Dakota, and Indiana — have not joined, either. Neither has Texas or Alaska.

Nearly 300 entities have joined as reporters nationwide. In North Carolina, eight companies, including energy giants Progress Energy and Duke Energy

Corp., have signed on. DENR is the only part of state government that has joined as a reporter.

Although the registry's reporting system is sold as voluntary, the group also supports state-level mandatory reporting of greenhouse gas emissions. In January, the registry's board of directors created a committee to "further explore options for how the Registry might support state, provincial, and regional mandatory [greenhouse gas] reporting needs."

Financial backing

Little is known about the registry's budget because its IRS Form 990 is not yet available. But documents obtained by *CJ* show that the registry estimated its budget at \$1.89 million for fiscal 2008. The registry had \$938,368 in total assets on Dec. 31, 2007, according to a balance sheet.

The registry is financed primarily from fees paid by its member states and reporters. It does, however, receive grants from private sources. Among them are the Arthur Blank Family Foundation, Kendall Foundation, Merck Family Fund, and the Energy Foundation.

Kendall, Merck, and the Energy Foundation are climate-change alarmist groups that award grants to environmental causes in the United States. In 2006, Merck gave grants to the Center for Climate Strategies for its Vermont and South Carolina projects. As reported previously by *CJ*, CCS is an environmental advocacy group that has influenced climate-change policy in North Carolina.

N.C. joins the registry

North Carolina's official involvement with the registry began early last year. E-mail records obtained by *CJ* show that Nicholson began sending and receiving correspondence about the registry in January 2007.

Travel records show that his first meeting with the registry took place in February 2007.

In addition to serving on the board of directors, Nicholson joined the group's steering committee and executive committee. He also moderated conference calls between registry staff and board members and traveled to registry-sponsored meetings on DAQ time.

As part of North Carolina's participation, Nicholson drew from DAQ funds to make two payments of \$50,000 to the registry for the 2007 and 2008 calendar years. The donations were voluntary but vital to get the registry up and running in its beginning stages.

According to DAQ spokesman Tom Mather, the funding came equally from two sources: an Environmental Protection Agency grant and a portion of DAQ's share of revenues from the state gasoline tax.

The fees were to help seed the registry, Nicholson said. "We don't anticipate that they will ever be paid again ... we have made no commitment to pay any more, either."

DENR paid \$3,500 to participate as a reporter in 2008. The fee will be due annually if officials continue the membership next year.

"We thought it was important that DENR set an example and also be a reporter," Nicholson said. "We hope that it expands to the entire state government, but before we suggest people should participate, we need to set an example by doing it ourselves."

Aggressive recruitment

As part of his recruitment efforts, Nicholson sent letters, made phone calls, and helped conduct at least one meeting aimed at getting entities to join the fold.

In May, Nicholson sent a letter on DENR stationery to more than 3,000 DAQ-regulated entities asking them to join the registry. E-mail records show that he worked personally to recruit companies such as SAS and Duke Energy.

On Oct. 2, 2007, DENR opened its offices in Raleigh for an afternoon session aimed at recruiting companies to join. The meeting resulted in Cormetech Inc., a Durham-based manufacturing company, becoming the second reporter in the entire nation to sign on.

Asked whether companies might feel pressured to join the registry because DAQ is a regulatory agency, Nicholson said that joining was voluntary and that the recruitment letter was "perfectly appropriate."

But Marlo Lewis, a senior fellow at the Competitive Enterprise Institute, questioned the ethics of the action.

"When a regulatory agency approaches a regulated entity and invites them to participate, the participation itself might not be regulating, but the participation is in some way coercive, so to say it is voluntary is really misleading," he said. *CJ*

Analysis

Is the 2008 Credit Crisis the Perfect Crime?

BY GEORGE LEEF
Contributor

RALEIGH

Imagine that a master criminal came up with a scheme to make off with loads of loot. He pulls off the heist, and when suspicion starts to focus on him, he manages to frame his worst enemy. That truly would be the perfect crime.

The financial crisis of 2008 fits that scenario exactly. Liberal Democrats, including the party's current leadership and former President Bill Clinton, are primarily responsible for the gigantic mortgage mess and resulting financial debacle. The supposedly independent Federal Reserve also played a major role, and a few Republicans were complicit, too. Millions of Americans are demanding to know why the government is going to spend a trillion dollars to bail out Fannie Mae, a bunch of banks, and Wall Street investment giants. Meanwhile, Democrats are trying to blame it on "deregulation" and the alleged "free-market philosophy" of Republicans.

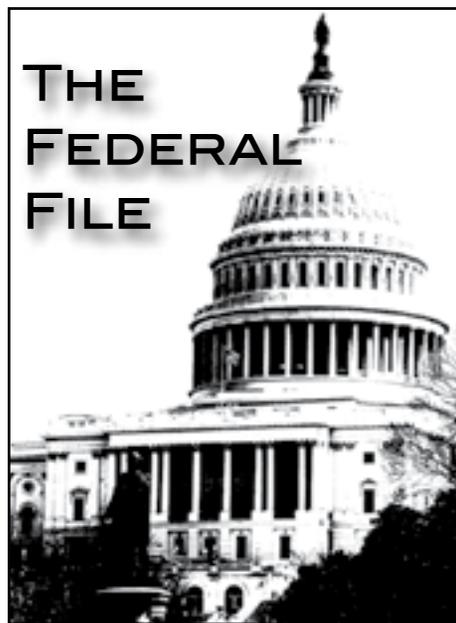
Never mind that there hasn't been any deregulation of financial markets and that very few Republicans today adhere to the free market, or any, philosophy. Never mind that Democrats themselves imposed new regulations that demolished the prudent lending standards banks used to follow. Democrats are desperate to find a scapegoat, and they think they can get off the hook by fingering their perennial whipping boy, capitalism.

Why is it that the United States never had a "subprime lending crisis" before? It's because there was no such thing as a subprime mortgage

until recently. Before the 1990s, bankers were notoriously careful about mortgage loans. Homebuyers had to show proof of steady, sufficient income and assets, and they had to make large down payments. People who didn't qualify for mortgage loans had to rent, and many renters saved diligently so eventually they could qualify.

Those rules had the beneficial result of channeling limited capital — other people's savings — to individuals who were responsible and forward-looking. How did we get away from that sensible system?

Politics. Eager for issues that would make them look like friends of "the little guy," liberal Democrats in Congress passed the Community Reinvestment Act in 1977. That law began federal interference in the mortgage market by



dictating that banks must make a certain percentage of their loans in "their communities." To satisfy the whims of powerful politicians, lenders had to adjust their practices to put more capital into low-income areas, regardless of the credit-worthiness of the borrowers. The process of replacing the economic allocation of capital with the political allocation of capital had begun.

The original Community Reinvestment Act didn't do any good, except for giving the politicians who voted for it a reason to crow about how they were "helping the poor." But it didn't do too much harm, either, because it didn't seriously erode lending standards.

That changed early in the Clinton administration. Clinton and the Democrats who controlled Congress were sweet-talked by the radical leftist group Association of Community Organizations for Reform Now into making "affordable housing" a priority. That is, they wanted to make homeownership possible for people who otherwise couldn't qualify for a mortgage.

That's a ridiculous goal. Owning an inexpensive house isn't necessarily better than renting an inexpensive apartment, and the responsibilities of ownership can be burdensome. When it comes to repair work, for example, landlords are much better at dealing with contractors. But politicians never considered such problems. Increasing the percentage of Americans who own homes became a crusade.

Getting the crusade into high gear, Congress "improved" the Community Reinvestment Act to put greater pressure on lending standards. The two giant

government-sponsored entities Fannie Mae and Freddie Mac, set up in the past by politicians to promote homeownership by creating a secondary market for mortgages, were directed to tell banks that they had to increase greatly their lending to low-income homebuyers. At this point the nation started to get large numbers of "NINJA" loans: no income, no job, no assets.

If it hadn't been for government interference, such foolish loans never would have been made. The free market wasn't the culprit. It was the victim. If politicians hadn't tried to fix what wasn't broken — the housing market — Americans wouldn't be in this mess.

Many banks and other financial institutions in the United States and abroad gobbled up the mortgage-backed securities sold by Fannie and Freddie. They assumed that they were good. After all, the F in their names stands for "Federal."

The next phase of the crisis was the Federal Reserve's handiwork. After the short "Dot Com" recession in 2000, the Fed pumped vast amounts of money into the economy to drive interest rates artificially low. Sober economists long have understood that cheap credit can't stimulate the economy as a whole. All it does is to stimulate certain parts of it that are sensitive to interest rates — especially real estate.

The combination of cheap credit gushing into the nation's financial system and the political goal of increasing homeownership led to a fantastic real estate bubble. That was the place to make easy money. The demand for housing soared, as did prices.

But the bubble had to burst, which it did in 2005, when interest rates started to climb. Housing prices leveled off, then started falling. Thousands of borrowers who had been counting on low interest rates and rising values defaulted. Billions of dollars worth of mortgage-backed securities became nearly worthless. Now the financial markets are reeling.

That's a big problem for Democrats who have a huge stake in making voters believe that they are all for "the little guy." Pushing through unbelievably expensive bills to bail out fat cats who made bad investments is rather hard to explain.

They might have owned up to their leading role in this government disaster. Instead, they've gone for scapegoating and deception. That will work only as long as the people are kept in the dark. CJ

George Leef is the vice president for research for the John William Pope Center for Higher Education Policy. Previously, Leef was on the faculty of Northwood University in Midland, Mich., where he taught courses in economics, business law, and logic.

Federal Briefs

N.C. pols split on bailout

North Carolina's congressional delegation was evenly divided in its support for a \$700 billion government bailout package approved in early October. The proposal aimed to bolster a crumbling mortgage industry after a number of large financial corporations went belly-up.

In a decision that many lawmakers called the most difficult of their careers, seven N.C. representatives voted against the bailout, and six in favor. U.S. Sen. Elizabeth Dole, R-N.C., voted against the proposal; Sen. Richard Burr, R-N.C., voted in favor.

"This plan is not the way we do things in America," Dole said. "I put my faith in our people before our government, and in free enterprise, with appropriate regulation and oversight, before nationalized control of our economy."

The vote cut across party and ideological affiliations. Three N.C. Democrats joined four Republicans in voting against the bailout. Two Republicans, including fiscal hawk Rep. Sue Myrick, R-9th, joined four Democrats in supporting it.

The Senate approved the bailout, 74-25, Oct. 1 and the House followed suit, 263-171, two days later. The vote came less than a week after the House shot down a similar plan.

Myrick joined Rep. Howard Coble, R-6th, in switching her vote from "nay" for the first bailout plan to "aye" for the second.

"I could not risk doing nothing," she said. "We were simply out of time. According to one of my most trusted financial advisers, we're seeing decades of history happening in weeks. ... There is a credit crisis. Either you believe that fact, or you don't. I do."

But other members of the delegation viewed the package differently. "They were basically able to purchase votes and pass the legislation," said Rep. Heath Shuler, D-11th, in describing the second vote, according to the Asheville *Citizen-Times*. Shuler joined N.C. Democrats G. K. Butterfield, D-1st, and Mike McIntyre, D-7th, in opposing the bailout.

Another opponent, Rep. Walter Jones, R-3rd, said the bill was not a "proper solution" to the crisis.

"This legislation is a vast expansion of the federal government at the expense of the American taxpayer and the free enterprise system," he said. "High-flying Wall Street firms created this problem and got rich in the process. Taxpayers should not have to pick up the tab for their poor business decisions." CJ

Spencer: Good Science a Victim of Global Warming Hysteria

RALEIGH — Roy Spencer, principal research scientist at the University of Alabama at Huntsville, recently addressed a John Locke Foundation Headliner luncheon in Raleigh. He also discussed his book, *Climate Confusion: How Global Warming Hysteria Leads to Bad Science, Pandering Politicians, and Misguided Policies That Hurt the Poor*, 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: Very early on in your book you say that the Western world's fear of global warming and its effects has amounted to an obsession.

Spencer: When you've got people like Al Gore saying there is a global warming Armageddon right around the corner, then some people think that it's time to save the earth. It's gotten a little crazy, and I can understand that. I don't believe that's what we're heading for, but there are enough scientists out there that really do think that, that the public thinks, "Oh, this is getting pretty bad." I understand the hysteria, but it's still hysteria.

Kokai: One of the reasons that you point out as a possible cause of the hysteria is that there are a couple central beliefs about the earth and how fragile it is, and also the impact of growing wealth around the globe. What are those central beliefs?

Spencer: Let's start with the idea of the involvement of faith in science. A lot of people think that science is cut and dried. It's yes and no. You measure something, and if it's a good measurement then you're all set. Well, the truth is that even if you have perfect measurements in any scientific discipline — climatology, medicine, whatever — usually there isn't as much disagreement over the measurements as there is over, what do the measurements mean?

Now people have probably heard that there's this consensus among scientists and there is this [United Nations] panel, the Intergovernmental Panel on Climate Change, and their official statement is basically they're 90 percent sure that global warming is due to mankind. And this is where faith comes in. This is not a statement of probability in the sense of statistical probability; it's a statement of their faith. They think they understand the climate system well enough to be able to say that the warming we've experienced is mostly due to mankind. As I point out in the book, we are nowhere near the point of making that decision, partly because nobody has ever studied how much of it could be natural. They just don't look for that answer.

[A]mongst global warming skeptics, none of us, at least the ones I know, none of us deny that global warming has occurred. What we deny is that we've got any clue how much of it is due to mankind versus nature.

Roy Spencer
Author of
Climate Confusion



Kokai: One of the things you also point out that's very interesting in your book is, we're not necessarily looking at a situation where you're saying, "There's no warming. There's no potential danger." You're saying, "If there is danger, we really don't know because the science hasn't developed far enough for us to tell."

Spencer: Right. People like Al Gore like to call people like me global warming deniers. But amongst global warming skeptics, none of us, at least the ones I know, none of us deny that global warming has occurred. What we deny is that we've got any clue how much of it is due to mankind versus nature. What's interesting ... you had asked about the economics of all this. Even if we assume that a global warming disaster is coming in the next, whatever, 50 years, there really isn't anything we can do about it without new energy technologies. The energy demands of humanity are so large and growing, and there's just no way to replace fossil fuels at this point on a large scale, on a scale big enough to make any difference. So economically, even if people think that we're headed for a global warming Armageddon, there isn't much we can do until we make some technological advancements.

Kokai: In writing this book — which is not designed for your fellow scientists, but more for laymen — what do you hope it will do to the global warming debate?

Spencer: I had several reasons for writing the book. In no particular order, one of the reasons is, when I give lectures about global warming around the country, the most common comment I get from laypeople is, "We hear that mankind is causing this global warming, but couldn't it all be part of a natural cycle?" That is really a widespread belief out there, and what's fascinating to me is

that I think the public is going to end up being right, and all the climate experts are going to end up being wrong. The book was written to support that gut instinct that the public has, that global warming is part of a natural cycle, so I want to explain in the book how complicated the climate system is and that we really don't know how much is manmade versus natural. It could well be natural. So that was one motivation, to put a little science behind people's gut instincts.

I think a bigger motivating factor was the direction I see the policy going, though. The policy changes that are being proposed to attack global warming — say in the U.S. Congress — are going to be so damaging to the economy and especially to the poor that we're going to be killing people with very real policies that are implemented today or next year or the next year, trying to save an imagined threat, which is what I consider manmade global warming to be, an imaginary threat. We haven't warmed in seven years, and I wouldn't be surprised if we've stopped warming.

Kokai: One of the things that you hear from folks — even from those who may like the idea that global warming hysteria has gone too far — they say, "Well, if it is a problem, or it potentially could be a problem, shouldn't we do something?"

Spencer: Yes, that's a very frequent comment that I hear. They'll say, "But shouldn't we do something? We can't keep dumping pollution into the atmosphere like this, can we?" Well, how can you answer a question like that? Actually, yes, we can keep dumping pollution in the atmosphere, and I don't even consider it pollution. CO2 is necessary for life on earth, and when you study how CO2 cycles through life, through vegetation and the food chain in the ocean, and through the

atmosphere again, you really get the impression that actually life on earth is actually starved for CO2, and that there is actually probably a net benefit in my mind. I think in 10, 20, 30 years, we're going to realize that more CO2 in the atmosphere is actually more of a good thing than a bad thing.

Kokai: If we take the steps that you mention, the ones that could be incredibly damaging to the poor and to the economy as a whole, will that hurt us in the future if we do need to take some steps to deal with global warming?

Spencer: Excellent question. I've made this point in the book. If you really are serious about solving this problem, that is, you really want to cut down on carbon dioxide emissions by, say, at least 50 percent to 75 percent, the only way to do it is through new technologies. Well, which countries in the world are going to come up with these new technologies? It's the countries that have built the wealth where they can invest in the R&D to generate those new technologies. So in the process of passing these laws that are probably going to get passed next year or the year after, we are going to hurt the economy in such a way that it might actually delay finding those new technologies. We're hurting the economy, and what's being planned is going to have no measurable effect on future temperatures.

At the end of Al Gore's movie he says, "We can solve this global warming problem if we just buy compact fluorescent light bulbs and hybrid cars — if your parents can afford them. Turn off the light when you leave the room, kids, and we can solve it." And it's nonsense. I mean, if everyone in the world did that, it's going to have no measurable impact on future temperatures, no matter what you believe, simply because everything that humanity does requires energy. And most of it has to come from fossil fuels for the time being. CJ

New N.C. Dropout Grants Have Little Impact on Grad Rates

By CJ STAFF

RALEIGH

More than 70 percent of school districts that won state dropout prevention grants last year experienced declines in their graduation rates in 2008, according to a report released recently by the John Locke Foundation.

"The purpose of dropout prevention grants is to raise the graduation rate," said report author Terry Stoops, JLF education policy analyst. "That's why it's troubling to see declining graduation rates in 27 of the 38 districts that received grants last year."

Stoops released the report after N.C. lawmakers voted last summer to add \$15 million to the initial \$7 million pool for dropout prevention grants. A re-authorized state Dropout Prevention Grant Committee has been meeting to discuss plans for awarding the new grant money.

"The dropout problem is one of the state's worst education challenges, but these grants don't seem to offer much help in addressing the problem," Stoops said. "While there was a slight increase in the statewide 2007-08 graduation rate, the average graduation rate among grantee districts fell from 71.4 percent to 68.8 percent. That's an average decline of 2.6 percent."

Performance varied widely in individual schools with access to dropout prevention grant money, Stoops said. "East Henderson High School's graduation rate jumped by more than 5 percentage points, while New Hanover County's Hoggard High School saw its graduation rate tumble by nearly 6 percentage points."

Among the five grant-funded districts having the largest graduation rate increases, none aimed a grant program solely at high school students, Stoops said. "Hickory Public Schools experienced the largest graduation rate increase, roughly 6 percent," he said. "Since Hickory's dropout prevention program targets middle-school students, it appears the school district is doing a fine job increasing the high school graduation rate without the grant funding."

Grant supporters could argue that it's too soon to gauge the grants' effectiveness, but Stoops said legislators wanted to target grants to programs that

could make an immediate impact.

"Those who designed and continue to champion the grant program clearly believed that grants would yield immediate results," he said. "The program was initially designed to end in June, and it was renegotiated to end in December. The General Assembly expects programs to demonstrate their effectiveness by the end of the 2008 calendar year."

Focusing undue attention on dropout prevention grants ignores some key facts, Stoops said. "School systems are spending tremendous numbers of dollars on dropout prevention, regardless of the grants, and a number of them have increased their graduation rates using existing resources," he said. "The Dropout Prevention Grant Committee should take a closer look at districts that successfully raised their graduation rates without a

grant."

There are many options for the committee to consider, Stoops said. "The five North Carolina school systems with the largest increases in 2007-08 graduation rates all had one thing in common: None of them received a single dropout prevention grant," he said. "No one should infer from this report that dropout grants directly lowered or raised graduation rates. But the report does suggest a troublesome downward slide in district rates that the dropout grants were designed to stop."

Further study is necessary, but researchers will face some obstacles, Stoops said. "First, programs designed to reach at-risk elementary and middle-school students will not register an immediate, quantifiable effect on a district or school graduation rate," he said. "Second, and more important, it will be difficult for grant recipients to establish direct, causal connections between the dropout prevention programs and graduation rates."

The grant committee should resist the urge to fund ideas only because they sound good, Stoops said. "Programs should not receive additional funding or replication based on anecdotal evidence," he said. "Instead, grant recipients should be able to quantify their program's ability to retain students and significantly increase the district or school graduation rate." CJ

Some of the largest increases in graduation rates in the state came in schools where dropout prevention grants were not part of the effort

COMMENTARY

Old Drug War, New Enemy

It's time for a paradigm shift in the K-12 war against drugs. New developments and emerging data demand it. Not only is our school-based drug problem growing, it's affecting kids at younger ages and in an increasingly insidious way.

As events this school year attest, K-12 drug peddling and proffering isn't limited to dissolute older adolescents. Consider the following: In September, two Halifax County students, ages 10 and 11, brought marijuana to school. That same month, a Washington County fourth-grader took marijuana to school and gave it to another student. Does this spate of pubescent drug possession mean Hannah Montana backpack searches will soon be routine?

For now, that's unlikely. Illicit drugs are still relatively rare in elementary schools. According to state statistics, elementary schools reported 36 incidents of "possession of a controlled substance in violation of the law" in 2006-07. The thousands of incidents recorded by high schools dwarf that figure. Still, possessing a controlled substance ranks among the top three problems reported by elementary schools on North Carolina's crime and violence report.

National data on middle schools should do little to quell concern that our K-12 drug problem is skewing younger. A 2007 survey from Columbia University's Center on Addiction and Substance Abuse focusing specifically on drugs in schools found that drugs are proliferating faster in middle schools than in high schools. According to CASA, "the proportion of students who attend schools where drugs are used, kept, or sold has jumped... 63 percent for middle school" since 2002, compared to 39 percent for high school.

Earlier exposure is only part of the problem. Teens' chosen substances are changing, too, with more adolescents turning to the contents of medicine cabinets to get high. The arrest this fall of a 16-year-old Wake County private-school student for prescription drug dealing, which was widely reported by the media, exemplifies this disturbing trend. According to the Office of National Drug Control Policy, more adolescents are abusing prescription drugs now

than any other illicit drug except marijuana. A 2006 study from the Partnership for a Drug-Free America, aptly dubbing American teens "Generation Rx," found that one in five adolescents had abused prescription medications such as Vicodin or OxyContin. Prescription drug abuse is compounded by its ready availability: These drugs are now even easier to buy than beer, say teens on CASA's most recent survey.

What are schools to do? Obviously, attacking the K-12 drug problem requires a multipronged strategy, involving school administrators, parents, communities, and law-enforcement officials. But schools must do their part to keep campuses drug-free. They are, after all, morally and legally obligated to do so. That means not shying away from tough, punitive measures when they're warranted.

However, promoting a positive school culture can also serve as a powerful deterrent against drug abuse. For the past 10 years, the Winston-Salem/Forsyth County School System has emphasized personal responsibility through a systemwide, random drug-testing program. The nonpunitive, voluntary "It's My Call/It's Our Call" program, which is mandatory only for high school students in extracurricular activities, has been lauded at the national level for its success and efficacy. According to Kathy Jordan, the school system's Safe and Drug-Free Schools Program specialist, evaluations show "lower substance abuse rates in practically every major category" for student participants.

That's good news in a fight against a constantly evolving enemy. In the K-12 drug war, though, we must not forget the most powerful weapon in our arsenal: parents. As CASA Chief Joe Califano often points out, parent engagement, more than almost any other factor, helps keep kids on the straight and narrow. That fact imbues even the simplest of activities such as family meals, homework help, and daily conversation, with the power to put kids on a trajectory for good. With stakes like that, surely we can spare the time.

CJ

Kristen Blair is a North Carolina Education Alliance fellow.



KRISTEN BLAIR

School Reform Notes

Restricting gang members

The Winston-Salem/Forsyth County school board is considering cutting the number of steps that lead to disciplining students who are involved in gang-related activity, the *Winston-Salem Journal* reports.

That idea was one of several initiatives that members of the board discussed in late September as part of a plan on how to fight gangs in schools.

School attorney Drew Davis recommended that the school board require a risk assessment once a student is deemed a validated gang member by local law enforcement. The risk assessment would determine whether the student is dangerous to others and provide grounds for expulsion.

"The law is pretty clear that if the student is deemed to be a risk or a threat to others in the school-based setting, that an expulsion or a suspension can rise from that," Davis said.

A gang is defined as three or more individuals who have joined together for the purpose of committing a criminal enterprise, said Patrick Merrill, the school system's gang specialist.

Merrill said there are about 300 validated gang members in the county. Fewer than 200 are between 14 and 19 years old, he said. Local law-enforcement officials consider people gang members if they meet at least three factors in a long list of criteria.

If they are not involved in gang activity for five years, they are dropped from the gang-member list, he said.

Superintendent under fire

Supporters of Bladen County schools Superintendent Kenneth Dinkins tried to persuade the school board recently to keep him on as the system's leader, the *Fayetteville Observer* reports.

But the board voted, 8-1, to contact the N.C. School Boards Association about the best way to proceed in a search for a new superintendent. John Clark III cast the lone dissenting vote.

In September, an effort by several school board members failed to extend Dinkins' contract to June 2010 following a five-minute closed session. Dinkins, who was hired in 2004, had informed the board earlier that he had no plans to seek an extension, citing a divided board with too many personal agendas. His contract expires in June. *CJ*

Methods, financial crisis factors

Guilford Schools Move at Snail's Pace on Bonds

By SAM A. HIEB
Contributor

GREENSBORO

Guilford County Schools appears to be moving at a snail's pace on school construction projects funded through a \$412 million bond voters approved May 6.

At a recent Board of Education meeting on the issue, there seemed to be confusion between board members and school staff about the delivery of contractor services on bond projects. Staff members promised to review the issues, such as access road specifications, and bring them back to the board.

The board has been debating for months which projects would be better suited for the construction manager at risk (CM-at risk) method versus the single prime contractor method. Members of the school board think CM-at risk will save money on bond projects, which is a major focus because the board's credibility has suffered since funds from the previous \$300 million bond were exhausted without completion of a major project, a new Jamestown Middle School.

The \$412 million bond includes a wide range of projects, from renovations on existing schools to the new Jamestown school, which is estimated to cost \$33 million. The board is making the case that CM at-risk is more suited to large projects such as Jamestown, while a single prime contractor would be a better method for smaller renovation projects.

At an October meeting approving a \$2.7 million contract for New Atlantic Contracting as the CM-at risk for Jamestown, board member Anita Sharpe raised questions about the specifications on the project, citing them as the reason why "our projects cost more than other counties."

Yet Sharpe raised seemingly minor aspects of the project to support her argument, namely the specifications on the access road and the amount of fill dirt on the site.

GCS chief operations officer Leo Bobadilla said he would ask school staff to review Sharpe's concerns and report back to the board. "Maybe it's something we need to revisit, and we'll certainly do that," Bobadilla said. "We certainly want to build high-quality schools at the lowest cost possible."

Sharpe expressed her concern that the CM-at risk method was not saving the school system the suggested



Grimsley Senior High is one of several schools slated for renovations using the \$412 million in bond funds. (CJ file photo)

5 percent on construction projects. "If the purpose of CM-at risk is to save us that kind of money, then why isn't it happening? That's my only question," Sharpe said.

Board member Deena Hayes raised the issue of minority-contractor participation, and in the process provided everyone with a history lesson.

"When we looked at some of the firms, many

had been in business since the early 1900s, when there had been exclusion-

ary and racist practices," Hayes said. "At this time of hardship, it is the right and just thing to do to create opportunities for other people who have been locked out."

In a phone interview, board Chairman Alan Duncan defended the board's progression on bond projects.

"I think we understand and spend a lot of time and ask a lot of questions about which delivery method fits which project," Duncan said. "You always want to go as fast as you can, but it's also important that you execute well. I think it's representative of conscientious, consistent movement on these projects. It's not like you pass a bond and they go out to bid three months later."

Unforeseen circumstances such as the financial meltdown also play a role.

In an e-mail message, board member Garth Hebert said the board's slow pace was "intentional." "Bond rates and issue costs are very high right now, and it would be imprudent use of taxpayers' money to go full-bore right now," he said.

Terry Stoops, an education analyst with the John Locke Foundation, said he didn't think the school system's approach is "all that bad," although he sees no evidence that CM-at risk actually saves money.

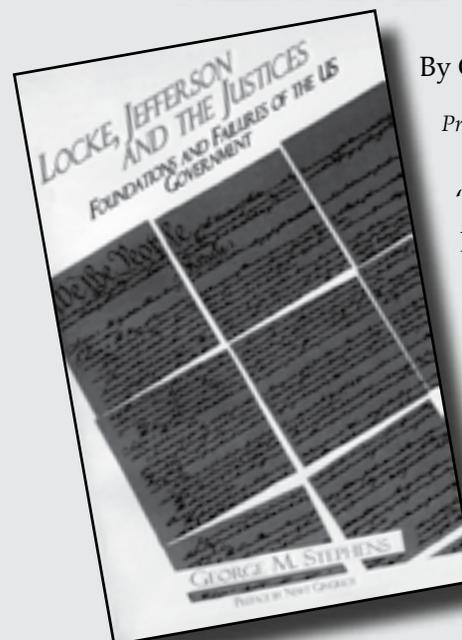
"At least they haven't abandoned single prime," Stoops said. "I would challenge them to consider design-build for larger projects, but even that requires legislative approval."

"If their process drags on for months and leads to schools not opening on time, then I would be concerned," he said. *CJ*

Unforeseen circumstances, such as the current financial crisis, also play a part in bond delays

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)

More Families in North Carolina Choosing To Try Homeschooling

Public schools losing out to parents who want more choices

By KRISTEN BLAIR
Contributor

RALEIGH

When Julie Ross considered educational options for her son Max in 2001, homeschooling seemed like the logical choice. Adopted from Russia as a 3-year-old, Max exhibited worrisome language delays. As her son approached school age, Ross grew concerned about how he would fare in a traditional educational setting in their Durham community.

"I didn't want him to be labeled in mainstream school. I didn't want him to have that over his head," Ross said.

So she and her husband settled on homeschooling, a decision that afforded Max ample time to catch up on his English language development. Now an articulate 11-year-old, Max — along with younger brother Andy, also adopted from Russia — pursues a rich and varied curriculum.

Both boys learn the fundamentals, but their flexible homeschooling schedule also provides time for immersion in Russian culture and language, an important part of their shared identity and heritage. By homeschooling, "We have the benefit of taking the best hours of the day on the things we prioritize," Ross said. Those hours "translate into something that's valuable for our family."

Their choice is one that's appealing to a growing number of North Carolin-



Max Ross and his mother Julie practice the Russian words for various items of clothing during a homeschooling session. (Photo by Kristen Blair)

ians. Across the state, an increasing number of families are trading school buses and carpool lines for a walk down the hall, as record numbers of N.C. parents elect to teach their children at home. Data released in August by the state Division of Non-Public Education indicate more than 71,000 students were homeschooled last year — almost quadruple the number a decade ago.

Actual enrollments are likely larger than state tallies. North Carolina's compulsory-attendance law applies to children 7 and older, so homeschool students who don't turn 7 in a given school year are not required to register with the state. That means virtually all homeschooled kindergarteners, and some first-graders, aren't included in state data.

Still, the majority of North Carolina's K-12 students — 1.4 million — attended regular public schools in 2007-08. Private schools served more than 97,000 students, while public charter schools enrolled about 31,000 students last year. Parents are clearly eager for expanded

educational choices: homeschools and charter schools now represent the two fastest growing segments of K-12 student enrollment in North Carolina.

Reasons for homeschooling

Parents are choosing to homeschool for reasons as diverse as the children they teach. According to Spencer Mason, president of North Carolinians for Home Education, many parents are drawn to homeschooling because other educational settings, primarily public school, haven't worked.

"People have children with problems in school. Sometimes it's a personality clash. Sometimes a child has a learning disability or social problem — he or she is being bullied. A lot of times, they begin homeschooling because of problems in a typical school setting," Mason said.

Other families elect to homeschool from the very beginning. When she first evaluated schooling options more than 18 years ago, Susy Holloway's oldest child, Keith, was a "hyperactive, distractible" boy with a "kinetic, auditory" learning style, she said. "My primary motivation," in homeschooling, said Holloway, "was to accommodate his special challenges." Keith "had a hard time sitting still."

As an 8- and 9-year-old, Keith listened to Shelby Foote's Civil War narratives on tape while moving about and playing with Legos, all the while soaking up American history. Keith flourished, and Holloway went on to homeschool all four of her children, two of them all the way through high school.

Parental decisions to homeschool can also be influenced by cultural flashpoints. Following the 1999 Columbine school shootings, homeschooling growth was fueled by parents' concerns over children's safety, Mason said. In 2001 alone, more than 13,000 new families elected to teach their children at home.

Safety, Mason said, since has taken a backseat to other reasons: among them, a desire to impart religious values, an inability to afford private school, and the

feeling, "I can do a better job of teaching my own children."

More ways to connect

As the ranks of homeschoolers have grown, so too have the organizations that serve them. Myriad support groups have cropped up across North Carolina, offering homeschoolers advice, activities, and community. Internet/e-mail loops give homeschoolers a way to connect online. One of them, Spice-line in the Triangle, has almost 3,000 members, according to its Yahoo! groups profile.

Many homeschoolers augment instruction with outside tutoring or classes, and even sports. In Chapel Hill, the Deerstream Learning Center offers supplemental science and humanities classes. Through Providence Tutorials in Durham, homeschoolers take classes on topics ranging from drama to biology. The Homeschool Academic Resource Center in Cary assists students as they "reach high school" with finding tutors and "developing classes and science labs," according to its Web site.

Whatever their proclivities — religious, secular, special needs, gifted — homeschoolers easily can find other like-minded families. That's a big shift from the early days of the movement. As a homeschooler in the early 1980s, Mason said, "It took several months to find another homeschooling family in our county."

A choice and a lifestyle

As the movement gains traction, leaders emphasize that homeschooling isn't for everyone. Homeschooling, Mason said, "is a great way to educate students, but it's not a panacea."

"It is not an educational option for the masses," said Amy Chauncey, Deerstream's executive director. "We don't want to do away with public schools, private schools, charter schools — we just want to keep the foundation in place that keeps options."

Chauncey, a veteran homeschooler, is also mindful of the significant accommodations families must make in order to homeschool. "It's important to remember that there is a financial component to it that rules out a large segment of the population," she said.

For those who can and do choose it, though, homeschooling often provides more than educational benefits. Homeschooling is undoubtedly a "lifestyle," Holloway said, but one that has built close relationships between her children and given her "some of the happiest days" of her life.

For Ross, homeschooling has unequivocally remedied Max's language difficulties, but even more important, it has offered her boys "an innocent, simpler way to grow up." CJ

Interested in N.C. history?

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

State School Briefs

CMS targets achievement

Charlotte-Mecklenburg Schools are making great strides academically but still have work to do in eliminating racial and socioeconomic achievement gaps, Superintendent Peter Gorman says.

In his second annual state of the schools report Oct. 16, Gorman told a packed audience of students, parents, and school personnel that last school year, 77 percent of CMS schools met or exceeded academic improvement standards set by the state. In the 2005-06 school year, he said, 54 percent did. He also said CMS students' proficiency rates improved last school year on 12 of 14 state end-of-course and end-of-grade tests, *The Charlotte Observer* reported.

"Overall, this is a very positive trend," he said. "I'm very pleased with that, but not satisfied. We have more work to do."

He said the achievement gaps between minority and white students remain a problem. State testing results released earlier this year showed more than 85 percent of white students and 80 percent of Asian students passed math exams at all grade levels.

Pass rates for black students ranged from 47 to 58 percent by grade level. Low-income students' pass rates were similar. Hispanic students fared slightly better, with pass rates from 54 to 65 percent.

School to lose magnet?

Broughton High School, which serves some of Raleigh's oldest and most influential neighborhoods, could lose its magnet program as part of a sweeping review Oct. 7 of Wake County's magnet school program, *The News & Observer* reports.

The school board will consider which magnet middle and high schools should be eliminated and whether other schools should get programs.

Broughton's magnet program will undergo close scrutiny because it has ranked low in reviews of how well schools meet the goals Wake sets for magnet schools.

"There are some programs I don't think we'll need to change," school board member Eleanor Goettee said. "But I'm sure we'll look at Broughton."

The Broughton community likely would oppose the loss of the magnet program. Its theme is the International Baccalaureate program, which provides a rigorous academic program with standards recognized and accepted worldwide. CJ

Old test too easy, says analyst

Change in Test Causes Drop in Scores

By MICHAEL LOWREY
Associate Editor

RALEIGH
Scores on the state's eighth-grade reading test dropped dramatically over last year because of new standards adopted since last year's testing.

The results for individual schools had not been reported by press time, but statewide, the percentages of students who passed the end-of-grade reading tests dropped by double digits in third through eighth grades, DPI officials said. Last year, 90 percent of eighth-graders tested at grade level in reading. This year it is only 55 percent.

The drop in the state's eighth-grade reading scores isn't so much because the new test has gotten harder, but because the old test was too easy, according to John Locke Foundation education policy analyst Terry Stoops.

"The dramatic drop in scores indicates that the state reading tests were absurdly easy to pass," Stoops said. "The change is too little, too late. State testing standards should have been raised years ago."

The State Board of Education adopted Oct. 2 the new standards for passing the test.

DPI officials attribute the reduction to new, tougher standards. "The bar has gone up considerably," said Lou Fabrizio, DPI director of accountability services, to *The News & Observer* of Raleigh.

According to the state's end-of-grade testing program, an increasing percentage of N.C. students have performed at the "Level III." According to DPI, "Students performing at this level consistently demonstrate mastery of the grade-level subject matter and skills and are well-prepared for the next grade level." At Level IV, "Students performing at this level consistently perform in a superior manner clearly beyond that required to be proficient at grade-level work" in standards over time in reading.

In 1992, 66.5 percent of eighth-graders tested at Levels III or IV in reading. By 1998, 79.5 percent of eighth-graders were at levels III or IV in reading. Last year, 89.8 percent of eighth-graders tested at that level in reading.

North Carolina students fared worse on other measures of reading performance.

"Tests scores from national assessments have repeatedly shown that North Carolina exaggerated the reading performance of the state's public school students," Stoops said.

One such commonly used measure is the National Assessment of Educational Progress, "the nation's report card." NAEP tests in reading and math are administered every two years to a sample of North Carolina fourth- and



eighth-graders. Science and writing tests are given every five years.

On the NAEP eighth-grade reading tests given in 2007, only 28 percent of test takers were rated as "proficient" or higher in reading. The scale score of 259 was slightly below the national average of 261. North Carolina NAEP scores have shown little improvement over time. The opposite might be true. In 1998, 30 percent of North Carolina eighth-graders tested as at least "proficient," with the scale score of 262 being a score above that year's national average of 261.

Scores on the NAEP fourth-grade reading tests were similar in 2007, with only 29 percent of N.C. students rated as "proficient" or better, compared to 87.6 percent on the 2007 state test and 61 percent on this year's state test. The scale score of the fourth-grade NAEP test was two points below the national average.

"The lower test scores more accurately represent the actual reading proficiency of our public school students," Stoops said. "Even so, the percentage of students who have an adequate command of the English language is probably much lower than our pass rates indicate."

Why lower scores?

If it's certain that the ABC reading test scores will be lower, what's uncertain is what has changed in the tests to bring that about. A lower score could come about because the tests themselves have become more demanding, with a higher percentage of more challenging questions. It's also possible that the tests themselves haven't changed at all,

but simply that a higher percentage of correct answers — a higher "cut score" in testing jargon — is required to pass. The state's testing program uses tests that DPI itself develops, and the department does not release copies of the tests it administers.

School-by-school test scores are critical to measuring yearly progress under federal No Child Left Behind mandates. Elementary schools that fail for two consecutive years in math or reading are subject to sanctions under NCLB. These can extend in certain circumstances to giving students the option of transferring to other schools.

Under the state's testing program, test results matter for two reasons:

1. In light of DPI's new testing standard, the department has petitioned the federal Department of Education for a revised baseline standard to determine whether schools meet their NCLB targets. Under the previous testing regime, 84.4 percent testing at grade level was the goal. The state is asking that a 43.2 percent pass rate be considered acceptable progress with the revised reading tests.

2. Teachers are awarded bonuses based upon test results. Teachers don't qualify for bonuses based upon their individual performance. Instead, all teachers at schools that meet or exceed their expected yearly progress on state

exams qualify for bonus money. For schools that exceed their goal, the teacher bonus is up to \$1,500. For schools that merely meet their goal, it's half that.

As a practical matter, most schools at least meet their expected

growth standard. Last year, 82 percent of public school teachers in the state qualified for bonus money. The amount teachers receive may be less than \$1,500 or \$750 if the number of teachers eligible exceeds the amount the state has budgeted for bonuses. Teaching assistants also qualify for bonus money based upon the test results.

For third- through eighth-grade teachers, bonuses have traditionally been based on both math and reading scores. A lower percentage of students passing their reading tests would seem to mean that the teachers at many schools would be in danger of not getting bonus money.

The State Board has, however, indicated that the reading tests won't count against bonuses this year. It's unclear whether, and if so, when, reading tests will be used in the future to determine bonus eligibility. CJ

At-grade reading levels for eighth graders dropped from 90 to 55 percent

UNC Trustees Could Be on Collision Course With BOG, Legislature Over More Enrollment

Some worry that more students from within North Carolina could lower school's prestige

By JANE SHAW
Contributor

RALEIGH

UNC-Chapel Hill trustees might be on a collision course with the systemwide UNC Board of Governors — and perhaps the General Assembly — over whether the Chapel Hill campus will expand enrollment significantly.

Such a potential conflict became evident at a meeting of the trustees Sept. 25. At the meeting, unlike a Board of Governors meeting, there was little discussion about providing greater access to higher education. The subject was how UNC-Chapel Hill can persuade more top North Carolina high school students, as measured by SATs and class standing, to attend UNC-Chapel Hill.

As Chancellor Holden Thorp said at the beginning of the meeting, the goal of UNC-Chapel Hill is to give “the smartest students in North Carolina the best education.” UNC-Chapel Hill’s reputation depends heavily on the quality of its students.

Trustees are feeling pressure from the Board of Governors and the state legislature for UNC to “do its fair share” in finding places for 80,000 additional students anticipated over the next 10 years. It appears the trustees already are chafing under the legislature-imposed 18 percent limit on out-of-state students.

Out-of-state students tend to be highly qualified, and if UNC-Chapel Hill could recruit more out-of-state students, university officials would have an easier time maintaining the quality of the student body. Because few students can come from outside North Carolina, the motivation is intense to get as many of the most accomplished in-state students as possible to Chapel Hill.

Under the current rules, if UNC expands enrollment, it will almost inevitably bring in less-qualified students. As a consultant to the university pointed out to the trustees, the quality of the student body is an important part of UNC-Chapel Hill’s reputation. If prospective students begin to think that the school is becoming less prestigious, their perception could “compound the negative effect” of expansion itself.

The university already is in an increasingly competitive environment as it recruits top students, said Stephen Farmer, director of the Office of Undergraduate Admissions. In a detailed presentation on the entering freshman class, he said that the applicant “yield” went down this year by three percentage points. That is, the number of applicants accepted by UNC-CH who actually enrolled was 52.9 percent, compared with 55.7 percent last year and 54.6 percent five years ago.

UNC’s quality academic environment has brought it into direct competition with the South’s pre-eminent colleges

and universities for those much-sought-after students who score 1,400 or higher on the math and verbal portions of the SAT, Farmer said. These schools include Duke, Wake Forest, Davidson, Virginia, Vanderbilt, and Washington University in St. Louis.

“We’ve played ourselves into a higher league,” he said.

Much of Farmer’s presentation was positive. This is the third straight year in which the number of applications, 21,507, set a record. Thirty-four percent were accepted, and this “admit rate,” a measure of selectivity that contributes importantly to the *U.S. News* rankings, is the lowest ever. But the decline in yield also can be seen as a warning bell for university officials and trustees.

Richard Hesel of the consulting firm Art and Science Group LLC reported on his firm’s polls of prospective Chapel Hill students. He said that “when tested simply as a number,” an increase to 33,000 students, from 27,700 now, would not have a significant impact on applications or enrollment — but

only if student quality remains as high as it is now. He measures student quality as the percentage of UNC-CH students in the top 10 percent of their high school class. For freshmen entering this year, the figure is 79.1 percent. Growth to 36,000 would have a negative impact, regardless of its impact on quality.

Prospective students perceive UNC-Chapel Hill as a big campus, Hesel said. The leading reason given by accepted students who do not enroll is that the university is “too big.”

But high school students’ perceptions of academic quality and the highly selective student body “are often favorable enough to overcome the negatives they associate with size,” Hesel said. It is essential to maintain this selectivity by tying growth targets to “achievement of student quality measures.”

Hesel recommended that the university take a number of steps to bolster recruitment of the top N.C. high school students. His top recommendation was to use more merit-based aid. Merit aid is a grant that is not based on a student’s financial need but on a student’s aptitude and accomplishments.

Hesel’s study estimated that a \$2,500 increase in merit aid per student would raise acceptances from “top North Carolinians” by 8 percent. A \$5,000 increase would increase them by 17 percent.

Chapel Hill already grants some merit aid. This includes named scholarships such as the prestigious Morehead-Cain and Robertson awards, which offer opportunities such as education abroad in addition to full funding. But even the news on these scholarships was not the cheeriest: Acceptances of the Morehead scholarships were lower this year.

An animated conversation by board members indicated that the issue of enrollment growth will not be settled quickly. CJ

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



Campus Briefs

- The Pope Center for Higher Education Policy will recognize an outstanding student writer Nov. 7 at the Collegiate Network’s East Coast Editors’ Conference in Charlotte. The \$500 Pope Center Award will go to the author of the best campus-focused article published in an eastern Collegiate Network newspaper during the 2007-08 academic year. The network, a project of the Intercollegiate Studies Institute, supports independent college newspapers and magazines. It helps fund five publications in North Carolina, at Davidson College, Duke University, N.C. State, UNC-Chapel Hill, and Wake Forest.

- In the past, the United States Students Association was a national advocate for issues of interest to students, such as quality and affordable education for all students. But a recent mailing to the N.C. State Student Government included nearly 15,000 fliers promoting bigger, more intrusive government, ranging from “accessible and comprehensive health care” to “climate justice.” USSA instructed the student government to distribute the fliers through on-campus voter registrations and said that the success of the voter registration campaigns would be based on how many mail-in cards the national organization received from the fliers. Jay Dawkins, student body president, was appalled at the one-sided nature of the campaign, calling it “blatant liberal propaganda” and said that he did not intend to distribute the fliers.

- The Clemson Institute for the Study of Capitalism will sponsor the first Southern Students for Liberty Conference at Clemson University Nov. 8. Students for Liberty is a new organization that aims to help students and student groups dedicated to liberty. The conference will bring together students in the region to discuss how best to promote liberty. The keynote speaker will be Michael Munger, Duke professor and gubernatorial candidate. Pope Center president Jane Shaw will speak on academic freedom. Other speakers include Richard Ebeling of the Foundation for Economic Education; Sheldon Richman, editor of *The Freeman*; and C. Bradley Thompson of the Clemson Institute for the Study of Capitalism. CJ

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

POINT/COUNTERPOINT: UNCC FOOTBALL

Maybe the Right Thing For School's Image

Yes, I was disappointed that the chancellor of the University of North Carolina at Charlotte decided last month that the school needs a football team.

But it's important to understand why Chancellor Philip Dubois forwarded the plan to the UNC-Charlotte trustees. His arguments reveal how so many schools seek the glory of reputation, more even than commitment to quality education.

UNC-Charlotte has image problems. The biggest is the lack of connection, physical or emotional, between the university and the movers and shakers in the Charlotte business community.

UNC-Charlotte lacks full "ownership" by the Charlotte community, Dubois said in the statement announcing his decision. By and large, the business leadership is not composed of UNC-Charlotte graduates but of graduates of UNC-Chapel Hill, N.C. State, Clemson, and other long-established schools.

In spite of these drawbacks, UNC-Charlotte, under Dubois and his predecessor, James Woodward, has been steadily expanding, in student population, doctoral degrees, and physical plant. UNC-Charlotte is now the fourth-largest university in the UNC system.

Yet UNC-Charlotte doesn't have much of what every school covets: a reputation. It doesn't have a strong academic image, and it doesn't have many obvious distinctions. By one common academic measure, graduation rates, the school is doing quite poorly. Its six-year graduation rate is 49.9 percent, well below that of the flagship schools and lower than the 56.4 percent of East Carolina University, the state's third-largest school.

On the positive side, however, UNC-Charlotte tied for No. 9 on the 2008 *U.S. News & World Report* list of "up-and-coming" schools.

So how to lift this school to prominence, which is the goal that most presidents and chancellors apparently have for their schools?

Dubois does not believe that Charlotte can do it by investing "solely in its academic enterprise." Schools that have been around for many years are well ahead in the reputation game.

To break into the circle of eminent institutions, a school must triumph in a mysterious competition that involves the opinions of

peers (who funnel their views into the *U.S. News* rankings), national publicity, and evidence of having money (whether from an endowment or state coffers).

So, will a football team contribute to the process of building UNC-Charlotte's reputation? Given enough time, and Dubois is planning for the next 25 years, not the next five, the chancellor bets that it will.

In fact, Dubois not only argues that it will improve UNC-Charlotte's reputation, he specifically stated that a football team will boost the academic reputation of UNC-Charlotte.



JANE SHAW

"Within North Carolina, does anyone doubt that the excellent institutional and academic reputations enjoyed by Chapel Hill, N.C. State, Wake Forest, and Duke have been strengthened by the prestige of their athletic programs?" he asked. He even cited research by two Charlotte faculty members confirming that a strong football program provides

"measurable benefits to the academic reputation of a participating university."

Odd as this seems, it might be realistic. As long as we don't know what actual education is going on (and even research is difficult to evaluate), then academic reputation depends on this smoke-and-mirrors competition that could be influenced by almost anything.

Remember, UNC-Charlotte tied for No. 9 on the *U.S. News* "up-and-coming" list, a new list based on a survey of the administrators and other experts who complete the usual *U.S. News* peer assessment survey. The two top "up-and-coming" schools, George Mason University on the "national universities" list and Davidson College on the "liberal arts" list, both garnered national attention for recent upsets in the NCAA basketball competition. Their greatest fame comes from sports, not from football, but from major intercollegiate sports.

And so, unlikely as it seems, and wrong as it might be, a football team could elevate the reputation of UNC-Charlotte. In the opaque world of higher education, Philip Dubois might be placing the right bet. CJ

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

A Pursuit of Costly Airy Intangibles

Chancellor Philip Dubois' case for football has all the substance of cotton candy.

Creating a football program would entail heavy costs in pursuit of airy intangibles such as "ownership" feelings and "reputation." The money will unquestionably be gone, but how would we ever know if there had been any gain regarding those fuzzy objectives, much less that they were worth the cost?

Dubois contends that the University of North Carolina at Charlotte suffers from the alleged lack of sense of "ownership" the city has toward the school. An abstraction (the city of Charlotte) can't actually feel anything. Only individuals have feelings, so what he's saying is that he doesn't think that enough residents of Charlotte have emotional ties to the school as he would like.

It's probably true that a smaller percentage of Charlotte residents are emotionally invested in the affairs of UNCC than Chapel Hill residents are wound up in the affairs of the flagship university there, but so what? Does anything important depend on these feelings?

UNCC has been steadily growing. Therefore, it's difficult to understand just what the problem is, and even more difficult to see how having a football team would solve it.

The school does have a modest graduation rate. Graduation rates mainly depend on the academic quality of the students who enroll, and North Carolina has a limited number of top-notch students who are certain to complete their degrees.

Naturally, the well-established "flagship" institutions attract more of those kids than do the other UNC campuses. But having a 50 percent graduation rate hasn't kept Charlotte from growing and even making the *U.S. News & World Report* "up-and-coming" list.

More to the point, how will having football improve graduation? Adding a lot of athletes to the student body is not an obvious way of increasing any academic-related statistic.

Like most university presidents, Dubois is pursuing the Holy Grail of better reputation. Unfortunately, there's no way of measuring what people think about the

academic strength of a school, and certainly there is no reason to believe that it depends on the success or failure of sports teams.

Dubois says that the academic reputations of other N.C. universities such as Chapel Hill, N.C. State, and Duke are improved by "the prestige of their athletic programs." I doubt that very much, but in any case it doesn't follow that just because UNC, State, and Duke have won basketball championships and compete at the top level in other sports, UNCC would enjoy a reputational gain if it began a football

program. It's easy to think of universities that are very successful in football (Florida State, for example) but have poor academic reputations. In part, that's due to the pressures to recruit top football players, who often are very weak academically.

Instead of trying to feed the sparrows of academic reputation through the horses of intercollegiate football, why not devote

resources to programs that have a direct bearing on teaching and scholarship? With a fraction of what it costs to compete in football, the school could establish several academic centers, such as the James Madison Program.

Initiatives like that would enhance the atmosphere of scholarship and debate at UNCC. That would do much more to make people think positively about the school as an educational institution than would a costly foray into entertainment.

UNCC is thriving. Its campus is in good condition. Enrollment is growing. Judged by SAT scores and graduation rates, it looks better than many universities but not as good as others. Not every school can be on top. So what's the problem?

Dubois doesn't think his school has enough "prestige." Worrying about prestige is the preoccupation of many college leaders, and it has led to an "arms race" of spending on various things in pursuit of it. The trustees should tell him to stick to academics. If he makes good moves there, UNCC will earn a better reputation. CJ

George Leef is vice president for research at the John W. Pope Center for Higher Education Policy.



GEORGE LEEF

Opinion

Accountability for Colleges — Or Accountability for Students?

Suppose that recently you joined a health club. Would you expect the management to worry about your progress, or lack of progress, in losing weight, gaining strength, and improving your stamina? Certainly not.

When it comes to physical fitness, we see the individual as responsible. Health clubs and equipment makers aren't accountable for your condition. You are.

In the past, that's how we looked at education, but things have changed.

These days there is talk all around on the need for colleges and universities to be accountable for their educational results. Education Secretary Margaret Spellings has been pushing schools to focus on accountability, and a substantial number of them have joined the College Learning Assessment movement. Suddenly, many people are concerned about one of higher education's biggest embarrassments, namely that it's now common for young people to graduate without having learned much.

The National Assessment of Adult Literacy's most recent results were released in late 2005, and they don't inspire much confidence in our educational system. Only 31 percent of college graduates, for example, were "proficient" in prose literacy, and the number had fallen substantially from the previous measurement, 40

percent.

"If you don't bother to learn, it's your fault," our parents and grandparents would have said. But individual responsibility is a concept that, at least to many Americans, now has the foul odor of Social Darwinism about it. To them, there is something mean-spirited about telling people that success is their own responsibility. That's one reason why we have reassigned responsibility for learning.

Here's another reason: To a large extent, the taxpayer now foots the bill. Few students today pay the full cost. If the government were subsidizing health club memberships, we would no doubt hear demands for improving results on treadmills and stair-steppers. Health clubs would be compelled to set up "accountability" programs to measure and report their members' progress.

That brings me to my main point: I don't think we should expect much from the educational accountability crusade. Unless the students become motivated to do better, all the "accountability" programs in the world won't accomplish anything.

Sadly, there is every reason to believe that most American students think they are putting forth just the right amount of educational effort. Given their values and expectations, increasing effort in school doesn't make any sense. Today's "education lite" is not some mysterious plague; it's exactly what most kids want.

Consider this description of his



students by retired history professor Thomas Reeves:

These amiable, polite, almost invariably likable young people read little or nothing. In a class of 50, not more than one or two read a newspaper daily;

what tiny grasp they have of current events comes from television news. Reading books and magazines outside the classroom is not something they would even consider doing. In short, they have no intellectual life and see no need for one. They can talk about several things, including their jobs, television, sports, and rock, but they are often baffled and sometimes irritated to hear from their professor that there is more to life. If that "more" requires reading, they aren't interested.

Not all college students are like that, but a disturbingly large percentage are. They're "disengaged" from real academic work and shy away from it just as a couch potato shies away from a heart-pounding, sweat-inducing workout. It isn't enjoyable and only makes them feel lousy afterward. No thanks!

And yet, getting a college degree is a must — or so it is widely believed. Without one, only low-pay, "dead-end" jobs are supposedly possible. Therefore, throngs of the ill-prepared and unmotivated students that our K-12 system produces in huge quantities enroll in colleges and universities every fall. Schools are desperate for the revenues they bring, so they find ways to accommodate their students' aversion to difficult work with plenty

of courses that are rather easy and fun.

Suddenly, despite decades of eroding academic standards, colleges are expected to produce better results. Can they? Will it work? About as well as putting up a one-foot wall of sandbags to stop a tsunami.

Students who have been conditioned for 12 years to think that education is something in which success comes automatically and without effort can't be transformed into knowledge-thirsty scholars. Most of them go to college simply because they've heard that a degree is an occupational necessity. As they see things, they're buying a product and expect to get it quickly and easily, just like buying a new cell phone or stylish shoes.

Faced with that mindset, colleges and universities pretend to educate students, offering an array of courses that students who don't want to read and see no point in having an intellectual life can pass. Consequently, we have huge numbers of college grads who don't read, write, or do math as well as high school grads did 50 years ago.

That's why I think that the talk about "accountability" is mostly hot air. The educational "customers" are getting the products they want. For some, that is a challenging and mind-expanding college experience, and those who want that can still find it. For many others, however, a fluffy "education lite" is all they want, and that's what schools will keep giving them. CJ

George C. Leef is vice president for research for the John W. Pope Center for Higher Education Policy.



GEORGE LEEF

North Carolinians for Home Education

The MISSION of NCHÉ is to:

- PROTECT the right to homeschool in North Carolina.
- PROMOTE homeschooling as an excellent educational choice.
- PROVIDE Support to homeschoolers with conferences, book fairs, and other resources.



The IDEALS of NCHÉ are:

- Educational excellence.
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Over 9000 people will attend the annual conference and book fair in Winston-Salem May 26-28. For more information about NCHÉ, you can call the office at **919-790-1100** or visit the website at **www.nche.com**

As of January 2005, there were over **60,000** homeschoolers registered in the state of North Carolina.

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They should, says a Pope Center study.

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Town and County

New Beaufort drawbridge?

Beaufort officials are lobbying for the N.C. Department of Transportation to reconsider its decision to build a fixed-span bridge as part of a U.S. 70 bypass around the north part of the town. Community leaders prefer that the state build a drawbridge to allow larger vessels into harbor, *The News & Observer* of Raleigh reports.

The U.S. 70 bypass has been Carteret County's top road priority since the early 1990s. State road money has been tight, and the project finally showed up in the DOT's seven-year construction plans. Work is to start in 2015.

Members of a local study committee said the DOT overstated the costs of a drawbridge and ignored its benefits when the agency decided several years ago that a fixed span was appropriate. The committee contended that not building a drawbridge over Gallants Channel would cost 250 jobs.

"Everybody wants the bridge and the bypass, there's no question about that," said Steve Rice, a civil engineer who served on the town's bridge. "But we think this bridge would be a mistake."

The DOT has agreed to look at the committee's proposal.

Private meter maids?

Greensboro's center city economic development group is investigating whether it should take over issuing tickets at the city's parking meters.

Downtown Greensboro Inc.'s interest in parking meters is all about business — the health of businesses in downtown Greensboro. Greensboro has about 1,300 metered parking spaces, mostly downtown. A study in 2006 found that one-fourth of motorists who used city parking meters stayed beyond the two-hour maximum stay. The city is owed about \$2.2 million in unpaid parking fines.

"It is all a service delivery problem," Ed Wolverton, DGI's president and CEO, said to the *News & Record* of Greensboro. "If there is not good, convenient parking for customers, it makes it harder for our businesses to sustain themselves."

"It probably would be beneficial, not only to the city but to the police department," Greensboro Police Department Sgt. G. M. Little said. "They could put me back in the field."

Little oversees the city's parking enforcement unit, which uses uniformed civilians, who don't have arrest powers, to write tickets. CJ

Court: Preservationist Panel in Error

'Technical correction' adding new guideline; ex post facto at issue

By MICHAEL LOWREY
Associate Editor

RALEIGH

N.C. law allows for the creation of historical districts, which can require that a certificate of appropriateness be obtained before certain types of changes are made or a new building is built. In a ruling Oct. 7, the state's second highest court found that Beaufort's Historic Preservation Commission went too far in its efforts to prevent a three-story building from being erected.

In 2000 and 2001, Carl Meares researched the possibility of building a combination commercial and residential structure in Beaufort's historical district. After consulting with state and local officials, he bought three lots for \$595,000. In November 2001, Linda Dark, chairwoman of Beaufort's Historic Preservation Commission, gave Meares a set of guidelines that included a 35-foot height limit.

By 2003, Meares was working on a three-story building design and presented a sketch to Dark in October of that year.

Soon thereafter, the commission adopted, without previous public notice, a "technical correction" to its Historic District Design Guidelines. This involved adding a new guideline, Historic District Design Guideline 8. This guideline stated that:

8) The vistas of Beaufort's waterfront play a crucial role in defining the character of Beaufort's Historic District. Therefore, under no circumstances shall any proposed building visually encroach in height or scale upon the remaining public landscapes of Beaufort's Historic District. . . . These include . . . views of the historic district, particularly Front Street . . . unless it can be demonstrated that a historically significant building previously existed on the site of the proposed building. The new building shall be consistent in height and scale with the pre-existing historic structure.

Meares' proposal was ultimately rejected in October 2004 based in part upon this new guideline. Meares sued, contending that the new guideline was unlawful and void as a matter of law. Superior Court Judge John E. Nobles agreed, and struck down the provision in a ruling April 2007. The commission and Beaufort then brought the matter before the Court of Appeals.

"Defendants argue their authority to establish Guideline 8 of the Beaufort



Historic District Design Guidelines is conferred by the North Carolina General Statutes," Judge Wanda Bryant wrote for a unanimous three-judge panel of the Court of Appeals. "We disagree."

Bryant noted that Guideline 8 requires that new structures not be incongruent with a historically significant structure that previously existed on the site. The state law that establishes historical districts, however, mentions only landmarks and districts.

"Thus, Guideline 8 is more restrictive than is allowed pursuant to the authority delegated by the General Assembly. Accordingly, we hold the trial court did not err in ruling the HPC's Guideline to be unlawful and void as a matter of law."

The town and board also argued that the case should have been dismissed as not justifiable, not an issue that it's appropriate for the courts to address. The town argued that since Meares' proposal does not meet a setback requirement in the town's zoning ordinance — thus can't be built as such — whether the HPC acted appropriately didn't really matter, and the court shouldn't address the issue.

This line of reasoning did not persuade the Court of Appeals.

"Defendants do not allege and, after our review of the Beaufort zoning ordinance, we do not hold the issuance of a [certificate of appropriateness] by the HPC is dependent upon the issuance of a zoning certificate," Bryant wrote. "Thus, the controversy surrounding the HPC's denial of Meares' [certificate of appropriateness] application remains."

The Court of Appeals also issued a separate ruling in a companion case. On Feb. 15, 2006 Meares filed a certificate of appropriateness application for an alternative design on the same site.

The Historic Preservation Commission refused to consider this second application while Meares' court challenge of his original application was still pending. On March 30, 2006, Meares sought a writ of mandamus, a judicial order to force the commission to consider his second application.

On May 31, 2007, Nobles ruled in Meares' favor on this matter. Because county law requires that a certificate of appropriateness be issued if the commission doesn't act within 60 days,

Nobles directed the commission to do so. The HPC also challenged this ruling.

"Acknowledging the undisputed expiration of the sixty-day window for HPC discretionary review without action and pursuant to the

Beaufort Zoning Ordinance and Beaufort HPC Rules of Procedure, we hold the approval of Meares' second COA application and issuance of the COA was a ministerial duty appropriately compelled by the trial court's writ of mandamus," Bryant wrote for the Court of Appeals. "Accordingly, defendants' assignment of error is overruled."

The appeals court rejected 11 other arguments that the writ of mandamus was inappropriate.

N.C. Court of Appeals decisions are binding interpretations of state law unless overruled by the N.C. Supreme Court. The cases are *Meares v. Town of Beaufort*, COA07-889, and *Meares v. Town of Beaufort*, COA07-882.

They can be found at <http://www.aoc.state.nc.us/www/public/coa/opinions/2008/070889-1.htm> and <http://www.aoc.state.nc.us/www/public/coa/opinions/2008/070882-1.htm>. CJ

Beaufort's new guideline exceeded what state law allows, court said

Drought Law Could Permit Regulation of Private Wells

By CJ STAFF

North Carolina's new drought management law likely would permit government regulation of private wells, despite claims to the contrary, a recent report by the John Locke Foundation says.

The report recommends steps lawmakers could take to close the door on regulation.

"If legislators have no problem with prohibiting the regulation of water use from private wells, then they should have no issue with clear language that ensures regulation is prohibited," said report author Daren Bakst, JLF legal and regulatory policy analyst. "An amendment to the drought management bill for protection of private well owners should be one of the first actions the legislature takes next year."

The General Assembly enacted its drought management bill, House Bill 2499, during the final days of this year's legislative session. As the bill moved through the legislative

process, some lawmakers had concerns about provisions that would allow local and state government to regulate water use and conservation from private household wells, Bakst said.

"When the drought bill was first introduced, it expressly allowed for local governments to regulate water usage from private wells," Bakst said. "Eventually, this provision was removed. Later, the bill was amended to include language that actually would have prohibited local and state regulation of private wells."

The House initially voted for the language to prohibit private well regulation, Bakst said. "Magically, this language disappeared when the bill went over to the Senate," he said. "The final bill did not include the prohibition on regulation. As a result, state and local regulation likely could be allowed."

By the time lawmakers took their final votes on H.B. 2499, the bill had changed so many times that legislators had a hard time keeping up with all the provisions, Bakst said. "One consequence is that numerous organizations have made claims that the bill prohibits regulation of water use from private wells," he said. "These claims, quite simply, are inaccurate."

The bill is filled with unclear and misleading language, Bakst said. Among the most misleading provisions is a passage that says the state "shall approve"

local water conservation plans if those plans, in part, contain no regulation of "private drinking water wells," he said.

"This might sound good, but there are two big problems," Bakst said. "First, the law does not say the state may approve a local regulation plan only if there are no such regulations. In other words, the state could approve plans with such regulations."

"Second, this provision applies only to wells that are built for drinking purposes," Bakst said. "If the well is built for landscaping, for instance, it clearly could be regulated. Even a well used for drinking water still could be regulated if regulators determine that the well was built for other purposes."

Some of the confusion could be intentional, Bakst said. "Unclear bill language gives the government the wiggle room it needs to achieve its regulatory ends."

This is true especially for state government, Bakst said. The state can use the declaration of a "watershortage emergency" to adopt restrictions that exceed local government regulations.

"The definition of 'water shortage emergency' offers little protection against government intervention," Bakst said. "Of special concern is language that would allow the government to declare an emergency if a water shortage presents an unspecified threat to the environment. It might even include a threat to an endangered fungus or weed. The legislature went out of its way to make it clear that a threat to the environment by itself could justify an emergency even if it does not present a threat to the public."

Nothing in the drought management law prevents the state from applying extra regulation to private wells, Bakst said. "There is a reason why the drought bill did not have clear and express language prohibiting regulation of water use from private wells — the legislature did not want to protect against regulation," he said. "Legislators concerned about private well regulation need to take one simple step: pass unambiguous language to protect private well owners."

Bakst rejects the argument that no local government or state agency has attempted to regulate private wells. "It's too early to tell whether the state or a local government will try to use the new law to regulate water use from private wells," he said. CJ

It's not clear from language in the bill that regulation of private wells is prohibited

COMMENTARY

Financial Chickens Coming Home to Roost

To say that cities and counties were nervous during the election cycle is a dramatic understatement. The state Medicaid deal alleviated the counties of a massive government mandate and led to the smallest number of counties passing tax increases in the past 10 years.

And the hold-harmless provisions left most counties getting an additional \$500,000 a year from the state. Such situations should be reasons to be joyous, heck, downright ecstatic! Not so, as the state faces a dramatic and escalating financial crisis brought on by years of overspending and ignoring fiscal prudence.

In 2001, as the state was reeling in a financial mess, the almighty governor sequestered money promised to the counties, even after they had adopted their budgets. This was done by executive order to balance the state budget on the backs of property owners who shouldered the disaster with massive tax increases across the state.

Most counties called it stealing because that was an appropriate term. The state withheld the "old age" exemption, the manufacturing exemption, intangibles tax, and sales tax food stamp. This all occurred in 2002 after budgets had been completed and the money had been dedicated to the counties.

During the 2002-03 year, the state kept that same money but substituted a local-option sales tax. The irony here is that it is the same tax that the state is now taking to offset the Medicaid expenses to the counties. What the state giveth, it inevitably takes away. That same year, 30 counties raised property taxes, many raised fees, and many more made substantive cuts.

The state is currently facing the possibility of a 10 percent shortfall (\$2 billion), and local government should be very concerned. The state typically doesn't look at revenue shortfalls in terms of having a spending problem. What they do is look at this as a revenue problem, and they will probably find at least some of the desired money from moneys promised to local government.

For local government, the news is predominantly bad. Motor vehicle taxes are falling as people stop buying cars and keep their cars

longer. The net result is millions in decreasing valuations, which are not likely to recover any time soon. Ad valorem tax bases are also dropping as building has slowed down statewide. And sales taxes are also generally decreasing. It has the potential to be an alliance for a perfect revenue storm for local government.

Chatter from the state is that it may well hasten the Medicaid swap, which would benefit some poorer counties and give the state a net increase in revenue, but that's not a fix of any consequence and would force many counties to make changes. As one county manager has told me, "No politician will mention this right now."

If the state would leave promised revenue alone, the counties would likely do some budget tightening. Unfortunately, many commissioners tend to think alternative ideas like increasing sales taxes are a less painful approach. This is a terrible idea in this economy, hurts the poor the most, hides the cost of government, and never goes away.

This is a good time for local government to assess what it should and should not be doing. Any non-essential, nongovernmental funding should be cut. Local governments should review their incentive policies. In doing so, they will discover that much of their tax dollars have been given to companies laying off employees or shutting their doors. They might also review planning and zoning policies and fees that might be restricting potential growth as well.

Regardless of election results, local government has an obligation to be as thrifty and responsible as the citizens it governs. Difficult economic times offer the rare opportunity for local leaders truly to address their priorities without simply looking for more revenue options. Innovation and adaptation are critical to being successful in government as well as business. I'm young enough to retain my optimism and experienced enough not to have high expectations. CJ

Chad Adams is vice president for development for the John Locke Foundation, director of the Center for Local Innovation, and former vice chairman of the Lee County Board of Commissioners.



CHAD ADAMS

Local Innovation Bulletin Board

Green Expectations

Before Congress spends billions to build public schools that meet environmental standards, it should review Washington state's experience, which shows that green buildings have higher-than-expected costs and the energy savings and other projected benefits are either small or nonexistent, says Todd Myers, of the Washington Policy Center and a National Center for Policy Analysis E-Team adjunct scholar.

Several pilot schools in the Olympia, Northshore, and Spokane school districts were created to test the effectiveness of green building strategies. In no case was the green school the most energy-efficient in the district. In some cases the green schools were more efficient than the most recently built nongreen school, but the difference between them often was small. In no case were the energy costs for a green school 30 percent less than at comparable schools, as supporters had projected.

Outside the pilot districts, energy costs at three green schools were at least 25 percent higher than the most-efficient nongreen school in the same district.

Green schools were expected to reduce absenteeism, but the numbers reflect a different result. In Spokane, where there are three new green schools, the average absence rate per student is slightly higher than the rate for the district as a whole. In two other school districts, attendance rates were similar.

Rent control

Rent control laws in New York were established to help the poor and middle class, but instead, they benefit the well-to-do, says Eileen Norcross, a senior fellow at the Mercatus Center at George Mason University.

Since 1947, New York City has had rent control laws. Today, there are 43,317 apartments where tenants or their heirs pay rents first frozen in 1947. There are an additional 1,043,677 units covered by rent stabilization. Under today's rules, landlords can move apartments renting for more than \$2,000 a month with occupants making more than \$175,000 a year on the free market. About 70 percent of the city's rental apartments are either rent-controlled or rent-stabilized. Because the system has been in place for more than six decades, many residents

see their below-market rents as an entitlement.

Across the city there are 87,358 households reporting income of more than \$100,000 a year that pay below-market rent. Fully 35 percent of all the city's apartments covered by the rent control regimes are rented by tenants who make more than \$50,000 a year.

New York has a citywide vacancy rate of 3 percent, and when good rent-stabilized apartments come on the market, a prospective occupant either has to know an authority or pay an official to get it.

Punch drunks

How do you like your booze: to stay or to go? The decision of whether residents of a given neighborhood prefer patronizing bars or liquor stores has a significant impact on patterns of violent crime and disorderly conduct, a study by the Urban Institute finds.

Researchers mapped 1,473 alcohol-selling establishments in the District of Columbia, and tracked the relationship between the type of outlet and "violence and disorder," using measures such as arrests and 911 calls. Not surprisingly, the more establish-

ments selling spirits in a neighborhood, the more general mayhem occurs.

Neighborhoods with a lot of outlets offering alcohol to go tend to experience more domestic violence. Neighborhoods with a high number of sites that let customers drink on the premises, such as bars and restaurants, tend to have more reports of aggravated assault.

Although bars are "attractions of violence" generally, researchers found that bar districts experience considerably fewer reports of domestic violence. This suggests that drinkers might be taking their anger out on the loudmouth on the next bar stool, rather than at home.

The relationships varied across time periods of the day and week, suggesting that if policymakers and communities want to implement cost-effective alcohol reduction strategies to combat crime and disorder, patterns of crime around outlets by time of day should be examined closely before thousands of dollars are allocated to new or continued programming. *CJ*

Predictions of efficiency of 'green' schools have been way off the mark

Local Governments Cut Outlays as Economy Slows

By MICHAEL LOWREY
Associate Editor

Localities across North Carolina are cutting planned spending in response to a slowing economy. Local officials also are rethinking capital spending plans, because a tight capital market is making it more difficult to sell bonds.

Both of the major sources of local revenues, property taxes and sales taxes, likely are to be reduced by the changing economic climate. New-home construction has slowed dramatically in recent months, reducing growth in the property tax base. People are also spending less, reducing sales tax receipts.

The post-Hurricane Ike surge in fuel prices pushed many local governments' spending on gasoline and diesel above what officials had budgeted for. While fuel prices have fallen since then, it's uncertain whether that will be enough to compensate for the earlier higher spending. Higher gasoline prices and a fuel shortage in certain parts of the state also caused people to drive less, which in turn reduced state gasoline-tax revenues. Municipalities get a share of gas tax receipts to help pay for local street construction and maintenance.

Rising unemployment also means that fewer government workers leave their local government jobs during the year, reducing the possible budget savings from unspent employee wages.

"I think right now the operative mode is to batten down the hatches and hold on until we can weather this storm," Winston-Salem City Manager Lee Garrity said to the *Winston-Salem Journal*.

Several N.C. local governments also have experienced difficulties in selling bonds. Wake County canceled a \$454 million bond sale, citing lack of a market. The county, instead, has obtained a \$300 million bridge loan to keep projects already under way on track. The remaining projects will be cut or delayed. Mecklenburg County, meanwhile, was planning to sell \$375 million worth of bonds in January, but now it is looking possibly to sell only \$220.5 million. Durham County also has had to postpone a debt sale. The difficulty selling bonds comes despite all three counties having AAA credit ratings.

Forsyth imposes new fees

The Forsyth County Health De-

partment is to begin charging fees for a number of services it once provided for free. The change comes after a change in state law allowed health departments to recover their costs for services, the *Winston-Salem Journal* reports.

Vendors selling food at special events will be charged a \$50 review fee, which applies each time a vendor sets up a booth. The department issues about 350 food-event permits a year. A review of a food-service plan for a new res-

taurant will cost \$200, and reviews of revised food-service plans will cost \$100.

Other services that will be charged a fee include \$100 for an annual tattoo artist permit review

and retesting new wells that initially exceed state standards for nitrate, microbiological or inorganic substances, for which the charge will be between \$27 and \$50.

Dr. Tim Monroe, Forsyth County's health director, developed a cost structure based largely upon the amount of labor that went into providing the services.

"The reality with most of these things is that we never totally recover costs," he said. "We don't charge true cost."

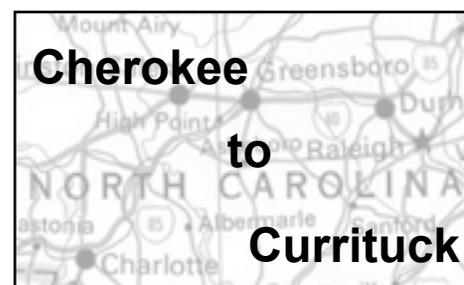
More fox trapping allowed?

The Davidson County Commission has voted to request that the General Assembly allow fox trapping in the county. The theory behind the move is that it will make the trapping of coyotes easier. The vote also highlights peculiarities in the current law, which allows fox trapping in some counties but not others.

In recent years, coyotes have spread east, and are a danger to pet dogs and cats as well as to livestock. While the trapping of coyotes is allowed, foxes often end up in traps meant for coyotes. In counties in which fox trapping is prohibited, they must be released.

"You'll trap several times the number of foxes than the number of coyotes," trapper Darien Huffman said to the *Winston-Salem Journal*.

The legislature last dealt with fox trapping during the 1970s. At the time, there was a dispute between hunters and trappers over who should be allowed to manage the fox population. In the end, the legislature allowed fox trapping in 36 of the state's 100 counties. In the other 64 counties, trapping is restricted to fur-bearing animals, creatures such as bobcats that have traditionally been trapped for their fur. *CJ*



Taxpayers Pay Price for Lightly Used Charlotte Light-Rail Line

By CJ STAFF

RALEIGH

Taxpayers are picking up more than 90 percent of the tab for a few commuters riding Charlotte's LYNX light-rail line, despite the trains' limited public benefit for traffic congestion, air quality, or land use, a recent report by the John Locke Foundation says.

"When you combine both operating and capital costs, the total cost per trip on Charlotte's LYNX line is about \$6.90, and the weighted average fare is about 60 cents per trip," said the report's lead author, David Hartgen, emeritus professor of transportation studies at the University of North Carolina at Charlotte. "That means the taxpayer is subsidizing about \$6.30 of every trip taken on the LYNX line. Riders are paying just 8.7 percent of the cost."

Final LYNX construction costs total about \$521.85 million, said Hartgen, who is also president of The Hartgen Group and a JLF adjunct scholar. The 9.6-mile, 15-station LYNX train line opened along Charlotte's South Boulevard in November 2007 after nearly a decade of planning and construction.

"The project's construction costs grew substantially," Hartgen said.



"When voters approved the project in 1998, the official cost was \$227 million. The final cost, \$522 million, represents about a 130 percent overrun. This is somewhat higher than the average 104 percent cost overrun for major transit projects around the world."

In addition to construction costs, officials estimate LYNX operating costs at \$9.22 million for 2008, Hartgen said. "The estimate is based partly on projections, and some of the operating cost estimates appear to be on the low side, so these expenditures could be subject to

change and are likely to increase."

Average weekday ridership was 12,457 "unlinked" trips during December 2007, the LYNX line's first full month of operation, a figure 37 percent higher than the official forecast. But Hartgen urges caution in using those numbers to gauge support for the LYNX line. "We have to remember that the 'official' forecast was based on estimates prepared six years ago, before the recent runup in gasoline prices," Hartgen said. "Those higher prices encourage more transit traffic. If the ridership estimates had been made with current gas prices, ridership estimates would have been somewhat higher."

Since that first full month, ridership climbed about 23 percent through July 2008, but Charlotte Area Transit System bus ridership actually increased more, by 24 percent. Hartgen found that about two-thirds of the increase in LYNX ridership could be attributed to gasoline price increases, regional growth, and economic circumstances, rather than the availability of better transit service.

Other numbers paint a clearer picture of the source of LYNX ridership. "As a share of all CATS traffic, LYNX's share has hovered between 16.5 percent and 20.3 percent and has averaged about 19 percent," he said. "This share has not increased significantly since December 2007 and seems to be leveling off. There also appears to be a softening of LYNX ridership on weekends and holidays. Plus, ridership on CATS buses has actually increased faster than light-rail ridership."

Hartgen's report also addresses arguments that the LYNX light-rail line would divert people from using their cars on area highways, help slow the growth of congestion, improve air quality, and enhance land-use growth.

"Only about a quarter of LYNX weekday ridership is diverted directly

from cars, and nearly 20 percent of the auto driver traffic using LYNX consists of vehicles with South Carolina tags," he said. "About half of the LYNX ridership is prior bus riders. In short, the big winners are about 4,000 prior bus riders, 4,000 commuters living close to the line, and 400 South Carolina drivers."

LYNX has diverted only a small portion of the corridor auto traffic, Hartgen said. "The overall impact on regional travel is just 0.08 percent, while LYNX traffic diverted from cars represents 0.4 percent of peak-hour travel and 4.2 percent of peak-hour travel in the South

Boulevard corridor," he said. "Even within the corridor, the effects are small and not measurable in traffic flow. Other corridor drivers have saved about one-half of a minute in average commute time. But impacts on air quality are too small to be observable."

The land-use impact is also much smaller than city officials have implied, he said. "A city report asserts that the South Corridor has had or will have \$1.86 billion in commercial and residential development, and implies that the growth is largely attributable to the LYNX line," Hartgen said. "But our estimates, based on actual construction between 2005 and 2007, are much lower, in the neighborhood of \$250 million over 20 years."

LYNX fares poorly in a benefit-cost analysis, Hartgen said.

"Total costs of more than \$706 million far outweigh quantifiable benefits of \$480 million," he said. "If you limit the cost figures to local costs — \$400 million — it's clear that what makes the project justifiable from the local government's perspective is that local taxpayers pay only 57 percent of the costs, while the state and federal governments pay the rest of the bill. If the local government had to pay the full cost, it could not be justified from a benefit-cost basis."

CJ

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Funding Fathers is essential reading for those who want to know the inside story of the conservative movement and learn about its largely unheralded heroes. Learn more at www.regnery.com.

• They were three "middle managers" whom no one imagined could reach the top.

Ronald Reagan was too old to be president and too conservative, anyway. Margaret Thatcher was not only too conservative, she was a woman, and not on anyone's short list to lead the Conservative Party in Great Britain. And the idea of a Polish pope — that was truly absurd, especially when the cardinal in question was a strong anti-Communist and defender of orthodoxy when many in the Catholic Church believed the future belonged to détente with the Soviets and social liberalism in the West.

The President, the Pope, and the Prime Minister, written by veteran journalist and former Thatcher speechwriter John O'Sullivan, reveals the crucial role these public figures played in shaping the world today. More at www.regnery.com.

• Children differ in their ability to learn academic material. Doing our best for every child requires, above all else, that we embrace that simplest of truths. America's educational system does its best to ignore it.

Real Education: Four Simple Truths for Bringing America's Schools Back to Reality, by Charles Murray, reviews what we know about the limits of what schools can do and the results of four decades of policies that require schools to divert huge resources to unattainable goals. CJ

From Mexico to National Review

Buckley Family History Might Surprise Readers

• Reid Buckley: *An American Family: The Buckleys*; New York: Threshold Editions; 2008; 459 pp; \$28 hard cover

BY HAL YOUNG
Contributor

I feel some connection with the Buckleys. I grew up in the same town, Camden, S.C., where William F. Buckley's family spent their winters and where younger brother Reid Buckley still lives, writes, and teaches public speaking. WFB (RIP) is my political godfather. I even knocked on the door of their mansion once, when I was in the seventh grade, to try to sell a magazine subscription. They didn't need any, by the way.

Obviously, though, these are not your average fellow citizens. Reid's new book, *An American Family: The Buckleys*, reveals their singular home life in a personal and sometimes surprising volume, part history, part genealogy, part philosophy, part jeremiad. Reid explains how the remarkable family rose from commonplace roots to wealth and political influence in a few decades. It's engaging, full of humor, twists, and anecdotes, and a thoughtful reflection on the state of the moral universe as well.

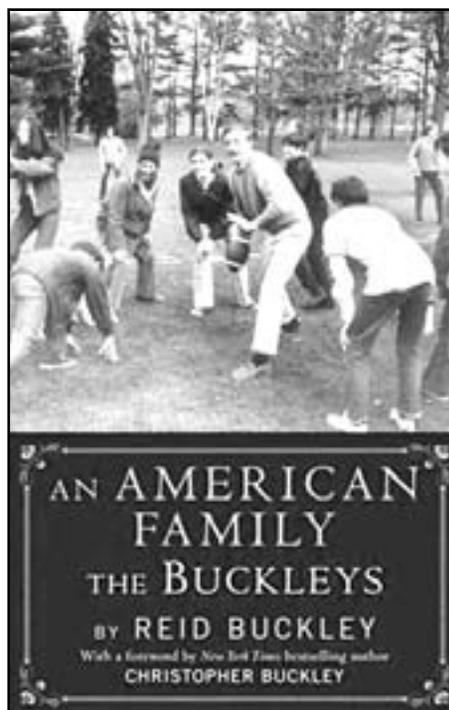
You don't have to be connected to enjoy it.

Rags, Riches, Repeat.

Anyone familiar with Bill Buckley's elegant prose and patrician accents might think of the family as I did — "Old Money, from Up North." That described their neighbors, but not the Buckleys. In fact, Reid's paternal grandfather was a south Texas sheriff who moved to mesquite country looking for a dry climate for his asthma. His mother's father was a German immigrant bootmaker in New Orleans.

The central characters in the book are the author's parents — William F. Buckley, Sr., called "Will" in the book, but seldom otherwise, and his wife, Aloise Steiner. Will, a lawyer, went to Mexico to represent American and British oil companies. A younger brother's success with a wildcat well suggested a change to oil exploration, and he and two brothers rapidly built a fortune in real estate and petroleum.

The Buckleys are nothing if not Catholic. Reid says they would have been "human rubbish" if they were not devoutly, mystically, and militantly Catholic, which led to the first great crisis of Will's career. Distressed by the violent anti-clericalism of Mexico's revolutionary government, he engaged in gun-running for a Catholic counter-revolution.



This was found out, and in 1921 Will was tossed out of the country alive but sans fortune. It took him nearly two decades to rebuild the family's wealth, earning the nickname "Dry Hole Buckley" in the process, but eventual success funded the family's later exploits.

This whole "Mexican Experience," political and financial, echoed the rest of their lives and invested the family with a belief in seriously limited government. The chapter on Will's political views amounts to a 14-point credo, starting with a Lockean justification for the necessity of government, followed by the terse observation, "2. Government is always dangerous." Thus, the roots of the Reagan Revolution might be found, to some extent, in the Mexican one.

A memoir, not a history

One thing is quickly evident: Reid is telling a story, but it might or might not be precisely accurate. Always affectionate toward his nine siblings, he freely quotes their books and articles, and always gives their contradictory accounts his benediction. In consequence, you never quite know which account is the strict truth, if any. The chronology is loose, too, inserting background information and consequences as his story winds on.

Reid is every bit as eloquent as brother Bill, though more given to sly asides and rabbit-trail footnotes. The book is absolutely larded with them, both at the bottoms of the page and ends of each chapter. They deserve to be read. He describes his files as "places of deposit where all documents are secure, especially from recovery by me." He warns of "licentious ... savoring of argument for its sole sake, instead for

the right reason that it should advance," referencing Plato and the danger of teaching dialectics for "eristic" pleasure, then remarks, "This book will indulge in no such highfalutin' musings."

Reid caricatures their "Calvinist" Connecticut neighbors, whom he saw as cheerless, inaeesthetic, unromantic people, "raised on sour apples," who liked low ceilings and tiny windows lest happiness leak into their lives. If true, it's admittedly bad marketing for the Protestant Reformation. Even in Camden, which had already absorbed another exotically large Catholic family when they arrived, they saw themselves as an enclave of the Roman Church, embattled wherever they landed. It shaped their sense of personal responsibility and individualism, he says.

It didn't help them as much on racial issues, though. Reid confesses he and his parents shared a "moral obtuseness" about the ugliness of Jim Crow and institutionalized racism, a failing he addressed only as an adult. Vigilantes and rednecks were "white trash" and beneath contempt, but the paternalistic attitude of noblesse oblige, while it paid off many mortgages and tuition bills for their servants and black neighbors, became an embarrassment for Bill and Reid's generation. "Newsday is coming to interview Mother — pray she doesn't talk about 'her' people!" they would exclaim.

"Such sentiments are almost impossible to comprehend now, even by us, Mother's children," he admits. "The story of this republic is ... one of continuing moral revelation, directed by the Holy Spirit," he says. "[We] were slow to comprehend the implications of the Declaration of Independence. ... It took us another sixty years before we passed the Nineteenth Amendment ... [and] a full century after the Civil War for us to rid our hearts of the injustices and contradictions of racism."

The conclusion of the book is not encouraging. Reid, 78, has seen the death of half his siblings, and believes high tide for the conservative movement was Reagan's 1984 re-election. He sees the movement now as a lost cause, awash with forgotten principles and compromised leadership. "Alas," he writes, "the moral temper of the people has been simultaneously declining."

Yet he admits most of his siblings reject this pessimism. His identification of the Republicans of 2008 with those of the 1950s suggests there is room for a second conservative renaissance as well. The willingness to give it another try — like Will Buckley did in 1921 — is another very American trait. CJ

N.C. Has a Rich History of Resisting Oppressive Taxation Laws

With all the talk of change in the presidential race, I am reminded that certain traditions are abandoned at great cost.

During the recent debates

between John McCain and Barack Obama, vague words shrouded the candidates' solutions to American problems. Amid the fuzzy language, I discerned two things: Not one mentioned the constitutionality of any solution, and both wanted our money.

I wonder if the candidates' language might have resonated among Colonial North Carolinians. The following recent entries posted on northcarolinahistory.org might reveal the possibility (or lack thereof).

As early as the enactment of the Plantation Duty Act of 1673, North Carolinians protested taxation. A "complicated piece of legislation" is how historian David S. Lovejoy described the duty on plantations.



**TROY
KICKLER**

The legislation limited American trade. It attempted to force planters to trade exclusively with England and its colonies and to redirect revenue to Great Britain. There were numerous objections to the duty. In the end, the Albemarle governor, John Jenkins, ignored enforcing the act.

The Plantation Duty Act had several provisions. One, it placed a penny tax on each pound of tobacco. Two, it required a five-shilling tax for every hundred weight of sugar. Three, collectors were appointed in the colonies.

Across the British Empire, people protested the duty. London merchants worried that it might have a negative effect on the sugar trade and disrupt trade between the Indies and New England. In New England, merchants erroneously believed that once a duty had been paid, the ship's cargo could then be transported to any port, but that was not the case. Confusion abounded among American merchants. Even the Irish argued that the duty targeted them.

Although North Carolina's Lord Proprietors supported the act's passage, many North Carolinians protested, or ignored, the new law. The Albemarle region of North Carolina

offered the stiffest resistance.

One hundred years later, North Carolinians reacted similarly. The Stamp Act upset many in eastern North Carolina. After the English Parliament passed the Stamp Act in 1765, many North Carolinians refused to comply with the bill — even after Gov. William Tryon promised special privileges to 50 leading N.C. merchants and planters.

North Carolinians ignored paying the tax, so royal officials closed the colony's ports. They finally eliminated the restriction in February 1766. Officials sought to punish Wilmington, however, for the radicals there had been particularly troublesome to the Crown and British officials. Custom officials refused to open the Cape Fear River port.

In particular, British Navy Capt. Jacob Lobb and William Dry, a tax collector, worked to subdue Wilmingtonian radicalism, but the two men's actions produced the opposite effect. Under Lobb's orders, the English seized several vessels in the Cape Fear River because the captains possessed unstamped clearance papers.

When they learned that Dry planned to present the captured vessels to the admiralty court, about 1,000

Brunswick, New Hanover, and Bladen countians formed a 1,000-man association that traveled in February 1766 to Wilmington. There, the tax protestors forced Dry and Lobb to release the vessels and open the port.

Three days later, every court and custom official swore to ignore the Stamp Act. With their mission accomplished, association members left Wilmington, for they had opened the Cape Fear River to navigation and trade. After February 1766, British officials there had, no doubt, a vivid recollection of the association's action and were hesitant to disregard their agreement.

Albert Jay Nock (1872-1945), an influential antistatist and libertarian author, argued that history is essentially a conflict of power — a conflict of state power versus the power formed from voluntary associations.

That might be the case many times, but one thing is certain about North Carolina's Colonial history: It is rich with defenses of liberty and the fight against increased taxation. CJ

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

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The Locker Room is the blog on the main JLF Web site. All JLF employees and many friends of the foundation post on this site every day: <http://www.johnlocke.org/lockerroom/>



The Meek Deck is the JLF's blog in Charlotte. Jeff Taylor blogs on this site and has made it a must-read for anyone interested in issues in the Queen City: <http://charlotte.johnlocke.org/blog/>



Squall Lines is the JLF's blog in Wilmington. A group of JLF staffers and coastal friends keep folks on the coast updated on issues facing that region of the state: <http://wilmington.johnlocke.org/blog/>



Piedmont Publius is the JLF's blog in the Triad. Greensboro blogger and writer Sam A. Hieb mans the controls to keeps citizens updated on issues in the Triad: <http://triad.johnlocke.org/blog/>



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Short Takes on Culture

'Fireproof' an Uplifting Film

• "Fireproof"
Samuel Goldwyn Pictures
Directed by Alex Kendrick

Sometimes we live and teach fundamentals at work that we forget to apply at home. We treat our co-workers with more respect than our parents, show more patience to our students than to our children, or remember more about our clients than about our spouses.

The latest production of the outreach ministry at Sherwood Baptist Church in Albany, Ga., provides a powerful example of this tendency. Kirk Cameron plays fire Capt. Caleb Holt, whose marriage is crumbling because he is as selfish at home as he is selfless on the job.

The rest of the cast and crew are church members or family at Sherwood Baptist, including lead actress Erin Bethea, whose father is the church pastor.

This is the ministry's third feature-length film, following "Flywheel" and "Facing the Giants." The film's meager \$500,000 budget and volunteer staffing are clearly evident, but they need not detract from a good story and its message.

The message is entirely Christian and includes tie-ins to Fireproof Bible studies and the "Love Dare" book that provides the 40-day action plan for Caleb to rebuild his marriage.

Director Alex Kendrick largely navigates the difficult path of making a relationship movie that men enjoy and a Christian movie that is not preachy. Even the firefighter said that, despite dramatic license taken in an important rescue scene, the film captured the daily reality of firefighting and its effect on families. Conservative would-be filmmakers can take as many positive lessons from "Fireproof" as couples can.

— JOSEPH COLETTI

• "Combat"
American Life TV Network
Every night at 7 p.m. (replay at 2 a.m.)

In these politically correct times it might strike many as unbelievable that a TV drama series about World War II combat could be a hit, regardless of the era. But "Combat," which ran on ABC from 1962 to 1967, was, indeed, a smash. And I was one of its biggest fans.

It starred Vic Morrow as Sgt. Saunders and Rick Jason as Lt. Hanley. Together, they and their squad (Caje, Littlejohn, and Kirby)

mopped up France after the D-Day invasion, spending much more time there than the actual soldiers who invaded. But let's not quibble. This was a great TV show, with many episodes directed by Robert Altman, and many shows featuring established movie stars (Eddie Albert, Jeffrey Hunter) and soon-to-be stars (Lee Marvin, James Caan).

I stumbled on American Life Network's (channel 190 on Time-Warner) "Combat" reruns while seeking a break from the banality of network television. It's great entertainment that fits perfectly in that hour just after the news and before primetime. Viewing is enhanced by a great Web site (<http://www.jodavidsmeyer.com/combat/main.html>) that includes everything you ever wanted to know about the series, and it rates each episode with one to five bayonets.

Give it a try. Even the one-bayonet shows are winners. As a side note, Jack Hogan, who played Kirby for the entire run of the show, lives in the Hillsborough area.

— JON HAM

• "The Dead Sea Scrolls"
N.C. Museum of Natural Science,
Raleigh, June 28 — Dec. 28, 2008

The Dead Sea Scrolls have come to Raleigh, and they're definitely worth a look.

The first part of the exhibit describes the story behind the scrolls — how they were discovered — and is a historical feast for any biblical scholar. But the best part is the dimly lit, temperature-controlled room that houses the parchment fragments themselves.

Visitors browse the displays while somber Middle Eastern music is piped in — a nice touch that adds to the intrigue and mystery of these historical gems.

This section makes the steep admission price worth it. Enclosed behind protective glass shields are fragments from Psalm 90, 1 Samuel, Exodus (describing the famous "I AM" statement from God to Moses through the burning bush), Isaiah, and Genesis (recounting the fifth and sixth days of Creation).

One can't help but feel awe at these ancient parchments, some of which were written when Christ walked the Earth.

Equally stunning is their preservation over two millennia, a miraculous feat as divinely inspired as the writing itself.

— DAVID BASS CJ

Book review

Putting Left on the Defensive

• Daniel Shapiro: *Is the Welfare State Justified?* Cambridge University Press; 2007; 309 pp; \$80

BY GEORGE LEEF
Contributor

RALEIGH

Americans have lived with the welfare state for so long — more than 70 years — that for most, it is a fact of life. Asking whether it is justified would seem about as pointless as asking whether rain is justified. Among the relatively few people who might be inclined to ponder the ethics of the welfare state, most subscribe to philosophies (for example, egalitarianism, positive-rights liberalism, and communitarianism) that find no fault with our panoply of welfare programs. Indeed, they generally favor expanding welfare.

Those of us who oppose the welfare state therefore have a Herculean task before us if we want to see voluntary programs replace coercive government ones. Fortunately, we recently received some help.

Professor Daniel Shapiro's book *Is the Welfare State Justified?* makes a strong effort at persuading nonlibertarians that, based on their own philosophical principles, they ought to give up their support for government programs such as Social Security and Medicare. It is a first-rate effort that should get intellectually honest defenders of the welfare state saying, "Well, that is a good point...."

Readers should understand, however, that this is a work of scholarship. If you're looking for a few antiwelfare anecdotes to use against political opponents, you will have to go elsewhere. Throughout his analysis, Shapiro's writing displays a refreshing humility. He isn't looking for quick "gotcha!" points, but he grapples earnestly with opposing points of view.

Perhaps the reason why Shapiro is so successful is that he used to be one of those liberal welfare advocates. But then he began to consider the libertarian critique of welfare. He writes, "Once I realized how free markets really worked, and how government programs that were supposed to realize their seemingly compassionate or just goals didn't really do so, I realized that the attitude of distrust I had toward government power and the view I had about the value of individual freedom applied to economic as well as personal matters."

For quite a few years, Shapiro, who teaches philosophy at West Virginia University, has been writing articles with titles such as "Why Rawlsian Liberals Should Support Free Market Capitalism." In this book, he brings decades of professional thought to bear on this important project.

All right, then, is the welfare state justified? No, but a short review can't do justice to Shapiro's work. He covers a great array of philosophical arguments, objections to arguments, and rejoinders



to objections.

Let's briefly consider health care. Overwhelmingly, those on the political Left reject free-market provision of health care, contending that everyone has a right to "adequate" health-care services and concluding that we must adopt some version of a "single-payer" system in order to effectuate that claimed right. Shapiro responds that every sort of health-care system must deal with the rationing problem and strongly argues that the free-market system more fairly solves that problem than any politically driven system can.

Similarly with old-age insurance and support for the indigent, Shapiro carefully shows why voluntary and market-based systems are preferable for meeting the needs of people — preferable from the standpoint of those who are inclined to believe that government does a better job.

In my view, Shapiro's most devastating argument against all forms of government welfare is his observation that there is no such thing as a governmental welfare guarantee. It is merely an illusion that government can create rights to welfare. All that politicians can do is to promise that they, including future office holders, will use their coercive powers in an effort to deliver money, medical care, or other things to certain members of the population.

But political promises are completely unenforceable, unlike contracts. That's one of the main reasons why Shapiro regards individual saving for retirement, medical care, and other needs as better than reliance on the state. With respect to money you have earned and saved, you really do have rights — contractual rights. You aren't just a supplicant begging politicians to tax others for your benefit.

This is a splendid book that throws welfare state advocates on the defensive. CJ

George Leef (georgeleef@aol.com) is book review editor of *The Freeman* and vice president for research for the John W. Pope Center for Higher Education Policy.

Government Pirates Documents Trends Against Private Property

• Don Corace: *Government Pirates: The Assault on Private Property Rights — and How We Can Fight It*; Harper Paperbacks; July 2008; 288 pp; \$14.95

BY JANA BENSCOTER
Contributor

GREENSBORO

Government *Pirates*, written by Don Corace, records a scorecard of situations about the government's abuse of eminent domain and the seizure of private property. Corace cites a series of case studies across the nation to make his point.

Starting out of the gates, Corace highlights a historic U.S. Supreme Court case that set a precedent on property rights. Corace paints a 5-4 decision by the justices in favor of New London, Conn., as a "very dark day in our nation's history." The case was *Kelo vs. New London*, and the ruling was made June 23, 2005.

The court ruled that it was OK for the city to use "its power of eminent domain to promote economic development by 'taking' waterfront homes and businesses and handing them over to a private developer to build a luxury hotel and upscale condos."

From there, the book unravels a string of battles between homeowners, government leaders and departments, preservationists, and big business, all vying for land, or in most cases, greed and power.

Any bulldog who has an eye for calling out conflicts of interest would enjoy reading the book, but unfortunately, facts prove that a handful of leaders with more of a focus on helping special interests to attempt to gain financially for themselves, rather than helping the betterment of "we the people," seem-

ingly has become the majority.

Following the ruling in favor of New London, a poll conducted by NBC and the *Wall Street Journal* in July 2005 about Supreme Court issues, Corace wrote, "revealed that Americans cared more about private property rights than any other issue — including the state right-to-die laws and parental notifications for abortions." A number of Internet surveys by CNN, MSNBC, the *Christian Science Monitor*, and other major news organizations, showed that more than 90 percent of those polled opposed the government seizures of private property to turn it over to developers.

Corace brilliantly provides detailed information, a play by play, of several eminent domain cases. However, you should read at your own-risk, because the facts sometimes are infuriating.

Still in the beginning of the book, Corace practically gives a fair warning to the reader by providing his personal opinion on the decisions made by our nation's highest court. Citing a sampling of court cases in which the property owner is, in a sense, being bullied by those in "authority," Corace wrote: "In thousands of cases like these, property owners not only go through considerable



emotional distress, but are also forced to pay several thousands of dollars to litigate their claims in court. Why? Because politicians and bureaucrats — using our tax dollars — can afford to involve owners in lengthy litigation and force property owners to bend to their will."

"Whether it is eminent domain, No-Compensation Takings, or Pay-to-Play Takings, the root of the problem is the nearly unbridled power of federal

and Supreme Court judges. These judges have become the undisputed authority or 'final arbiter' of interpreting the Constitution — although nowhere in the Constitution does it grant them these powers."

The crux of the book is trying to define what eminent domain is and when it should be used. It begins at the local level before an outcry from a property owner even makes it to the Supreme Court. Yet, Corace asks, what are local and state governments doing for property owners?

"Pro-development coalitions, often referred to as the 'Wise Use' movement, argue that the courts have done little to protect private property rights," Corace writes. "Groups opposed to development, on the other hand, believe that the courts have not gone far enough. One thing they can both agree upon,

however, is that rulings have done little to bring clarity to the situation."

Shockingly, throughout, Corace gives examples of how lazy and inconsistent government officials have been on eminent-domain issues.

In one instance, a Colorado couple had to fight for their First Amendment Right of free exercise of religion.

The issue involved a women's weekly Bible study and the number of cars parked on the street during the meeting. Yet, as the couple pointed out, weekly Monday Night Football was OK, but worship was not. "Apparently, a certain city official believed that a Denver zoning ordinance superseded the Constitution," Corace writes. The couple won in the end.

Although much of the book is riddled with disappointment for private property owners, Corace doesn't go without adding some humor to the book. He highlights a cease-and-desist letter that was sent to a property owner in Pierson, Mich. The letter, sent by the Mich. Department of Environmental Quality, asked the property owner to stop building two dams without required permit and documentation.

The department was quickly exposed when the property owner replied to the letter, which clarified that beavers were building the dams.

"As to your dam request the beavers first must fill out a dam permit prior to the start of this type of dam activity, my first dam question to you is: Are you trying to discriminate against my Spring Board Beavers or do you require all dam beavers throughout this State to conform to said dam request?"

The book is enlightening, informative, and will be most likely a timeless read. *CJ*

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By John Hood
President of the
John Locke Foundation

Selling the Dream Why Advertising is Good Business

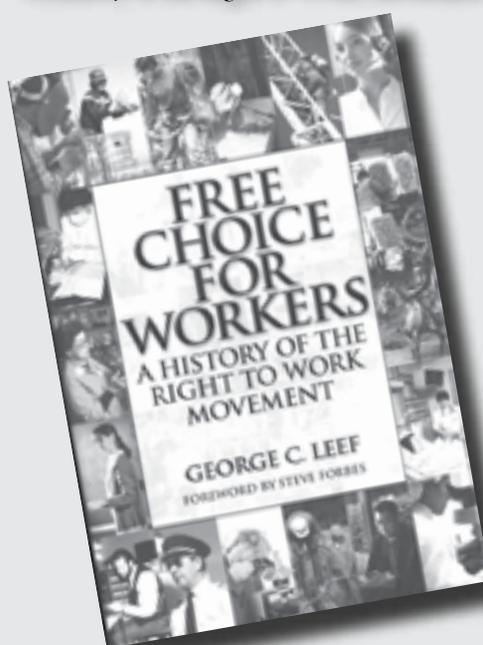


"[Selling the Dream] provides a fascinating look into the world of advertising and beyond ... Highly recommended."

Choice
April 2006

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Free Choice for Workers: A History of the Right to Work Movement



By George C. Leef
Vice President for Research at the
John William Pope Center for Higher
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"He writes like a buccaneer... recording episodes of bravery, treachery, commitment and vacillation."

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COMMENTARY

Criminal Injustice in Durham

The administration of justice in Durham County is a mess. OK, at some level that isn't news, as Durham County has been in the news for all the wrong reasons twice in the past two years: the Duke lacrosse case and the murder of UNC-Chapel Hill student body President Eve Carson. Three other recent events, though, show that the problems highlighted in those two cases aren't random occurrences.

The Duke lacrosse case involved a rush to judgment, based upon questionable police methods and prosecutorial incompetence (or worse). Two other cases, in which convictions were recently thrown out, are strikingly similar.

The right to a speedy trial is guaranteed in both the U.S. and N.C. constitutions. As a practical matter, though, it's almost impossible to see a conviction overturned on the ground of speedy trial.

That's almost impossible, except in Durham it is possible. On Sept. 2, the N.C. Court of Appeals overturned Frankie Washington's convictions and 48-year sentence for burglary, kidnapping, robbery, and sex-offense charges for a home invasion May 30, 2002.

Washington's case didn't go to trial until February 2007, four years and nine months later. In its ruling, the N.C. Court of Appeals found "overwhelming evidence that the delay could have been avoided if the State had exercised even the slightest care during the course of this prosecution" and suggested that another man could have been guilty in the case.

It seems that the Durham district attorney's office didn't submit two key pieces of evidence — a purse the burglar took but later threw away and a toboggan found in an alleyway that police thought the burglar wore — to the SBI lab for analysis until August 2005 despite a court order March 2004 that they be examined as quickly as possible. Both pieces of evidence suggested that someone besides Washington was responsible.

This delay affected Washington's defense, because witnesses couldn't recall details of what happened. The police officers involved

recalled little beyond what was in their notes. While about \$150 was taken in the burglary, the officers couldn't recall with certainty whether Washington had money on him when he was arrested.

The Durham Police Department also never had the SBI lab compare samples from the purse and toboggan to those of Lawrence Hawes, who is currently in prison for a series of similar home invasions in the same part of Durham at the same time.

Then there's the case of Erick Daniels, whose burglary and robbery convictions were also thrown out in September. Again, the prosecutors and the police didn't follow up signs that someone else was responsible. Again, the case was built entirely upon eyewitness identification, this time with the victim identifying Daniels after looking over a middle school yearbook for half an hour.

"People are starting to question, in Durham, the degree to which the prosecutor's office and the police department are tracking down cases when there are leads that other people have committed the crime," said Superior Court Judge Orlando Hudson in declaring Daniels innocent.

The problems in Durham County extend to the probation system as well. Carson was murdered in March. The men charged, Lawrence A. Lovette Jr. and Demario J. Atwater, were, in theory, on probation. I say "in theory," because there's the sense that the probation system was doing nothing to monitor their activities.

Lovette and Atwater are hardly unique. The Durham *Herald-Sun* reported that about 20 percent of probationers in Durham County do such a good job of not reporting to their probation officer that they qualify as "absconders." The absconder rate nationally is only about 10 percent. Why these absconders aren't back in jail is unclear.

Criminal justice is one of the core functions of government. Unfortunately in Durham County, that seems to be hollow. CJ

Michael Lowrey is an associate editor of Carolina Journal.



**MICHAEL
LOWREY**



EDITORIAL

Beware of Widget Salesmen

Let's say you're a legislator. Your eyes light up when a vendor from the Acme Widget Company pays a call.

The vendor promises his new widget will create thousands of new jobs every year. It sounds great. Voters like new jobs. But you weren't born yesterday. You ask, "How do you know it will work?" The vendor whips out an academic study that shows the widget will offer great benefits: new jobs, a huge positive economic impact, even a better environment. Now the deal looks even better.

But you know better than to place complete trust in one study. Plus you notice that the academics who cobbled the study together have a vested interest in this issue. Their work focuses on promoting items like the new widget. You say to the vendor, "This study looks nice, but you can make a study say anything. Has anybody looked at your study and confirmed the findings?"

"Well, uh," the vendor stammers. Then he has an idea. "What would you say if another set of academics reviewed the study? If the second group endorses the first study, would you believe it?"

"That sounds reasonable," you say. So the vendor returns later with a "peer review," a document confirming that the first study uses sound methods. Great. Now you and your colleagues can buy some widgets, create some jobs, improve the environment, and help set the stage for re-election.

But wait a minute. There's a catch. You learn that the manager for this peer review is not just some random academic. He's a senior adviser to the Acme Widget Company. He's

listed on the company's Web site. Acme paid him \$31,500 in the past year.

This development causes a reassessment. First, Acme is offering a deal that sounds too good to be true. Second, the sales pitch uses a study compiled by academics interested in promoting items like Acme's widget. Third, an Acme adviser leads the only group that's looking over those academics' shoulders.

Three strikes, and Acme is out. "Thanks for the offer, but I think I'm going to pass," you tell the vendor.

The story above is true, with a few minor changes. The Acme Widget Company is actually the Center for Climate Strategies, a group tied to global warming alarmists. The center's widget is actually a set of 56 policy proposals designed to fight global warming.

The academic study promising tens of thousands of new jobs and a multibillion-dollar economic impact is authored by the Appalachian State University Energy Center, a group interested in alternatives to the fossil fuels blamed for manmade global warming.

The peer review manager is Adam Rose, a University of Southern California researcher tied to CCS. The center paid Rose \$31,500 in the past year for climate work.

While a non-working widget might gather dust in the garage, state global warming policies that don't work will lead to higher taxes, reduced freedom, and a massive blow to North Carolina's economy.

Let's hope legislators will treat the CCS global warming salesman with the skepticism he deserves. CJ

EDITORIALS

CON is a Con

Certificate of Need inconsistent with freedom

Opponents of North Carolina's absurd certificate-of-need regulations need to keep the faith.

The state Supreme Court has signaled little willingness to overrule state regulators when the latter cite the certification-of-need law to protect local hospitals from competition. The most recent example came in October when the high court ruled that Harnett County's Good Hope Hospital could not build a new facility in Lillington to compete with a 50-bed hospital that Harnett Health System is building in the same town.

Good Hope originally received state permission to replace its aging facility in Erwin, a town in the southeastern part of the county. Later, however, its board realized that relocating to Lillington would maximize the share of the local population that could access its services. The plan drew the opposition of Harnett Health System officials, who argued that there wasn't enough potential demand for medical services in the location to justify competing hospitals. Of course, competition requires some excess capacity, what might even be called duplication. Otherwise, consumers could never make choices among alternatives.

The CON law fails the common

sense test. It puts a government agency in Raleigh in the business of deciding which North Carolina health providers can offer a particular service or open a facility in a particular location. That's a role that no public official should ever be allowed to play, a role inconsistent with freedom or efficiency.

As JLF's Roy Cordato explained a couple of years ago: One sure way to raise the cost of something is to give producers power to restrict output and production.

Politicians understand this when the issue is OPEC and oil, but when the issue is health care, they think the way to protect people from higher costs is to restrict the supply of medical facilities and equipment.

It's not as though wise North Carolina leaders didn't foresee a potential conflict between the public interest and service providers whose market shares are sustained by state protections. "Perpetuities and monopolies are contrary to the genius of a free state and shall not be allowed."

That statement is from Article 1, Section 34, of the state constitution. There are few examples more egregious than allowing state government to dictate where North Carolinians can go for medical care. *CJ*

Educational Hope

School choice programs offer real promise

Beyond our borders, countries have structured their educational systems in a variety of ways. Some have school-choice programs that significantly reduce the penalty parents must pay when choosing schools other than the ones to which their children are assigned by government bureaucrats. The details differ, and reveal the limitations and drawbacks of each choice system. But outcome data reveal their promise.

Andrew Coulson, an education analyst at the Cato Institute, released a new study recently that compiled dozens of studies of these school-choice programs. The outcomes under consideration included test scores, gains per dollar, parental satisfaction, school safety and discipline, and graduation rates. Coulson found overwhelming evidence for the proposition that private schools outperform government ones on these measures most of the time.

Coulson stressed the varied educational settings from which his study's results arose. "These findings," he wrote, "span some of the most diverse cultural and economic settings on Earth: from

the United States to Colombia, from the urban slums of Hyderabad to the fishing villages of Ghana. The parents whose children benefit from market-like school systems range from some of the most privileged on the planet to some of the least literate and most destitute."

He also warned that school choice programs that appear to inject competition into education but assert significant state control over participating schools' autonomy aren't worth pursuing.

Coulson's findings suggest that the best approach would be to offer educational tax credits to individuals or businesses that spend or give money to educate school-aged children. The dollar-for-dollar credit would max out at a certain per-pupil expenditure. Poor families without a tax liability would benefit, too, through donations to the scholarship-granting organizations serving them.

Structured carefully and explained clearly, school choice programs are political salable, practical, fair, and offer a real hope of reducing long-standing performance gaps. *CJ*

COMMENTARY

The Problems With Fuzzy Definitions

There's great mischief lurking in fuzzy definitions.

In politics, the mischievous — and most certainly the villainous — prefer to employ ill-defined words that hide their true intentions and reduce their exposure to investigation and refutation. As John Locke himself once wrote, in *An Essay Concerning Human Understanding*, "there is no such way to gain admittance or give defense to strange and absurd doctrines as to guard them round about with legions of obscure, doubtful, and undefined words."

Today's excursion into the political misuse of the English language, a form of rhetoric Locke compared to "the dens of robbers, or holes of foxes," concerns the word *subsidy*.

Many politicians and commentators employ the term to describe any payment from one party to another. But that doesn't capture its true meaning. If I give you a dollar today, and you return the dollar to me tomorrow, neither of us has been subsidized. There was no net transfer of wealth. Moreover, if I pay you a dollar in exchange for a good or service you perform for me, I'm not subsidizing you. Again, there is no net transfer. It is a trade.

Bear with me. This is no mere semantic distinction. It has a bearing on many political debates in North Carolina, on issues ranging from transportation to higher education.

The original Latin term was *subsidiere*, combining two words: *sub*, meaning below, and *sidere*, to settle or sit. It is the root of such modern-day English words as *subside*, *subsidiary*, and *subsidy*. The common denominator is the concept of something being left over, as in what solids sink to the bottom of a glass of liquid. Figuratively, it refers to something being supplemental, extra, a remainder.

The money you spend buying a chicken dinner for lunch is not a subsidy of Bojangles. However, if Bojangles is a partner in a local charitable enterprise, say a juvenile-diabetes philanthropy, and you choose to donate money through a handy jar while eating at the restaurant, you are subsidizing the diabetes program.

Subsidies can be voluntary, like the above example. But in

the political context the subject is typically an involuntary subsidy, a forcible transfer of money from some group of taxpayers to another group of beneficiaries. The important point is that it has to be a net

transfer. It is impossible for everyone to be subsidized. That's an incoherent concept. If everyone receives direct benefits in relationship to direct taxes paid, no one is being subsidized.

Defenders of mass transit like to argue, as several respondents did to JLF's just-released study of the Charlotte light-rail line, that all transportation choices are subsidized, so

fixating on the share of transit cost shouldered by nontransit users is unfair.

Sure, if we're talking about government assets such as unlimited-access highways or airports, it appears as though taxpayers rather than users are financing the system. In reality, however, the taxes and fees that fund roads and airports bear a strong relationship to usage. Moreover, the direct beneficiaries aren't hard to identify. You either ride the train, or you don't. Either there's a net transfer of wealth from transit users to non-transit users, or the money flows the other way. It is impossible for both users and nonusers of transit to receive a net subsidy, unless foreigners or extraterrestrials are involved. One group must subsidize the other.

It is, of course, the transit users who are heavily subsidized. In the case of the Charlotte rail line, more than 90 cents of every dollar spent to transport a rider come from taxpayers other than the rider.

To distinguish the subsidized from the subsidizers is not necessarily to invalidate the government program in question. You might say that even though students at public universities derive the vast majority of the benefits from their education, those who don't attend public universities should help pay the bill. But at least you'd be admitting that a subsidy exists (in this case, from the relatively less affluent to the relatively affluent).

Using precise language helps to clarify the issue — which is why so many politicians and commentators prefer to keep things nebulous. *CJ*

John Hood is president of the John Locke Foundation.



JOHN HOOD

EDITORIAL BRIEFS

Pension funds and energy

Already at-risk public employee pension funds are being placed in further danger by state officials who are lobbying for global-warming regulation and by state officials who are ignoring the risks posed by such regulation, a new report by the National Center for Public Policy Research says.

Global-warming regulation is a key portfolio risk for state and local pension funds. A substantial minority of state and pension fund administrators — 15 states and local governments managing about \$1.21 trillion in assets, or 45 percent of all actuarial assets of state and local pension funds — are promoting regulation that is likely to harm their portfolios and beneficiaries.

State and local pension fund administrators might be breaching their fiduciary obligations to public employee-beneficiaries by promoting or failing to oppose global-warming regulation that places portfolio assets at greater risk.

This breach of fiduciary duty is particularly serious for pension fund systems that are underfunded and that depend on robust stock market performance to meet their future obligations. Fourteen pension fund systems among the 15 state and local governments that are promoting global-warming regulation are insufficiently funded.

"Four-dollar gasoline has, by itself, just shown us how the economy and stock market are likely to be ravaged by high energy prices," co-author Steven J. Milloy said.

"It doesn't take much imagination to foresee what will happen to pension fund stock market investments if these state officials get the across-the-board economy-killing energy price hikes that they are lobbying for," co-author Thomas Borelli said. CJ

Fish and the market

In 1995, Alaska's halibut fishermen decided to privatize their fishery by dividing up the annual quota into "catch shares" that were owned, in perpetuity, by each fisherman. Today, the halibut season lasts eight months, up from three days, and the combined value of their quota has increased by 67 percent to \$492 million, the *Economist* says.

Most of the rest of the world's fisheries are still embroiled in a damaging race for fish that is robbing the seas of their wealth. Yet, the powerful logic in favor of market-based mechanisms has been ignored, partly because the evidence has largely been anecdotal.

A study of the world's 121 fisheries managed by individual transferable quotas, one form of market-based mechanism, showed that they are dramatically healthier than the rest of the world's fisheries.

The quota system cut by one-half the chance of a fishery collapsing. By giving fishermen a long-term interest in the health of the fishery, quotas have transformed fishermen from rapacious predators into stewards and policemen of the resource.

But quotas and other market mechanisms are not a replacement for government regulation, and they will not work everywhere. Attempts to use transferable quotas in international waters have failed, because it is too easy to take fish because of weak regulations, and they will not work in slow-growing fisheries, where fishermen might make more money by fishing the stock to extinction than waiting for them to mature. CJ



What's a Worker Worth?

Early in our marriage, now almost 30 years ago, my wife presented me with this question: "Why do professional baseball players, who engage in a sport that was invented for fun, earn a thousand times more than school teachers? Certainly teaching school is more important than hitting and throwing a baseball."

My wife's question is typical. As we look around the economy and assign some level of importance to jobs, we see that pay and importance don't always seem to match. Jobs such as those of school teachers, policemen, firefighters, and nurses — all performing essential work that we can't do without — are paid substantially less than professional sports players, nationally renowned entertainers and actors, and executives of big companies.

Let me take a shot at explaining this. First, recognize we don't have a national economic dictator or governing board that sets what various jobs will be paid. Instead, we have a virtual economic "free for all" where workers and businesses are free to negotiate, accept, and reject job offers and demands.

In this setting, the determination of salaries is rather simple. Salaries are set by the interaction of the demand for workers in a particular job and the supply of workers able to do that job. Jobs for which there is a high demand, but a low supply, will pay the most. Jobs with a low demand, and high supply, will pay the least. The pay of other jobs will be in the middle.

I know what you're thinking. What's all this demand and supply business? Let me drop the economics lingo and speak in intuitive terms. Businesses want to hire people who will make a lot of money for them, and the more money, the better. Therefore, workers who can pull in big bucks for a business will be more sought after — the demand

for them will be higher — than workers who can bring in only small change. The way for businesses to attract the "big bucks" workers is to offer them higher salaries.

But this is only half of the pay picture. On the other side is how many big-bucks workers there are. If they're everywhere — the supply is large — then even though each worker is valuable to a company, companies won't have to work hard to hire the workers, meaning salaries will be modest or low. In this case, the big supply trumps the big demand.

Yet if there are few of these valuable workers, firms will be outbidding each other to grab them, so salaries will be high. The combination of big demand and small supply generates a gigantic paycheck for the workers.

Now let's go to the other end of the salary spectrum. Jobs that contribute relatively little to the business's bottom line won't carry large pay offers. However, combine this with a situation in which many people can do those jobs, and bingo, you get low demand combined with big supply, meaning a paycheck at the bottom end of the salary ladder.

So why do pro ballplayers get millions? If they're good, they put a lot of people in the seats, they sell a lot of merchandise for the team, and they jack up advertising rates. Plus, although many of us had dreams as kids of being ballplayers, few folks can throw or hit a 90 mph fastball, make a three-pointer with a hand in his face, or rush through a defensive line of 300-pounders. So, big demand and low supply equals major league salaries for pro players.

What about teachers? The reality is that more people can teach school than have the skills to play pro sports, so the supply of teachers is greater. In addition, schools, especially public schools, don't earn big revenues for teaching kids. The result, big supply plus modest demand, equals modest salaries. CJ

Michael L. Walden is a William Neal Reynolds distinguished professor at North Carolina State University.



MICHAEL WALDEN

Keep Calm and Carry On

During the early spring of 1939, when war with the Germans was inevitable, the British government commissioned posters with the slogan, "Keep calm and carry on," assuring citizens that all capable measures to defend and protect Great Britain were being employed. North Carolina is not on the verge of war, but we are facing troubling and crucial challenges.



BECKI GRAY

With the recent outcome of the state elections, new leadership will take the helm in January and the uncertainty of how those challenges will be met has left many North Carolinians feeling that same uncertainty and uneasiness that the British felt at the beginning of World War II.

There is good reason for concern. September's unemployment rate was 7 percent, the highest since 2002. The national credit crunch brought home sales and construction to a standstill. Gov. Mike Easley called for a 2 percent reduction in state spending. Gasoline prices diminished revenue for road construction and maintenance, necessitating a 6 percent cut in state Department of Transportation spending and delaying the state's first toll road. Tax revenue for the first quarter was \$230 million less than anticipated and pointed to a likely \$1.5 billion, or more, shortfall by year's end. The state health plan, a major responsibility of state government, is short \$250 million. The General Assembly obligated more than \$1 billion in new debt in last year's session.

New lawmakers will have to grapple with severe revenue shortages and more. When the economy sours, people reduce spending, businesses suffer, people lose their jobs, and there's more demand for Medicaid and other social programs. Changes in how mental health services are delivered have been a failure and are in dire need of massive reform. In the meantime, more people are moving to North Carolina. North Carolina was predicted to be the seventh largest state by 2010. More people mean increases in demand for transportation, infrastructure, and school enrollment, which require big government spending. With additional demands on government and a slow economy, the inclination is for big tax increases and even bigger government.

In these times of crisis, things could easily get out of hand. Some leaders think government control, rather than individual responsibility, is the answer. More and bigger government means more taxes and more interference in our lives — telling us where and how we can live, how we can get to and from work, how much water we can use, where our electricity will come from, how we can use our property, how and where our children will be educated, what kind of health care we can have, and of course the cost goes up. So it comes down to this: Will the newly elected lead-

ers address the crisis by increasing government's control and expenses? Or will they limit government, allow the economy to grow with free markets, protect private property rights, and ensure individual liberty?

Stay calm. John Locke and the state's Founding Fathers actually provided the guidance needed for today's challenges more than 200 years ago. Locke, who greatly influenced the framers of the U.S. and N.C. constitutions, believed that property rights were the basis of human freedom and that government existed to protect them. North Carolina's first constitution was drafted in 1776, a second was approved by popular vote in 1868, and a third and final, which reorganized and cleaned up previous versions, was ratified in 1971.

Under the N.C. constitution, the state budget must be balanced. It gives the governor veto power and ensures that elections are free. It provides rights for victims, protects the accused, and guarantees a jury trial. It calls education a privilege, secures a right to a public education, and promises higher education that is affordable.

It clearly defines and restricts the legislative, judicial, and executive branches of government. It gives state government the right to tax and puts limits on that right. It limits the ability to issue public bonds. It forbids the

restraint of free speech and the press. It allows the death penalty in cases of murder. It requires that the General Assembly apply laws uniformly across the state. It protects against the government seizing or depriving anyone of his or her life, liberty, or property. Our constitution consists of 14 separate articles, has been amended numerous times, and has been clarified in the courts through hundreds of lawsuits.

The power to change that constitution lies with us. It can be altered only with the approval of the majority of voters.

So as bad as things might seem, the framers of our constitution made sure that protections from too much government encroachment were in place. They ensured that the power of government lay with the people. There is a framework to define and limit what judges, the governor, and the legislature can do. The constitution provides the fundamental principles and the backbone and guidance for government leaders to make decisions that protect liberty, not take it away.

The Founders crafted the N.C. constitution to restrict government and to protect basic rights of property and liberty. That doesn't mean that we, the people, don't need to be diligent, to hold those leaders accountable and to be sure they uphold the constitution's principles. It just means the Founding Fathers anticipated new leaders, new challenges, and a changing economy and provided the framework to get through tough times. Keep calm and carry on. *CJ*

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

Will state leaders react to the current crises facing N.C. with big-government or pro-liberty responses?

JLF Report Used Harsh Grading System

To the editor,

Your article ("The Parental Prerogative: How parent-friendly are school districts in North Carolina?") purported to rate school districts on measures important to parents.

The resulting judgments were based on a harsh grading system, and the information used was sparse and tenuously linked to parent satisfaction. Your analysis gave Winston-Salem/Forsyth County Schools (WSFCS) an overall grade of D+.

In response to our parent survey of every parent in grades 5, 8 and 12 for the past seven years, 80 percent gave our district a grade of "A" or "B".

In your study only eleven variables

were used to devise four "domains." Under "Administration," one variable was based on a teacher survey item about communication of expectations to parents and students (hardly a parent perception), and "bureaucracy," which assumed that the fewer non-teaching professional staff, the better.

As a comparison, 87 percent of over 4,000 parents surveyed reported that it was easy to communicate with teachers. With respect to resources, dollars should be directed to instruction; but in fact some support functions make

it possible or easier for teachers to do their jobs.

The "Teachers" domain had three variables, all of which were related to teacher retention, which does not directly measure parent satisfaction.

The "Safety" domain was based on only one variable, acts of school crime and violence.

First, school safety is about more than freedom from violent acts, which are thankfully isolated and few. Second, it is well known that it is very difficult to achieve accuracy and consistency in this reporting statewide.

In WSFCS, over 90 percent of our parents surveyed reported that their child is safe in school.

The fourth domain, "Perfor-

mance", was based on reading and math test scores, graduation rates, No Child Left Behind (with its well-documented flaws), and SAT scores (known to be impacted by the percentage of test-takers).

These domains were standardized and "graded". By design, only 10 percent of the districts could receive an "A" on each domain, which resulted in no grades of "A" once the domains were averaged into an overall "Grade Point Average."

My question is: would parents be satisfied with a school grading system that allowed at best only a few grades of "A"? I don't think so.

Marty Ward
Winston-Salem, N.C.

Letters
to the
Editor

Easley Proposes NASCAR Sponsorship Bailout Plan (a *CJ* parody)

By R. Petty
Racing Correspondent

RALEIGH
Gov. Mike Easley unveiled a \$200 million NASCAR team financial rescue package at a Nov. 4 news conference at the Lowe's Motor Speedway. Under Easley's plan state government agencies will become car sponsors for the 2009 season.

Major NASCAR sponsors typically pay \$30 million per year to have their name plastered on a car, but the economic downturn has caused many sponsors to withdraw their support for the 2009 season.

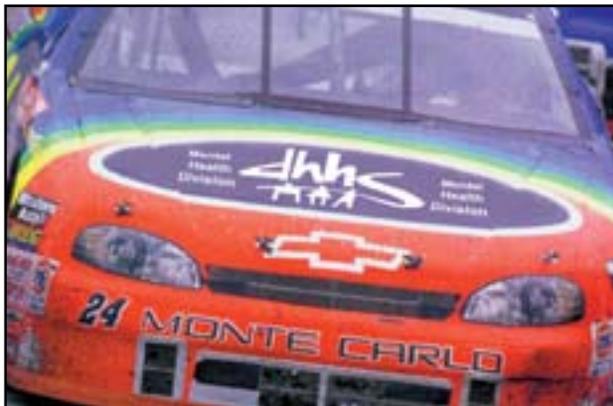
"NASCAR is our state's most important industry, and we must protect it from the negative consequences of the Bush administration recession," said Easley. "I am proposing measures that will protect selected North Carolina-based teams which will help NASCAR in general."

Even though his term as governor will end Jan. 10, Easley said he was not willing to wait for his successor to deal with the issue. He would not say exactly where the money would come from.

Easley said shortly after the mortgage industry crisis became public that Hendrick Motorsports owner Rick Hendrick approached him about pre-emptive measures to protect his teams.

Hendrick, a successful auto dealer, entered the racing business in 1984. He has four drivers in the NASCAR Sprint Cup Series — Jeff Gordon, Casey Mears, Jimmie Johnson, and Dale Earnhardt Jr.

Hendrick and the drivers joined Easley at the



The Governor's Office released this photo to show how one of the Hendrick Motorsports cars will look under the new sponsorship arrangement with the state. (A *CJ* doctored photo)

press conference. "Rick Hendrick and I came up with this plan," Easley said. "He needs a cash infusion, and we have some state agencies that need to rebuild their reputation. I see it as a win-win situation."

"It's a scary time right now," driver Jeff Gordon said. "We see strong teams struggling to get sponsorship." Gordon's primary sponsor for years has been DuPont, but next year the Department of Health and Human Services logo will appear on the hood of Gordon's No. 24 car.

The featured DHHS agency will be the Mental Health Division, which was responsible for wasting nearly \$400 million, concluded news reports, so another \$30 million to become a NASCAR sponsor is just small

change, Easley said.

As a replacement for the CARQUEST/ Kellogg's sponsorship, Casey Mears' No. 5 car will now sport the logo of The Division of Community Corrections.

That Department of Correction division is responsible for the supervision of all adult offenders on probation, parole, or post-release parole supervision. The agency has come under fire this year for its lax supervision record.

"I hope every time they hear that Mears' car had 'a good run', it will remind them to be more careful about letting criminals loose," said Easley.

The 2008 members of the N.C. Board of Transportation will sponsor Earnhardt.

"I thought my board members should be involved in something they can be proud of," Easley said. "Even though they are all likely to be replaced, seeing their names on Dale Jr.'s car should be a lasting honor."

The Department of Cultural Resources will sponsor Jimmie Johnson's 48 car number that has been sponsored by Lowe's.

"People have to accept that our culture is changing. For years we have subsidized the arts. It's time for some other segments of the economy to get a little piece of the pie," Easley said.

A *Carolina Journal* reporter asked Easley why the rescue plan so far involves only one racing team.

"We need to ease into this plan, and I trust Rick Hendrick," Easley responded. He also confirmed that after leaving office he would become the government relations director for Hendrick Motorsports. *CJ*

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